

LOS ANGELES COUNTY ASSESSMENT PRACTICES SURVEY

DECEMBER 2018

CALIFORNIA STATE BOARD OF EQUALIZATION

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December 21, 2018

TO COUNTY ASSESSORS:

LOS ANGELES COUNTY
ASSESSMENT PRACTICES SURVEY

No. 2018/063

A copy of the Los Angeles County Assessment Practices Survey Report is enclosed for your information. The Board of Equalization (BOE) completed this survey in fulfillment of the provisions of sections 15640-15646 of the Government Code. These code sections provide that the BOE shall make surveys in specified counties to determine that the practices and procedures used by the county assessor in the valuation of properties are in conformity with all provisions of law.

The Honorable Jeffrey Prang, Los Angeles County Assessor, was provided a draft of this report and given an opportunity to file a written response to the findings and recommendations contained therein. The report, including the assessor's response, constitutes the final survey report, which is distributed to the Governor, the Attorney General, and the State Legislature; and to the Los Angeles County Board of Supervisors, Grand Jury, and Assessment Appeals Board.

Mr. Prang and his staff gave their complete cooperation during the survey. We gratefully acknowledge their patience and courtesy during the interruption of their normal work routine.

Sincerely,

/s/ David Yeung

David Yeung, Chief
County-Assessed Properties Division
Property Tax Department

DY:dcl
Enclosure

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INTRODUCTION

Although county government has the primary responsibility for local property tax assessment, the State has both a public policy interest and a financial interest in promoting fair and equitable assessments throughout California. The public policy interest arises from the impact of property taxes on taxpayers and the inherently subjective nature of the assessment process. The financial interest derives from state law that annually guarantees California schools a minimum amount of funding; to the extent that property tax revenues fall short of providing this minimum amount of funding, the State must make up the difference from the general fund.

The assessment practices survey program is one of the State's major efforts to address these interests and to promote uniformity, fairness, equity, and integrity in the property tax assessment process. Under this program, the State Board of Equalization (BOE) periodically reviews the practices and procedures (surveys) of specified county assessor's office. This report reflects the BOE's findings in its current survey of the Los Angeles County Assessor's Office.

The assessor is required to file with the board of supervisors a response that states the manner in which the assessor has implemented, intends to implement, or the reasons for not implementing the recommendations contained in this report. Copies of the response are to be sent to the Governor, the Attorney General, the BOE, and the Senate and Assembly; and to the Los Angeles County Board of Supervisors, Grand Jury, and Assessment Appeals Board. That response is to be filed within one year of the date the report is issued and annually thereafter until all issues are resolved. The Honorable Jeffrey Prang, Los Angeles County Assessor, elected to file his initial response prior to the publication of our survey; it is included in this report following the Appendixes.

OBJECTIVE

The survey shall "...show the extent to which assessment practices are consistent with or differ from state law and regulations."¹ The primary objective of a survey is to ensure the assessor's compliance with state law governing the administration of local property taxation. This objective serves the three-fold purpose of protecting the state's interest in the property tax dollar, promoting fair treatment of taxpayers, and maintaining the overall integrity and public confidence in the property tax system in California.

The objective of the survey program is to promote statewide uniformity and consistency in property tax assessment, review each specified county's property assessment practices and procedures once every five years, and publish an assessment practices survey report. Every assessor is required to identify and assess all properties located within the county – unless specifically exempt – and maintain a database or "roll" of the properties and their assessed values. If the assessor's roll meets state requirements, the county is allowed to recapture some administrative costs.

SCOPE AND METHODOLOGY

Government Code sections 15640 and 15642 define the scope of an assessment practices survey. As directed by those statutes, our survey addresses the adequacy of the procedures and practices employed by the assessor in the valuation of property, the volume of assessing work as measured by property type, and the performance of other duties enjoined upon the assessor.

Pursuant to Revenue and Taxation Code² section 75.60, the BOE determines through the survey program whether a county assessment roll meets the standards for purposes of certifying the eligibility of the county to continue to recover costs associated with administering supplemental assessments. Such certification is obtained either by satisfactory statistical result from a sampling of the county's assessment roll, or by a determination by the survey team – based on objective standards defined in regulation – that there are no significant assessment problems in the county.

This survey included an assessment sample of the 2015-16 assessment roll to determine the average level (ratio) of assessment for all properties and the disparity among assessments within the sample. The ideal assessment ratio is 100 percent, and the minimum acceptable ratio is 95 percent. Disparity among assessments is measured by the sum of absolute differences found in the sample; the ideal sum of absolute differences is 0 percent and the maximum acceptable number is 7.5 percent. If the assessment roll meets the minimum standards for ratio and disparity, the county is eligible to continue to recover the administrative cost of processing supplemental assessments.³

¹ Government Code section 15642.

² Unless otherwise stated, all statutory references are to the California Revenue and Taxation Code and all rule references are to sections of California Code of Regulations, Title 18, Public Revenues.

³ For a detailed description of the scope of this program, please refer to the document entitled *Assessment Sampling Program*, available on the BOE's website at <http://www.boe.ca.gov/Assessors/pdf/assessmentsamplingprogram.pdf>. Additionally, detailed descriptions of assessment practices survey topics, authoritative citations, and related information can be found at <http://www.boe.ca.gov/proptaxes/apscont.htm>.

Our survey methodology of the Los Angeles County Assessor's Office included reviews of the assessor's records, interviews with the assessor and his staff, and contacts with officials in other public agencies in Los Angeles County who provided information relevant to the property tax assessment program.

For a detailed description of the scope of our review of county assessment practices, please refer to the document entitled *Scope of Assessment Practices Surveys*, available on the BOE's website at <http://www.boe.ca.gov/Assessors/pdf/Scopemaster.pdf>. Additionally, detailed descriptions of assessment practices survey topics, authoritative citations, and related information can be found at <http://www.boe.ca.gov/proptaxes/apscont.htm>.

We conducted reviews of the following areas:

- Administration

We reviewed the assessor's administrative policies and procedures that affect both the real property and business property assessment programs. Specific areas reviewed include the assessor's budget and staffing, workload, assessment appeals, disaster relief, assessment roll changes, and exemptions.

- Assessment of Real Property

We reviewed the assessor's program for assessing real property. Specific areas reviewed include properties having experienced a change in ownership, new construction assessments, properties experiencing a decline in value, and certain properties subject to special assessment procedures, such as California Land Conservation Act (CLCA) property, taxable government-owned property, taxable possessory interests, and mineral property.

- Assessment of Personal Property and Fixtures

We reviewed the assessor's program for assessing personal property and fixtures. Specific areas reviewed include conducting audits, processing business property statements, business equipment valuation, manufactured home assessments, aircraft assessments, and vessel assessments.

EXECUTIVE SUMMARY

We examined the assessment practices of the Los Angeles County Assessor's Office for the 2015-16 assessment roll. This report offers recommendations to help the assessor correct assessment problems identified by the survey team. The survey team makes recommendations when assessment practices in a given area are not in accordance with property tax law or generally accepted appraisal practices. An assessment practices survey is not a comprehensive audit of the assessor's entire operation. The survey team does not examine internal fiscal controls or the internal management of an assessor's office outside those areas related to assessment. In terms of current auditing practices, an assessment practices survey resembles a compliance audit – the survey team's primary objective is to determine whether assessments are being made in accordance with property tax law.

In the area of administration, the assessor is effectively managing staffing and workload, assessment appeals, disaster relief, and exemptions. However, we made recommendations for improvement in the assessment roll change program.

In the area of real property assessment, the assessor has effective programs for declines in value, California Land Conservation Act (CLCA), taxable possessory interest, taxable government-owned property, and mineral property programs. However, we made recommendations for improvement in the change in ownership and new construction programs.

In the area of personal property and fixtures assessment, the assessor has effective programs for audit and assessing aircraft and vessels. However, we made recommendations for improvement in business property statement processing, business equipment valuation, and manufactured homes programs.

Despite the recommendations noted in this report, we found that most properties and property types are assessed correctly, and that the overall quality of the assessment roll meets state standards.

The Los Angeles County assessment roll meets the requirements for assessment quality as established by section 75.60. Our sample of the 2015-16 assessment roll indicated an average assessment ratio of 99.67 percent, and the sum of the absolute differences from the required assessment level was 0.69 percent. Accordingly, the BOE certifies that Los Angeles County is eligible to receive reimbursement of costs associated with administering supplemental assessments.

OVERVIEW OF LOS ANGELES COUNTY

Located in southern California, Los Angeles County had a population of 9,818,605 consisting of 4,057.88 square miles of land area according to the 2010 census.

Los Angeles County is bordered by Kern County to the north, San Bernardino County to the east, Orange County on the south, Ventura County and the Pacific Ocean on the west. Los Angeles County includes San Clemente Island and Santa Catalina Island, which are part of the Channel Islands archipelago off the Pacific Coast.



Los Angeles County was one of the 27 original counties of California and was created at the time of statehood in 1850. There are 88 incorporated cities in Los Angeles County. The county seat is the City of Los Angeles.

The Los Angeles County local assessment roll ranks 1st among the 58 county assessment rolls in California for the 2015-16 assessment year.⁴

⁴ From the BOE Annual Report, Table 7, Assessed Value of County-Assessed Property Subject to General Property Taxes, inclusive of the Homeowners' Exemption, by Class of Property and by County, sorting the net total assessed value from highest to lowest.

FINDINGS AND RECOMMENDATIONS

As noted previously, our review concluded that the Los Angeles County assessment roll meets the requirements for assessment quality established by section 75.60. This report does not provide a detailed description of all areas reviewed; it addresses only the deficiencies discovered.

Following is a list of the formal recommendations contained in this report.

- RECOMMENDATION 1:** Improve assessment roll change program by:
 1) developing and uniformly enforcing policies and procedures to ensure that staff cannot bypass supervisor approval in the enrollment of values, 2) modifying the data entry system to ensure that a second data entry clerk re-keys values initially keyed by the first data entry clerk as part of the verification process, and 3) working cooperatively with the tax collector's office to ensure that the taxpayer's appeal rights are correctly stated on the tax bill in accordance with section 534(c)(3).8

- RECOMMENDATION 2:** Improve the change in ownership program by:
 (1) applying penalties for failure to file or late filing a COS as specified by section 482(a) within the statutory time period, and (2) abating penalties for late filed COSs only when returned within the time period specified by section 483(b)11

- RECOMMENDATION 3:** Include all required information on the two-year transfer list pursuant to section 408.1(c).12

- RECOMMENDATION 4:** Report all section 69.5 approved claims to the BOE on a quarterly basis.13

- RECOMMENDATION 5:** Improve the new construction program by: 1) enrolling construction in progress at its fair market value on each lien date, 2) enrolling low value new construction consistent with section 155.20, and 3) obtaining copies of building permits from all issuing agencies.14

- RECOMMENDATION 6:** Improve BPS processing by: (1) applying a section 463 penalty when a non-profit organization fails to file, and (2) properly documenting the date of receipt.....16

RECOMMENDATION 7: Improve business equipment valuation procedures by:
(1) applying the mobile agricultural percent good factors prescribed in Table 6 of AH 581 as intended, (2) properly classifying mobile non-harvesters and harvester equipment and appropriately applying percent good factors in Table 6 of AH 581 as intended, and
(3) applying the new, used, and average percent good factors for the conditions of mobile agricultural equipment.....17

RECOMMENDATION 8: Improve the manufactured homes program by:
1) consistently enrolling supplemental assessments for changes in ownership and new construction of manufactured homes, and 2) providing evidence of the installation of a manufactured home on an approved foundation system.19

ADMINISTRATION

Assessment Roll Changes

Each year the assessor must complete the local assessment roll and deliver it to the auditor by July 1. Once the roll is delivered to the auditor, any correction that would decrease the amount of unpaid taxes requires the consent of the board of supervisors. All changes to the roll are authorized by specific statutes, and any roll change must be accompanied by the appropriate statutory reference.

Assessment roll changes fall under two general categories: escape assessments and corrections. An escape assessment is an assessment of property that was not assessed or was underassessed, for any reason, on the original roll. A correction is any type of authorized change to an existing assessment except for an underassessment caused by an error or omission of the assessee.⁵

We conducted a thorough review of internal controls related to the assessor's roll change program. Overall, we found that the assessor maintains and follows documented roll change procedures and adheres to practices that reflect the documented procedures. However, we found areas in need of improvement; we are repeating two recommendations from the prior survey and are adding an additional recommendation.

RECOMMENDATION 1: Improve assessment roll change program by:

- 1) developing and uniformly enforcing policies and procedures to ensure that staff cannot bypass supervisor approval in the enrollment of values,
- 2) modifying the data entry system to ensure that a second data entry clerk re-keys values initially keyed by the first data entry clerk as part of the verification process, and
- 3) working cooperatively with the tax collector's office to ensure that the taxpayer's appeal rights are correctly stated on the tax bill in accordance with section 534(c)(3).

Develop and uniformly enforce policies and procedures to ensure that staff cannot bypass supervisor approval in the enrollment of values.

In our previous survey, we recommended the assessor develop and uniformly enforce policies and procedures to ensure that staff cannot bypass supervisor approval in the enrollment of value. We found the assessor partially implemented our recommendation by developing improved procedures and revising roll correction forms to allow for at least two signatures; the signature of the appraiser generating the roll correction and an approval signature from a supervisor.

⁵ For a detailed description of the scope of our review of this topic, please refer to the document entitled *Assessment Roll Changes*, available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/AssessmentRollChanges_Scope.pdf. Additionally, detailed descriptions of assessment practices survey topics, authoritative citations, and related information can be found at <http://www.boe.ca.gov/proptaxes/apscont.htm>.

However, we found that the assessor maintains unsecure work baskets used for placing approved roll correction forms awaiting data entry by clerical staff. The practice of using unsecured work baskets for submitting roll correction forms continues to leave the assessor vulnerable to unapproved roll corrections being forwarded to clerical staff for entry into the system. While concerns related to unsecured work baskets has been minimized by ensuring that roll correction forms contain appropriate signatures, the assessor still allows roll correction forms to be processed in writing. Unlike printed roll correction forms, written roll correction forms are subject to additions after the form has been approved by a supervisor.

We recommend that the assessor tighten the procedure related to the processing of approved roll correction forms by eliminating the use of written roll correction forms.

Failure to develop and enforce procedures that ensure staff cannot bypass supervisor approval may result in property value being reduced without merit, which may result in loss of property tax revenue and unequal treatment of taxpayers.

Modify the data entry system to ensure that a second data entry clerk re-keys values initially keyed by the first data entry clerk as part of the verification process.

In our last survey we found the assessor's computer system allows for the same clerk to enter and verify data. During this survey we noted that there had not been a change to the property tax system to limit the ability of the verifying clerk to make changes to the data entered.

Failure to change the data entry system to ensure that a data entry clerk cannot batch, enter and verify roll corrections may result in incorrect assessments being enrolled.

Work cooperatively with the tax collector's office to ensure that the taxpayer's appeal rights are correctly stated on the tax bill in accordance with section 534(c)(3).

In the County of Los Angeles, the tax bill serves as final notice of escaped assessment. Section 534(c)(3) requires that the taxpayer appeal rights be stated on the tax bill. The tax bill should also state, "...that the appeal shall be filed within 60 days of the date of mailing printed on the tax bill or the postmark therefor, whichever is later."

We found that the tax bill does not fully state the time in which the taxpayer's must file an appeal as prescribed by section 534 (c)(3). The tax bill only states that the appeal filing date is no later than 60 days after the mailing date on the tax bill.

By not fully informing the taxpayer that the deadline date for filing an appeal is the later of 60 days of the date of mailing printed on the tax bill or the postmark, the assessor is not following the requirements of statute and may contribute to some taxpayers missing their appeal filing dates.

ASSESSMENT OF REAL PROPERTY

Change in Ownership

Section 60 defines change in ownership as a transfer of a present interest in real property, including the beneficial use thereof, the value of which is substantially equal to the value of the fee simple interest. Sections 61 through 69.5 further clarify what is considered a change in ownership and what is excluded from the definition of a change in ownership for property tax purposes. Section 50 requires the assessor to enter a base year value on the roll for the lien date next succeeding the date of the change in ownership; a property's base year value is its fair market value on the date of the change in ownership.⁶

Document Processing

The primary source of discovering properties that have changed ownership is through the analysis of deeds and other recorded documents from the recorder's office. The recorder's office requires BOE-502-A, Preliminary Change of Ownership Report (PCOR), to accompany documents submitted for recordation transferring ownership of real property. PCORs are available at both the assessor's and recorder's offices, as well as the county's website.

Penalties

When a recorded document is received without a PCOR, the assessor will send a BOE-502-AH, *Change in Ownership Statement* (COS) to the transferee. If a COS is not returned timely a penalty applies. A penalty may be abated if the COS is filed with the assessor within 60 days after the date the assessee is notified of the penalty. In Los Angeles County, a resolution allows the assessor to automatically abate penalties if a requested COS is received within 60 days from the date of notice of penalty.

In Los Angeles County, the application of the penalty and the time period for the application of the penalty is tied to the assessors initial mailing of the COS requesting the property owner to fill out and return to the assessor. The time period for abatement of the penalty applied for failing to timely file a COS is tied specifically to the notice of penalty date. These two notification steps are controlled by separate code sections; section 482 for application of the penalty and section 483 for abatement of the penalty. The assessors process of applying and abating penalties tied to the initial COS request date and creating notification dates on this date alone combined with allowing additional processing time puts the application of the penalty and the abatement of the penalty outside of the required statutory time periods allowed under sections 482 and 483.

We reviewed the assessor's application of the penalty process and found areas in need of improvement.

⁶ For a detailed description of the scope of our review of this topic, please refer to the document entitled *Change in Ownership*, available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/cio_general.pdf. Additionally, detailed descriptions of assessment practices survey topics, authoritative citations, and related information can be found at <http://www.boe.ca.gov/proptaxes/apscont.htm>.

RECOMMENDATION 2: Improve the change in ownership program by:
(1) applying penalties for failure to file or late filing a COS as specified by section 482(a) within the statutory time period, and (2) abating penalties for late filed COSs only when returned within the time period specified by section 483(b)

Apply penalties for failure to file or late filing a COS as specified in section 482(a) within the statutory time period.

The assessor's COS Penalty File System allows various numbers of days for the property owner to return the initial COS depending on the time of the year the COS is mailed to the property owner. The number can range from 49 to 70 days. The range of time is due to the assessor shutting down the property database for a period of three weeks between the end of the roll year and the beginning of the next roll year. If the COS is not returned within the allowed time, a Notice of Penalty Assessment with COS language is sent to the property owner and a penalty is calculated on the assessor's system.

The COS Penalty File System tracks the penalty period using a continuous period from the mail date of the original COS to the date of the end of a 70 day abatement period that is allowed by the system.

Section 482(a) provides that if a person or legal entity required to file a statement described in section 480 fails to do so within 90 days from the date of a written request by the assessor, a penalty shall be added to the assessment made on the roll.

The assessor's practice of calculating the penalties to all assessments where property owners fail to file a COS as requested by the assessor, before the filing deadline as prescribed in section 482(a), does not comply with statute.

Abate penalties for a late filed COSs only when returned within the time period specified by section 483(b).

When the penalty notice is sent with a second COS the assessor's system tracks the penalty period using a continuous period from the mail date of the original COS for the purposes of allowing penalty abatement. The system allows more than the 60 days specified in statute.

By allowing more than 60 days for the abatement period, the assessor does not comply with section 483(b).

The assessor is aware a separate 90-day period should be allowed before a penalty is calculated and 60 days should be allowed for the abatement period. A request to his IT Division has been submitted but the change was not completed at the time of our survey.

The assessor's system for tracking penalties using a continuous period gives some property owners more time to respond and cause unequal treatment of property owners.

Transfer Lists

Pursuant to section 408.1(a), the assessor's office maintains a two-year transfer list for public use. As required by section 408.1(b), the transfer list is divided into geographical areas by Assessor's Parcel Number (APN) or situs address, and is updated on a quarterly basis. Pursuant to section 408.1(c), the transfer list contains the transferor and transferee, APN, address of the property, date of recording, recording reference number, and consideration paid.

The assessor's transfer list meets most of the requirements of section 408.1. However, we found areas in need of improvement.

RECOMMENDATION 3: Include all required information on the two-year transfer list pursuant to section 408.1(c).

Include all required information on the two-year transfer list pursuant to section 408.1(c).

Although the two-year transfer list contains the transferee, APN, address of the property, date of the recording, recording reference number, and the consideration paid for the property, it does not include the transferor.

Section 408.1(c) sets forth the specific items of information that must be included on the two-year transfer list. Without including all required items on the transfer list, the public does not have access to all the information that must be made available under statute.

Change in Ownership Exclusions – Section 69.5

Los Angeles County accepts base year value transfers from other counties. If a PCOR or COS indicates a transfer may involve a base year value exclusion, staff send interested parties a claim form, along with a letter explaining the exclusion.

All section 69.5 claims are reviewed by the assessor and approved only if property values have been determined to meet the exclusion requirements.

The assessor's office submits some quarterly reports to the BOE but not all that are required for listing approved section 69.5 exclusions. To avoid duplicate filings of a section 69.5 claim, the assessor's office tracks all applications in a database. When a claim is granted, the replacement property is coded to indicate that a section 69.5 claim has been granted, so that any attempt to make an additional transfer will be caught. The assessor's office also reviews the *Duplicate SSN Report* from the BOE to determine if any claims made in Los Angeles County duplicate any claims made in another county. Pursuant to section 69.5(n), the assessor's office ensures that all claim forms are held confidential by keeping them in a secure area not accessible to the public.

We reviewed several section 69.5 claim forms and found an area in need of improvement.

RECOMMENDATION 4: Report all section 69.5 approved claims to the BOE on a quarterly basis.

In order to prevent statewide duplication of Proposition 60, 90 and 110 claims, section 69.5(b)(7) requires assessors to report quarterly to the BOE specified information to identify all claimants who have received relief under this section. Propositions 60 claimants are submitted on a quarterly basis, but Propositions 90 and 110 claimants are not submitted on a quarterly basis as required per section 69.5.

Since Propositions 90 and 110 also permit the transfer of a base year value by the transferor and the BOE is required to monitor this benefit statewide, the assessor must report quarterly all claims in the county to the BOE in order to maintain a current database of information.

We recommend that the assessor comply with section 69.5(b)(7) by reporting quarterly all approved transfers of base year values by all claimants to ensure the benefit is enforced properly.

New Construction

Section 70 defines newly constructed property, or new construction, as (1) any addition to real property since the last lien date, or (2) any alteration of land or improvements since the last lien date that constitutes a major rehabilitation of the property or converts the property to a different use. Further, section 70 establishes that any rehabilitation, renovation, or modernization that converts an improvement to the substantial equivalent of a new improvement constitutes a major rehabilitation of the improvement. Section 71 requires the assessor to determine the full cash value of newly constructed real property on each lien date while construction is in progress and on its date of completion, and provides that the full cash value of completed new construction becomes the new base year value of the newly constructed property.⁷

Construction in Progress

On each lien date, section 71 requires the assessor to enroll construction in progress (CIP) at its fair market value. On subsequent lien dates, if the new construction is still incomplete, the assessor must again enroll the CIP at its fair market value. This process continues until the new construction is complete, at which time the new construction is assessed at its fair market value and a base year value is assigned.

We reviewed several residential and commercial parcels that involved new construction and found three areas of the program needing improvement.

⁷ For a detailed description of the scope of our review of this topic, please refer to the document entitled *New Construction*, available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/newconstruction_general.pdf. Additionally, detailed descriptions of assessment practices survey topics, authoritative citations, and related information can be found at <http://www.boe.ca.gov/proptaxes/apscont.htm>.

RECOMMENDATION 5: Improve the new construction program by:
1) enrolling construction in progress at its fair market value on each lien date, 2) enrolling low value new construction consistent with section 155.20, and
3) obtaining copies of building permits from all issuing agencies.

Enroll construction in progress at its fair market value on each lien date.

We found that the assessor does not determine the fair market value of CIP on each lien date as required by section 71. Instead, the assessor's computer system automatically applies the annual inflation factor to the prior roll value of CIP. Upon completion of new construction, the assessor subtracts the partially complete value from the total new construction value and enrolls the difference. Additionally, we found several examples where the assessor did not enroll a partially complete value as of the lien date despite evidence from the permit issuing agency that the structure was partially complete as of the lien date.

Section 71 and Property Tax Rule 463(d) provides that new CIP be enrolled on each lien date at its full value until the date of completion. Upon completion, the entire portion of the property which is newly constructed shall be reappraised at its full value. Only after the construction is complete is the assessment subject to the annual inflation factor. It is improper to apply the inflation factor to CIP.

Valuation of new CIP should reflect the value for the partially completed new construction for the specific lien date and year. We recommend the assessor annually review all properties with active building permits and assess CIP at its full value based on the stage of completion and market conditions on each lien date until the new construction is complete. The assessor's current practice results in incorrect assessments and inequitable treatment of taxpayers.

Enroll low value new construction consistent with section 155.20.

We found that the assessor does not enroll new construction when the market value is determined to be \$2,000 or less and does not consider the preexisting value on the roll.

Although the board of supervisors adopted a low value ordinance that exempts real and personal property having a market value of \$2,000 or less, section 155.20 specifies that the exemption can only apply to existing properties or businesses that have a factored base year value or full value of \$10,000 or less. When the full value or factored base year value exceeds \$10,000 the value of the new construction must be enrolled.

The assessor's practice does not comply with statute and has resulted in the underassessment of these properties.

Obtain copies of building permits from all issuing agencies.

We found a number of new wells that escaped assessment because the assessor does not obtain permits from the Department of Public Health. This department is responsible for issuing permits

for septic systems and water wells used for both agricultural and domestic purposes. The permits represent assessable new construction.

It is the duty of the assessor to inventory and assess all taxable property within the assessor's jurisdiction. Section 71 requires the assessor to determine the new base year value for the portion of any taxable real property that has been newly constructed. Section 72 requires county or city agencies to furnish copies of building permits to the assessor.

To ensure that all qualifying new construction is assessed, the assessor must receive a copy of every approved building permit. These permits may signal that other related construction activity is occurring or may soon begin. By not obtaining well and septic system permit information, the assessor may be allowing new construction to escape assessment.

ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES

Business Property Statement Program

Section 441 requires that each person owning taxable personal property (other than a manufactured home) having an aggregate cost of \$100,000 or more annually file a business property statement (BPS) with the assessor; other persons must file a BPS if requested by the assessor. Property statements form the backbone of the business property assessment program.⁸

We reviewed all major aspects of the assessor's BPS program, including processing procedures, use of Board-prescribed forms, application of penalties, and record storage and retention. In addition, we reviewed several recently processed BPSs. We found that all BPSs sampled and accepted by the assessor evidenced the proper usage of Board-prescribed forms and were completed in sufficient detail. Overall, the assessor's BPS processing program is well administered. However, we found areas in need of improvement.

RECOMMENDATION 6: Improve BPS processing by: (1) applying a section 463 penalty when a non-profit organization fails to file, and (2) properly documenting the date of receipt.

Apply a section 463 penalty when a non-profit organization fails to file.

We found that the assessor does properly estimate the values for the non-profit organization pursuant to section 501, but fails to apply the 10 percent penalty as stated in section 463 when BPS were not returned.

Section 441(b) provides that the penalty prescribed by section 463 shall be applied to statements not filed by May 7. Section 463 requires the assessor to impose a 10 percent penalty of the assessed value on the unreported taxable property if the assessor requests a property statement to be filed and the taxpayer does not comply.

The assessor's practice of not applying the penalty assessment to non-profit organizations that are required to file but fail to file a BPS is not in compliance with statute and results in the unequal treatment of taxpayers.

Properly document the date of receipt.

We found that the assessor does not date stamp the BPS, track the date of receipt, or keep the envelope with the postmark if the BPS is received after May 7 but postmarked on or before May 7. As a result, we were unable to verify if BPSs were filed timely.

⁸ For a detailed description of the scope of our review of this topic, please refer to the document entitled *Business Property Statement Program*, available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/businesspropstatement_general.pdf. Additionally, detailed descriptions of assessment practices survey topics, authoritative citations, and related information can be found at <http://www.boe.ca.gov/proptaxes/apscont.htm>.

Section 441(b) provides that the penalty prescribed by section 463 shall be applied to statements not filed by May 7. Without proper documentation, it is difficult for any reviewer to verify if a BPS is filed timely. Documenting the date of receipt will help the assessor verify the timely filing of a BPS and ensure that the section 463 late filing penalty is applied appropriately.

The assessor's current practice may allow the penalty required under section 463 for BPSs not filed timely to go unassessed.

Business Equipment Valuation

Assessors value most machinery and equipment using business property valuation factors. Some valuation factors are derived by combining price index factors with percent good factors, while other valuation factors result from valuation studies. Under this methodology, value for taxation purposes is established by multiplying a property's historical cost by an appropriate valuation factor.⁹

Mobile Agricultural and Mobile Construction Equipment Valuation Factors

The assessor currently has separate factor tables for new and used mobile agricultural and mobile construction equipment in accordance with the instructions on Table 5 and Table 6 in Assessors' Handbook Section 581, *Equipment and Fixtures Index, Percent Good and Valuation Factors* (AH 581). Section 401.16(a)(2) allows the assessor to average the new or used percent good factors for both mobile agricultural and mobile construction equipment when the taxpayer does not indicate on the property statement whether the equipment was first acquired new or used. Where the condition is indicated, the assessor should use the applicable "new" or "used" percent good factors table. We reviewed the assessor's factor tables related to this issue and found the Board recommended cost index and depreciation tables to be correctly compiled for mobile construction equipment. However, we found areas in need of improvement in the assessor's application of mobile agricultural equipment percent good factors.

RECOMMENDATION 7: Improve business equipment valuation procedures by:

- (1) applying the mobile agricultural percent good factors prescribed in Table 6 of AH 581 as intended,
- (2) properly classifying mobile non-harvesters and harvester equipment and appropriately applying percent good factors in Table 6 of AH 581 as intended, and
- (3) applying the new, used, and average percent good factors for the conditions of mobile agricultural equipment.

⁹ For a detailed description of the scope of our review of this topic, please refer to the document entitled *Business Equipment Valuation*, available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/businessequipval_general.pdf. Additionally, detailed descriptions of assessment practices survey topics, authoritative citations, and related information can be found at <http://www.boe.ca.gov/proptaxes/apscont.htm>.

Apply the mobile agricultural percent good factors prescribed in Table 6 of AH 581 as intended.

We found that the assessor applies *Table 6: Agricultural Mobile Equipment Percent Good Factors* from AH 581 to all movable agricultural related personal property.

The Table 6 factors are intended for use in the valuation of vehicles considered to be self-propelled machinery and related implements used in the conduct of agricultural operations, and that are exempt from DMV registration and license fees. The assessor incorrectly utilizes these factors in the valuation of *non-mobile* agricultural equipment, such as bins, air compressors, irrigation pipes and risers, welders, generators, etc. To ensure an accurate value indicator, the assessor should determine whether reported machinery and equipment is mobile in nature, and then apply the appropriate factor table indicated in AH 581.

The assessor's use of incorrect tables in the valuation of movable, but non-mobile agricultural equipment likely results in inaccurate indicators of value.

Properly classify mobile non-harvesters and harvester equipment and appropriately apply percent good factors in Table 6 of AH 581 as intended.

We observed a number of instances where the assessor applied the non-harvester percent good factors from Table 6 of AH 581 to harvesters. As a result, the assessor is incorrectly calculating current market value estimates of harvesters.

AH 581 includes separate percent good factors for harvesters and non-harvesters within Table 6. The percent good factors indicated in AH 581 are based upon a unique set of market parameters. Accurate assessments depend on the correct application of these factors. Harvesters typically depreciate at a faster rate than non-harvester agricultural mobile equipment.

The assessor's use of incorrect tables in the valuation of harvesters likely results in inaccurate indicators of value.

Apply the new, used, and average percent good factors for the conditions of mobile agricultural equipment.

We found that the assessor applies the percent good factors for new equipment to all agricultural mobile equipment, regardless of whether the taxpayer reported that the equipment was purchased "new" or "used."

Section 401.16(a)(2) allows the assessor to average the new or used percent good factors for both construction and agricultural mobile equipment when the property owner does not indicate on the BPS whether the equipment is first acquired new or used. However, when the condition is known, the assessor may *not* average the published factors to apply these factors to both classes of new and used property. Mobile equipment depreciates at different rates depending on its condition when purchased. In order to ensure the most accurate value indicator possible, appropriate valuation tables should be utilized when sufficient information is available. When the condition is known, the assessor should apply the appropriate percent good factors.

By using new percent good factors on all mobile equipment, regardless of whether the condition at the time of purchase is known, the assessor is failing to follow statute and may be relying on inaccurate indicators of value.

Manufactured Homes

A "manufactured home" is defined in Health and Safety Code section 18007, and statutes prescribing the method of assessing manufactured homes are contained in sections 5800 through 5842. A manufactured home is subject to local property taxation if sold new on or after July 1, 1980, or if its owner requests conversion from the vehicle license fee to local property taxation. Manufactured homes should be classified as personal property and enrolled on the secured roll.¹⁰

In Los Angeles County, there are 24,730 manufactured homes located in 614 manufactured home parks. The 2015-2016 assessed values of these homes total \$684,228,440.

We reviewed a number of manufactured home assessments, including transfers in rental and resident owned parks, supplemental assessments, accessories, record keeping, and assessments related to manufactured homes on permanent foundations and new installations of manufactured homes. We found areas in need of improvement.

RECOMMENDATION 8: Improve the manufactured homes program by:
1) consistently enrolling supplemental assessments for changes in ownership and new construction of manufactured homes, and 2) providing evidence of the installation of a manufactured home on an approved foundation system.

Consistently enroll supplemental assessments for changes in ownership and new construction of manufactured homes.

We found instances where the assessor failed to enroll supplemental assessments for reappraisable events. Section 75.5 specifically requires that the assessor enroll supplemental assessments on manufactured homes whenever there is a change in ownership or new construction. Sections 5814 and 5828 define, respectively, changes in ownership and new construction for manufactured homes. Failure to enroll supplemental assessments for manufactured homes is contrary to statute and results in unequal treatment of taxpayers.

¹⁰ For a detailed description of the scope of our review of this topic, please refer to the document entitled *Manufactured Homes*, available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/mhomes_general.pdf. Additionally, detailed descriptions of assessment practices survey topics, authoritative citations, and related information can be found at <http://www.boe.ca.gov/proptaxes/apscont.htm>.

Provide evidence of the installation of a manufactured home on an approved foundation system.

We found several manufactured homes classified as real property without documentation in the assessor's records that the foundation system met the requirements of Health and Safety Code section 18551.

The provisions of section 5801 require that a manufactured home be classified as personal property, unless Health and Safety Code section 18551 requirements have been met. In order to document the affixation of a manufactured home to a foundation system and determine that the property may be legally assessed as real property, it is essential that a copy of the recorded HCD 433(A) form or other document compliant to Health and Safety Code section 18551(2)(A) be present in the assessor's file.

By not requiring proper documentation, the assessor may be allowing misclassification of manufactured homes as real property, which conflicts with statute.

APPENDIX A: STATISTICAL DATA

Table 1: Assessment Roll

The following table displays information pertinent to the 2015-16 assessment roll:¹¹

	PROPERTY TYPE	ENROLLED VALUE
Secured Roll	Land	\$673,750,402,589
	Improvements	\$573,918,825,067
	Fixtures	\$10,766,055,544
	Personal Property	\$10,177,625,644
	Total Secured	\$1,268,612,908,844
Unsecured Roll	Land	\$17,143
	Improvements	\$57,883,356
	Fixtures	\$16,133,446,306
	Personal Property	\$35,806,239,105
	Total Unsecured	\$51,997,585,910
Exemptions¹²		(\$47,847,562,055)
	Total Assessment Roll	\$1,272,762,932,699

Table 2: Change in Assessed Values

The next table summarizes the change in assessed values over recent years:¹³

YEAR	TOTAL ROLL	CHANGE	STATEWIDE
2015-16	\$1,272,762,933,000	6.1%	6.0%
2014-15	\$1,199,771,991,000	5.4%	6.2%
2013-14	\$1,138,058,690,000	4.6%	4.3%
2012-13	\$1,087,883,787,000	2.2%	1.4%
2011-12	\$1,064,815,063,000	1.3%	0.1%

¹¹ Statistics provided by BOE-822, *Report of Assessed Values By City*.

¹² The value of the Homeowners' Exemption is excluded from the exemptions total.

¹³ Statistics provided by California State Board of Equalization Annual Report, Table 7.

Table 3: Gross Budget and Staffing

The assessor's budget has grown from \$153,094,000 in 2011-12 to \$173,846,641 in 2015-16.

The assessor has 1,443 budgeted permanent positions. These positions consist of the assessor, chief deputy, assistant assessor, 80 managers, 341 real property appraisers, 230 business property auditor-appraisers, 37 cadastral draftspersons, 133 technical/professionals, and 619 support staff.

The following table identifies the assessor's budget and staffing over recent years:¹⁴

BUDGET	GROSS	PERCENT	PERMANENT
2015-16	\$173,846,641	2.5%	1,433
2014-15	\$169,610,523	7.6%	1,432
2013-14	\$157,686,152	4.9%	1,432
2012-13	\$150,384,140	-1.8%	1,431
2011-12	\$153,094,000	-5.0%	1,425

Table 4: Assessment Appeals

The following table shows the number of assessment appeals filed in recent years:¹⁵

YEAR	ASSESSMENT
2015-16	34,989
2014-15	39,863
2013-14	33,081
2012-13	38,610
2011-12	54,279

¹⁴ Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices*.

¹⁵ Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices*.

Table 5: Exemptions – Welfare

The following table shows welfare exemption data for recent years:¹⁶

YEAR	WELFARE EXEMPTIONS	EXEMPTED VALUE
2015-16	8,998	\$36,612,755,723
2014-15	9,052	\$37,098,159,776
2013-14	8,955	\$34,494,256,457
2012-13	8,966	\$32,689,804,007
2011-12	8,903	\$31,265,512,002

Table 6: Change in Ownership

The following table shows the total number of reappraisable transfers due to changes in ownership processed in recent years:¹⁷

YEAR	REAPPRAISABLE TRANSFERS
2015-16	136,500
2014-15	136,051
2013-14	147,628
2012-13	153,662
2011-12	153,614

¹⁶ Statistics provided by BOE-802, *Report on Exemptions*.

¹⁷ Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices*.

Table 7: New Construction

The following table shows the total number of new construction assessments processed in recent years:¹⁸

YEAR	TOTAL BUILDING PERMITS RECEIVED	NEW CONSTRUCTION ASSESSMENTS
2015-16	263,237	94,552
2014-15	228,770	78,178
2013-14	222,504	75,778
2012-13	208,415	65,859
2011-12	213,318	57,914

Table 8: Declines In Value

The following table shows the total number of decline-in-value assessments in recent years:¹⁹

YEAR	DECLINE-IN-VALUE ASSESSMENTS
2015-16	157,629
2014-15	199,356
2013-14	254,904
2012-13	361,610
2011-12	405,634

¹⁸ Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices*.

¹⁹ Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices*.

APPENDIX B: COUNTY-ASSESSED PROPERTIES DIVISION SURVEY GROUP

Los Angeles County

Chief

David Yeung

Survey Program Director:

Diane Yasui

Manager, Property Tax

Survey Team Supervisor:

David Dodson

Supervisor, Property Tax

Survey Team:

James McCarthy

Senior Petroleum and Mining Appraisal Engineer

Isaac Cruz

Senior Specialist Property Auditor-Appraiser

Michael Ash

Associate Property Appraiser

Lee Coleman

Associate Property Appraiser

Jennifer Prince

Associate Property Appraiser

Nancy Le

Associate Property Auditor-Appraiser

Paula Montez

Associate Property Auditor-Appraiser

Eric Santana

Assistant Property Appraiser

Dany Lunetta

Associate Governmental Program Analyst

APPENDIX C: RELEVANT STATUTES AND REGULATIONS

Reference	
<i>Government Code</i>	
§15640	Survey by board of county assessment procedures.
§15641	Audit of records; appraisal data not public.
§15642	Research by board employees.
§15643	When surveys to be made.
§15644	Recommendations by board.
§15645	Survey report; final survey report; assessor's report.
§15646	Copies of final survey reports to be filed with local officials.
<i>Revenue and Taxation Code</i>	
§75.60	Allocation for administration.
<i>Title 18, California Code of Regulations</i>	
Rule 370	Random selection of counties for representative sampling.
Rule 371	Significant assessment problems.

ASSESSOR'S RESPONSE TO BOE'S FINDINGS

Section 15645 of the Government Code provides that the assessor may file with the Board a response to the findings and recommendations in the survey report. The survey report, the assessor's response, and the BOE's comments on the assessor's response, if any, constitute the final survey report.

The Los Angeles County Assessor's response begins on the next page. The BOE has no comments on the response.



JEFFREY PRANG
ASSESSOR
COUNTY OF LOS ANGELES
500 WEST TEMPLE STREET, ROOM 320
LOS ANGELES, CALIFORNIA 90012-2770
assessor.lacounty.gov
(213) 974-3101



November 28, 2018

Mr. David Yeung, Chief
County-Assessed Properties Division
State Board of Equalization
P.O. Box 942879
Sacramento, CA 94279-0062

Dear Mr. Yeung:

2015-2016 ASSESSMENT PRACTICES SURVEY

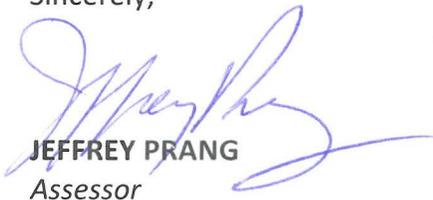
Pursuant to Section 15645 of the California Government Code, I have attached a response to the State Board of Equalization's 2018 Supplemental Assessment Practices Survey Report for Los Angeles County.

The periodic survey of assessors' assessment practices is an invaluable, useful and constructive tool. I very much appreciate the effort, professionalism, and courtesy of the State Board of Equalization staff while performing the sampling program, the practices survey, and the preparation of the report.

Los Angeles County agrees with most of the recommendations outlined in the Board's survey report, and will work to implement the necessary changes.

I wish to commend my staff whose professionalism and dedication was demonstrated in the sample, indicating an average assessment ratio of 99.70 percent.

Sincerely,


JEFFREY PRANG
Assessor

MH:MH

Attachment(s)

ASSESSOR'S RESPONSE MATRIX
LOS ANGELES COUNTY ASSESSMENT PRACTICES SURVEY
NOVEMBER 2018

RECOMMENDATION 1: Improve assessment roll change program by: 1) developing and uniformly enforcing policies and procedures to ensure that staff cannot bypass supervisor approval in the enrollment of values, 2) modifying the data entry system to ensure that a second data entry clerk re-keys values initially keyed by the first data entry clerk as part of the verification process, and 3) working cooperatively with the tax collector's office to ensure that the taxpayer's appeal rights are correctly stated on the tax bill in accordance with section 534(c)(3).

Develop and uniformly enforce policies and procedures to ensure that staff cannot bypass supervisor approval in the enrollment of values.

Partially Agree:

Guidelines were created and implemented with staff in 2012. These were documented in the Assessor's "***District Clerical Job Instruction Manual***". These procedure policies require that:

Documents should be returned back to the Head Clerk if any of the following occurs:

- A. If any document contains a blank line that is not crossed out.
- B. Value corrections on a document that are **handwritten** by the supervisor or any appraisal staff unless corrections are written in ink and initialed by the appropriate appraiser and supervising appraiser. Principal Appraiser initial is acceptable replacement for a Supervising Appraiser.
- C. Correction tape used on any form.
- D. Any loose input documents not received from the Head Clerk.

Head Clerks are the only ones authorized to receive signed loose documents from the supervising appraisers. Unsecured workbaskets are not allowed per department policy. This policy has been actively in place since December 3, 2012 per supplied memo.

The Assessor has eliminated any remaining unsecured baskets noted in the BOE's recommendation, and will strictly enforce the existing policy of secured workbaskets. Periodic inspection and staff reminders of policy will be made to ensure compliance with BOE recommendations.

The AMP (Assessor Modification Project) currently in development and deployment is due to eliminate paper documents for processing values. This project with, verification, tracking, and automatic auditing, will provide a secure platform for value processing and verification/authorization. The process enhancements and document free platform of the new system will eliminate the paper and work basket workflow issues noted in the BOE's recommendation.

ASSESSOR'S RESPONSE MATRIX
LOS ANGELES COUNTY ASSESSMENT PRACTICES SURVEY
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Modify the data entry system to ensure that a second data entry clerk re-keys values initially keyed by the first data entry clerk as part of the verification process.

Agree with BOE recommendation. Corrections by verification clerk should require approval from a manager at a higher level, when values by first data entry clerk and verification clerk do not match.

Replacement of the Assessor's computer system scheduled for incremental completion in next three years, will resolve these issues with quality control enhancements, tracking, and approval/authorization at higher levels for corrections and exceptions.

Work cooperatively with the tax collector's office to ensure that the taxpayer's appeal rights are correctly stated on the tax bill in accordance with section 534(c)(3).

We agree with the BOE findings and will work with the Tax Collector's office to implement for 2019 the prescribed language in accordance with section 534(c)(3).

RECOMMENDATION 2:	Improve the change in ownership program by: (1) applying penalties for failure to file or late filing a COS as specified by section 482(a) within the statutory time period, and (2) abating penalties for late filed COSs only when returned within the time period specified by section 483(b)
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Apply penalties for failure to file or late filing a COS as specified in section 482(a) within the statutory time.

Abate penalties for a late filed COSs only when returned within the time specified by section 483(b).

We agree with BOE findings that the Assessor's timetable for applying penalties for failing to file a COS is not currently in compliance with the Revenue and Taxation (R&T) Code. The Assessor's automated systems and manual review process appear to allow added days to the R&T Code required total 150 days (combining 90 days for the COS and 60 days for the Notice of Penalty) to avoid or abate penalties. These additional days are a result of the printing and mailing processes of the COS and Notice of Penalty forms. We are currently reviewing new procedures and will implement necessary changes to the Assessor's automated systems as soon as resources are available.

RECOMMENDATION 3:	Improve the change in ownership program by: Include all required information on the two-year transfer list pursuant to section 408.1(c).
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Include all required information on the two-year transfer list pursuant to section 408.1(c).

Agree, based on R&T Code 408.1, requiring the name of the transferor is contingent upon its availability. However, in a good faith effort to improve the program, the Assessor's Office has

ASSESSOR'S RESPONSE MATRIX
LOS ANGELES COUNTY ASSESSMENT PRACTICES SURVEY
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taken the initiative to modify the Two Year Transfer List programs to include the transferor name in the two-year transfer list. The name of the transferors will be added to the list when resources become available to complete and test the modifications.

<u>RECOMMENDATION 4:</u>	Report all section 69.5 approved claims to the BOE on a quarterly basis.
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We agree, and beginning with the 3rd Q 2016 report, all the Prop 90s and 110's have been sent to BOE.

<u>RECOMMENDATION 5:</u>	Improve the new construction program by: 1) enrolling construction in progress at its fair market value on each lien date, 2) enrolling low value new construction consistent with section 155.20, and 3) obtaining copies of building permits from all issuing agencies.
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[Enroll construction in progress at its fair market value on each lien date.](#)

[Enroll low value new construction consistent with section 155.20.](#)

We agree with the above section recommendations:

To ensure compliance, enhanced new construction training has been implemented and future training will target these areas: improving assessment consistency for enrolling construction at its fair market value on each lien date, identifying all assessable new construction including low value events, and enrolling partially completed values on each lien date until completed. Our new construction program will also be enhanced to incorporate improved quality control measures, such as utilizing technological applications to improve consistency. Future new construction program augmentations will include improved access to continuing education resources as well as obtaining building permits from all issuing agencies.

[\(3\) Obtain copies of building permits from all issuing agencies.](#)

We disagree with this section recommendation:

The Department of Public Health in Los Angeles County approves plans for septic systems and wells, but then forwards the approved plans to the Building and Safety Departments of either the county (if unincorporated) or the local municipality, of which there are 80+. These cities and the county's own Building and Safety Offices issue the appropriate permit, of which they are required to provide a copy or record of activity to the Assessor. These septic and well permits are often associated with other building permits for the same site. In many municipalities in Los Angeles County, the building and safety offices will have online records accessible to the Assessor. The Assessor when receiving notification from the local Building and Safety, will be able to see the inspection progress of the septic or well permit as well as the progress of associated new construction permits. A property owner may get approval for a septic system but then subsequently not be able to get final approval for an associated living structure. Having access to one agency (building and safety) with approval and records for all permit activity, allows the Assessor an ability to gage and review projects and permits in their totality.

**ASSESSOR'S RESPONSE MATRIX
LOS ANGELES COUNTY ASSESSMENT PRACTICES SURVEY
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RECOMMENDATION 6: Improve BPS processing by: (1) applying a section 463 penalty when a non-profit organization fails to file, and (2) properly documenting the date of receipt.

Apply a section 463 penalty when a non-profit organization fails to file.

Agree with BOE's recommendation. Procedures will be put in place to properly apply a section 463 penalty when BPS is not returned.

Properly document the date of receipt.

Agree with BOE's recommendation. Procedures will be put in place to properly date stamp receipt of the BPS to ascertain if the BPS has been filed timely.

RECOMMENDATION 7: Improve business equipment valuation procedures by: (1) applying the mobile agricultural percent good factors prescribed in Table 6 of AH 581 as intended, (2) properly classifying mobile non-harvesters and harvester equipment and appropriately applying percent good factors in Table 6 of AH 581 as intended, and (3) applying the new, used, and average percent good factors for the conditions of mobile agricultural equipment.

Apply the mobile agricultural percent good factors prescribed in Table 6 of AH 581 as intended.

Disagree:

- A. In the #3229280000 audit, the auditor had separate schedules for mobile and fixed agriculture equipment based on taxpayer's reporting. No fixed asset listings were provided. The audited costs were taken from trial balances, and account names were not specific enough to distinguish mobile from fixed equipment.
- B. In the #3279630000 audit, the auditor had categorized the agriculture equipment between mobile and fixed based on the fixed asset listings provided. There is no indication that mobile factors were mis-used as intended.

Properly classify mobile non-harvesters and harvester equipment and appropriately apply percent good factors in Table 6 of AH 581 as intended.

Partially Agree:

- A. In the #3229280000 audit, since the audited costs were taken from the trial balances, there was not enough information to properly classify assets between harvester and non-harvester. In the #3229280000 audit, not all asset descriptions were detailed enough to determine whether they belong to the harvester or non-harvester category.
- B. During audits, efforts should be made to enlist the taxpayers in providing more detailed descriptions of their assets, requiring substantial additional time from both the auditors and the taxpayers.

**ASSESSOR'S RESPONSE MATRIX
LOS ANGELES COUNTY ASSESSMENT PRACTICES SURVEY
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- C. During the processing season, there is in many instances not enough time to request supporting or clarifying information, and wait for taxpayers' responses.

Apply the new, used, and average percent good factors for the conditions of mobile agricultural equipment.

Partially agree:

- A. In the #3229280000 audit, since no fixed asset listings were provided during the audit, the auditor deemed it reasonable to use the New factors. In the #3229280000 audit, none of the assets' descriptions were detailed enough to note whether they were new or used, and the auditor also deemed it reasonable to use the New factors.
- B. During audits, efforts should be made to enlist the taxpayers in providing more detailed descriptions of their assets, requiring substantial additional time from both the auditors and the taxpayers.
- C. We will inform appraisers and auditors of the "Average Factor" tables and their intended use and application.

RECOMMENDATION 8:

Improve the manufactured homes program by:
1) consistently enrolling supplemental assessments for changes in ownership and new construction of manufactured homes, 2) providing evidence of the installation of a manufactured home on an approved foundation system.

Consistently enroll supplemental assessments for changes in ownership and new construction of manufactured homes.

We agree. It should be noted however, that the Assessor relies on all notification of new transfers from the HCD. In the cases of new construction (new mobile home) we consistently enroll supplemental assessments based on the date first sold reported by HCD. We will work to review our procedures on enrolling supplemental assessments on transfers.

Provide evidence of the installation of a manufactured home on an approved foundation system.

Agree. The Assessor receives, but does not consistently retain in our parcel documents, the HCD 433 form. If the taxpayer fails to complete the form, there will not be a copy available. In those instances when the form has been completed and recorded, and forwarded to our office, we review but not always retain a copy or original of the form. Procedures will be implemented, to retain the HCD 433 form as part of the parcel's permanent records.