



Office of the Assessor
**Assessment Appeals Coordination Process Between Office of the Assessor
and Office of the Clerk of the Board of Supervisors**

February 8, 2024
Assignment #: 10370

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Executive Summary

Background

Upon request of Office of the Assessor (ASR) management, Internal Audit Division (IAD) performed a consulting engagement to review and evaluate the assessment appeals coordination process between Office of the Clerk of the Board of Supervisors (COB) and ASR. This engagement was initially included as part of the IAD's approved Fiscal Year 2022-23 annual risk assessment and audit planning process.

Objective

The engagement was performed to determine if:

- (1) management's controls over the assessment appeals process were in place and operating effectively,
- (2) internal controls over assessment appeals were adequate (e.g., adequately supported, processed timely and accurately and results were communicated accurately), and
- (3) Information Technology (IT) system met business needs for the assessment appeals process.

Scope

The engagement scope included assessment appeals received from July 1, 2020 to June 30, 2022, focusing on processes within COB's Assessment Appeals Division and related IT system. We also reviewed subsequent data and process changes, as applicable.

What We Found

COB's Assessment Appeals Division is responsible for administering the assessment appeals process in coordination with other County departments such as ASR and Controller-Treasurer Department's Tax Roll Control Unit (TRC). COB uses a cloud-based solution, Assessment Appeals Database Management (AADM), which streamlined operational processes by automating workflows, scheduling hearings, maintaining repository documents and having customizable reporting options.

Overall, we found management's controls over the assessment appeals processes and coordination between COB and ASR were generally effective; however, significant enhancements are needed within the AADM system to meet IT business needs. The 12 improvements identified in the areas summarized below and detailed in the **Findings and Recommendations** section will help management strengthen internal controls and mitigate potential risks.

Operating Effectiveness - assessment appeals process has the following eight findings:

- Scheduled hearings changes and applicants' attendance confirmations were not timely communicated to staff.
- Scheduled representative for the hearing agenda may not be appropriately assigned.
- COB's communication to applicant is inconsistent with regulatory guidance.
- Base Year column in the results letter is unclear.
- Unclear communication when scheduling sub-appeals hearing dates.
- Main and sub-appeals with the same hearing date were not closed concurrently in AADM.
- Policies and procedures were not updated with current practices.
- Record retention practices were inconsistent between COB and ASR.

Adequacy of assessment appeals process has the following one finding:

- Updates to processed roll value changes require manual adjustments in AIMS and TCAS.

IT business needs has the following three findings:

- Detailed status reports and dashboard features in AADM are limited.
- Inputting staff's availability for hearings and updating multiple appeals cannot be performed in AADM.
- Search function in AADM is limited.

We also noted four "**Other Observations**" submitted for COB and ASR management's consideration.

Executive Summary

The chart below summarizes risk categories for each audit area by priority ratings.

#	Area	Priority Rating			Total
		High (1)	Medium (2)	Low (3)	
1	Operating Effectiveness - assessment appeals process	3	2	3	8
2	Adequacy of assessment appeals process	-	-	1	1
3	IT business needs	-	3	-	3
Total Findings		3	5	4	12

See **Appendix 1** for definition of priority ratings.

Audit reports are designed to assist management and provide constructive recommendations for improving their operations. As a result, the report generally does not address activities reviewed that are functioning effectively; however, Appendix 4 highlights accomplishments of COB's administration over the assessment appeals process. The draft report was discussed with management prior to final issuance. A total of 26 recommendations were made for the 12 findings noted in the table above. ASR management agreed with 25 and partially agreed with one of the recommendations. COB management agreed with 17, partially agreed with seven and did not agree with two of the recommendations. Attached herein are their formal responses. In accordance with professional auditing standards, IAD intends to perform a follow-up engagement on the recommendations and may include other observations presented in Appendix 5.

We conducted the engagement in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

It is anticipated this report will be submitted to the Finance and Government Operations Committee in Spring 2024. This report is intended solely for the County and its stakeholders; however, this report is a matter of public record and its distribution is not limited.

We would like to thank both departments' management and staff for their time, cooperation and assistance during this engagement.



Robyn Rose, CPA, CICA
Internal Audit Manager
February 8, 2024

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Findings and Recommendations

OPERATING EFFECTIVENESS - ASSESSMENT APPEALS PROCESS

FINDING 1: Scheduled hearings changes and applicants' attendance confirmations were not timely communicated to staff.	
OBJECTIVE	To determine if the status of the assessment appeals stages is communicated timely between ASR and COB.
CRITERIA	<p>U.S. Government Accountability Office's Standards of Internal Controls in the Federal Government ("Green Book"), Principle 14 - Communicate Internally, Attribute 14.02: Communication throughout the Entity states "Management communicates quality information throughout the entity using established reporting lines. Quality information is communicated down, across, up and around reporting lines to all levels of the entity."</p> <p>California State Board of Equalization (BOE) Assessment Appeals Manual (dated May 2003 and Reprinted January 2015): page 13, states "COB handles the administrative duties relative to the functioning of the assessment appeal process."</p> <p>BOE Assessment Appeals Manual: page 37, Property Tax Rule 323, subsection (a), states in part "The applicant and/or the assessor shall be allowed one postponement as a matter of right, the request for which must be made not later than 21 days before the hearing is scheduled to commence."</p> <p>COB's Postponement Pending Stipulation Procedures policy states "For the Clerk of the Board to grant any postponement request made between 7 and 20 days prior to the hearing without the parties having to appear, there must be an agreement between parties."</p>
CONDITION	<p>Based on inquiry with ASR management, we noted the following communication issues with COB management:</p> <ul style="list-style-type: none"> • Changes to the scheduled hearing dates, including postponements or withdrawals by the applicants, were not communicated to ASR; therefore, ASR staff may have unnecessarily continued to work on the appeal unless they checked individually in AADM. • Applicants' confirmation to attend their scheduled hearings were not timely updated in AADM. As a result, ASR staff may have assumed the hearings would not take place (i.e., not a "go case") or were not prepared to resolve the appeal. <p>Lack of communication on postponements, withdrawals or changes to hearing dates coupled with untimely updates in the system can negatively impact the workload and prioritization of staff, which could lead to inefficiencies.</p>

Findings and Recommendations

FINDING 1: Scheduled hearings changes and applicants' attendance confirmations were not timely communicated to staff. (continued)	
RECOMMENDATIONS	<p>1.1 COB management should:</p> <ul style="list-style-type: none"> • Continue to communicate with staff about the importance of the 21-days rule per BOE Property Tax Rule 323 to allow sufficient time for updating AADM and preventing late adjustments to scheduled hearings. • Provide staff with periodic trainings to ensure timely processing of postponement and withdrawal requests in AADM. • Timely communicate with the assigned ASR representative when exceptions are granted for postponements submitted less than 7 days prior to the scheduled hearing. • Coordinate with ASR on the process for handling changes or postponement requests received less than 21 days prior to the scheduled hearings to ensure mutual understanding of expectations. <p>1.2 COB should consider working with a County's Technology Services and Solutions (TSS) Business Relationship Manager and the AADM vendor on creating the following system configurations, if possible:</p> <ul style="list-style-type: none"> • A toggle field to capture applicant responses received within 21 days of the scheduled hearing. • A customizable dashboard for staff to identify updates that may impact the scheduled hearings, such as postponements and withdrawals.
PRIORITY/EXPECTED COMPLETION DATE	High (1) – Within one to three months after issuance of the final audit report
MANAGEMENT RESPONSES	<p>ASR: Agreed with recommendation 1.2 and partially agreed with 1.1. COB: Agreed with recommendation 1.1 and partially agreed with 1.2. Refer to <i>Managements' Formal Responses</i> Section for their full comments.</p>

Findings and Recommendations

FINDING 2: Scheduled representative for the hearing agenda may not be appropriately assigned.	
OBJECTIVE	To determine if the staff are properly scheduled for the hearing.
CRITERIA	Green Book, Principle 14 - Communicate Internally, Attribute 14.03: Communication throughout the Entity states "Management communicates quality information down and across reporting lines to enable personnel to perform key roles in achieving objectives, addressing risks, and supporting the internal control system. In these communications, management assigns the internal control responsibilities for key roles."
CONDITION	<p>Based on inquiry with ASR management, we noted the scheduled hearing agenda report in AADM solely lists the Appraiser as default ASR representative, who at times may not be the appropriate person or subject matter expert based on the hearing's intended purpose. For example: <i>Appearance Not Timely Confirmed</i> and <i>Assessment Appeals Board (AAB) Consideration</i> appeals are typically addressed by COB while legal issues are addressed by ASR's Assessment Standards, Services, and Exemption Division (Standards Division).</p> <p>We also noted there were additional fields for other positions available in AADM such as Auditor, Appeals Coordinator and Examiner that may be configured to assign the correct representative(s) for scheduled hearings. Furthermore, an option to select a COB representative for administrative matters is not available in AADM.</p> <p>Not having the correct responsible parties attend scheduled hearings could lead to being unprepared for the appeal and unnecessary use of staff's time.</p>
RECOMMENDATIONS	<p>2.1 COB management should develop a checklist for the Hearing Clerk to ensure the correct representative(s) is entered in AADM for scheduled hearing agendas based on subject matter and timely update when there are changes in staff's availability. If the scheduled hearing agenda cannot be changed, the representative(s) should be promptly notified.</p> <p>2.2 COB management should engage the AADM vendor to add a COB representative field (generic or specific name) in AADM as an option when assigning appropriate parties for hearings.</p> <p>2.3 COB management should ensure the correct representative(s) is assigned to the scheduled hearings based on the intended purpose such as Appraiser, Auditor, Appeals Coordinator, Examiner or COB representative.</p>
PRIORITY/EXPECTED COMPLETION DATE	High (1) – Within one to three months after issuance of the final audit report
MANAGEMENT RESPONSES	<p>ASR: Agreed with all recommendations.</p> <p>COB: Disagreed with recommendations 2.1 and 2.2 and partially agreed with 2.3. Refer to <i>Managements' Formal Responses</i> Section for their full comments.</p>

Findings and Recommendations

FINDING 3: COB's communication to applicants is inconsistent with regulatory guidance.	
OBJECTIVE	To determine if departments communications with applicants are clear and concise.
CRITERIA	<p>BOE Assessment Appeals Manual: page 13, states "COB handles the administrative duties relative to the functioning of the assessment appeal process."</p> <p>Green Book, Principle 13 - Use Quality Information, Attribute 13.04: Relevant Data from Reliable Sources states in part "Management obtains relevant data from reliable internal and external sources in a timely manner based on the identified information requirements...Reliable internal and external sources provide data that are reasonably free from error and bias and faithfully represent what they purport to represent."</p>
CONDITION	<p>During the audit, ASR management noted COB's communication to applicants were inconsistent with regulatory guidance. We did not identify any deviations with BOE guidance for the 30 appeals tested; however, the following two instances were provided by ASR as examples, which may not represent the extent of the issue:</p> <ul style="list-style-type: none"> • Appeal #1: COB improperly denied the application received in August 2021 and subsequently communicated with applicant to postpone the scheduled hearing and resubmit a new application, which was beyond the original filing period of July 2nd to September 15th. • Appeal #2: COB incorrectly rejected the application for partial issues in July 2021. The applicant inquired with ASR on the application determination after the County's 60-day rejection challenge period. ASR subsequently followed up with COB and the application decision was corrected in November 2022, over 16 months later. <p>In both instances, the errors were subsequently corrected by COB within BOE guidelines; however, providing incorrect guidance to applicants can lead to reputational risk, noncompliance with regulatory requirements and potential litigation.</p>
RECOMMENDATIONS	<p>3.1 COB management should consult with BOE and County Counsel when appropriate action is not clear to reduce the likelihood of misinforming the applicant or improperly denying an application. If needed, ASR's Standards Division may be consulted with applicant's consent, while being mindful of potential conflict of interest between parties involved in the appeal.</p> <p>3.2 COB management should provide staff with periodic trainings on BOE guidance and updates to systems/processes or other applicable law and regulations.</p> <p>3.3 COB and ASR management should consider resuming joint periodic trainings with departmental staff to communicate major changes impacting their processes and walkthrough examples of complex cases or corrected appeals.</p>
PRIORITY/EXPECTED COMPLETION DATE	Medium (2) – Within three to six months after issuance of the final audit report
MANAGEMENT RESPONSES	<p>ASR: Agreed with all recommendations.</p> <p>COB: Agreed with recommendations 3.2 and 3.3 and partially agreed with 3.1. COB will continue to consult with BOE and AAB's assigned counsel for complicated cases. COB's consultation with ASR will be limited to gathering information on assessment practices, if needed, to assist COB in their appeals validation process.</p>

Findings and Recommendations

FINDING 4: Base Year column in the results letter is unclear.							
OBJECTIVE	To determine if departments communications with applicants are clear and concise.						
CRITERIA	<p>Green Book, Principle 15 - Communicate Externally, Attribute 15.02: Communication with External Parties states "Management communicates with, and obtains quality information from, external parties using established reporting lines. Open two-way external reporting lines allow for this communication. External parties include suppliers, contractors, service organizations, regulators, external auditors, government entities, and the general public."</p> <p>Per the AADM Training Manual, COB staff enters the AAB's decision in AADM and prepares the results letter. They can select the appropriate results template to edit, save, and print/send.</p>						
CONDITION	<p>In California, a property's Base Year value is defined as its fair market value for either of the following circumstances: 1975 lien date, subsequent new construction or change in ownership.</p> <p>Based on results of testing procedures for appeals with roll value changes, we noted two results letters reviewed with the "Values Adjusted by Board Action for Base Year" did not specify the year affected. Currently, the results letter template is not configured in AADM to display the Base Year period, as such applicants may misinterpret adjusted values on the final appeals decision.</p> <p>Example of the current appeal results letter layout:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="3" style="text-align: center;">2020 Regular Assessment</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">County's Verified Assessment (\$)</td> <td style="text-align: center;">Values Adjusted by Board Action (Regular Roll)(\$)</td> <td style="text-align: center;">Values Adjusted by Board Action (Base Year)(\$)</td> </tr> </tbody> </table> <p>Unclear communication can result in external parties misinterpreting information presented as a favorable outcome or unnecessary use of staff's time researching an issue.</p>	2020 Regular Assessment			County's Verified Assessment (\$)	Values Adjusted by Board Action (Regular Roll)(\$)	Values Adjusted by Board Action (Base Year)(\$)
2020 Regular Assessment							
County's Verified Assessment (\$)	Values Adjusted by Board Action (Regular Roll)(\$)	Values Adjusted by Board Action (Base Year)(\$)					
RECOMMENDATION	<p>4.1 COB management should clearly notate in the results letter the year affected on the "Values Adjusted by Board Action for Base Year" column to ensure applicants can easily identify the change. COB is aware of the situation and will coordinate with the AADM vendor on updating the results letter templates once funding and staffing resources become available. As a possible short-term solution, COB management should manually add a period to the Base Year column or an explanatory sentence before sending the results letter to applicants.</p>						
PRIORITY/EXPECTED COMPLETION DATE	High (1) – Within one to three months after issuance of the final audit report						
MANAGEMENT RESPONSES	<p>ASR: Agreed with the recommendation. ASR management also noted the severity of the problem merits immediate resolution.</p> <p>COB: Partially agreed with the recommendation. COB management stated the short-term solution proposed is not feasible within the current architecture of AADM. They are evaluating potential solutions to address the concern and will update when possible.</p>						

Findings and Recommendations

FINDING 5: Unclear communication when scheduling sub-appeals hearing dates.	
OBJECTIVE	To determine if the status of the assessment appeals stages is communicated timely between ASR and COB.
CRITERIA	Green Book, Principle 14 - Communicate Internally, Attribute 14.04: Communication throughout the Entity states "Management receives quality information about the entity's operational processes that flows up the reporting lines from personnel to help management achieve the entity's objectives."
CONDITION	<p>During the audit, we noted there was unclear communication between ASR and COB management on the process for scheduling hearing dates for sub-appeals (".002", ".003", etc.) relative to the main appeal (ending in ".001"). For example, COB staff assumed hearing dates for sub-appeals were addressed with the associated main appeal while ASR staff noted the dates could be different for instances when multiple ASR divisions are involved. Thus, COB staff did not have consistent guidance from various ASR divisions on addressing sub-appeal hearing dates.</p> <p>Unclear communication can lead to conflicting information, inconsistent processes and non-compliance with statutory guidance.</p>
RECOMMENDATIONS	<p>5.1 ASR management should coordinate with their various divisions to agree upon a unified process for scheduling sub-appeals hearings and communicate to COB.</p> <p>5.2 COB management should ensure the process for scheduling sub-appeal hearings in AADM aligns with ASR's business needs and timely train staff on any changes.</p>
PRIORITY/EXPECTED COMPLETION DATE	Medium (2) – Within three to six months after issuance of the final audit report
MANAGEMENT RESPONSES	ASR and COB: Agreed with all recommendations.

Findings and Recommendations

FINDING 6: Main and sub-appeals with the same hearing date were not closed concurrently in AADM.	
OBJECTIVE	To verify if related appeals are handled concurrently to ensure consistency.
CRITERIA	BOE Assessment Appeals Manual: page 37, states in part "when multiple applications are filed for a single property, then, whenever possible, the clerk should consolidate the applications into one hearing." Per the Assessment Appeals Process flowchart on COB's website, hearing clerks have two weeks to process their results after the hearing.
CONDITION	Based on results of testing procedures, we noted three of five sets of sub-appeals tested were addressed at the same scheduled hearing date as the main appeal, but were not closed concurrently in AADM. Although the sub-appeals tested were closed within two weeks compared to the main appeal, there is an increased risk of creating process inefficiencies, unnecessary use of staff time and possible conflicting information when all associated appeals are not addressed concurrently.
RECOMMENDATION	6.1 COB management should develop a process to ensure staff check the 'Sub-Appeals' tab in AADM for related appeals and close them concurrently in AADM if they had the same hearing date. For example, COB management could run a bi-weekly detailed status report in AADM to help identify open/active sub-appeals and compare them with the main appeal closing date to ensure they are timely addressed.
PRIORITY/EXPECTED COMPLETION DATE	Low (3) – Within six to 12 months after issuance of the final audit report
MANAGEMENT RESPONSES	ASR: Agreed with the recommendation. COB: Partially agreed with the recommendation. COB management noted some sub-appeals with the same hearing date may remain active and should not be closed concurrently. COB agrees to develop processes around ensuring sub-appeals are properly checked and closed.

Findings and Recommendations

FINDING 7: Policies and procedures were not updated with current practices.	
OBJECTIVE	To determine if COB management maintains current assessment appeals policies and procedures.
CRITERIA	Green Book, Principle 10 - Design Control Activities states in part "Management should design control activities to achieve objectives and respond to risks...control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives to achieve the entity's objectives and address related risks."
CONDITION	<p>During the audit, we noted COB management had a large volume of policies and procedures (P&P) related to assessment appeals processes, some of which were redundant or referenced legacy systems and prior processes. For example, the following P&P included information referencing steps performed in AIMS (ASR's IT system) for scheduling hearings, which was replaced by AADM in Spring 2019:</p> <ul style="list-style-type: none"> • Board Consideration Scheduling Procedure dated April 2017, • Board Consideration Summary Procedure, and • Completed Stipulations Procedures dated January 2012. <p>Outdated P&P could result in inconsistent practices, non-compliance with current laws and regulations and negatively impact operational effectiveness.</p>
RECOMMENDATIONS	<p>7.1 COB management should consolidate their P&P into a comprehensive procedural manual focused on relevant information applicable to key business processes.</p> <p>7.2 COB management should periodically review and update their P&P for changes in operational processes or IT systems to ensure organizational objectives are achieved. For example, references or tasks previously processed in AIMS should be replaced with current practices in AADM.</p> <p>7.3 Additionally, COB management should continue to provide periodic trainings to refresh staff on current processes and timely communicate any significant updates with ASR affecting their operations.</p>
PRIORITY/EXPECTED COMPLETION DATE	Low (3) – Within six to 12 months after issuance of the final audit report
MANAGEMENT RESPONSES	ASR and COB: Agreed with all recommendations.

Findings and Recommendations

FINDING 8: Record retention practices were inconsistent between COB and ASR.	
OBJECTIVE	To determine if documentation maintained for assessment appeals complies with the County's Record Retention Policy and Destruction Schedule.
CRITERIA	<p>BOE Assessment Appeals Manual: page 35, Retention of Records states in part "The clerk is responsible for maintaining the records of all appeals hearings held with a hearing officer or before appeals boards, including evidence presented during the hearings. The clerk may destroy records consisting of assessment appeal applications when five years have elapsed since the final action on the application. The records may be destroyed three years after the final action on the application if the records have been...preserved on a medium that provides access to the documents."</p> <p>Revenue and Taxation Code (R&TC): Part 2. Assessment; Chapter 3. Assessment Generally – Section 465 states in part "...the assessor may destroy any document when six years have elapsed since the lien date for the tax year for which that document was obtained. Documents may be destroyed immediately upon preservation in a medium that provides access to the documents...that may later be retrieved."</p>
CONDITION	<p>During the audit, we noted inconsistencies in ASR and COB record retention practices. BOE Assessment Appeals Manual and R&TC both states most records may be destroyed after three or six years depending on documentation types, or sooner if saved electronically. COB's policy aligns with BOE guidance; however, ASR's policy included other retention periods to meet their business needs. For example, <i>Class 1 Appeal Files: Businesses with a full cash value over \$20 Million or greater</i> are retained for 10 years and <i>Current Year Assessment Reports</i> are retained six years for historical research purposes.</p> <p>Maintaining unnecessary documentation can result in excess storage and related costs (physical and electronic copies), loss of information and compromised data.</p>
RECOMMENDATIONS	<p>8.1 ASR management should work with County Counsel and COB management on evaluating their internal record retention policies to ensure alignment with BOE and R&TC guidance.</p> <p>8.2 ASR management should also work with County Counsel to determine which documents will be retained longer than BOE and R&TC guidance recommends for historical or other business needs and save them electronically. Other unnecessary documentations should be destroyed to reduce storage and related costs or prevent loss of information.</p>
PRIORITY/EXPECTED COMPLETION DATE	Low (3) – Within six to 12 months after issuance of the final audit report
MANAGEMENT RESPONSES	ASR and COB: Agreed with all recommendations.

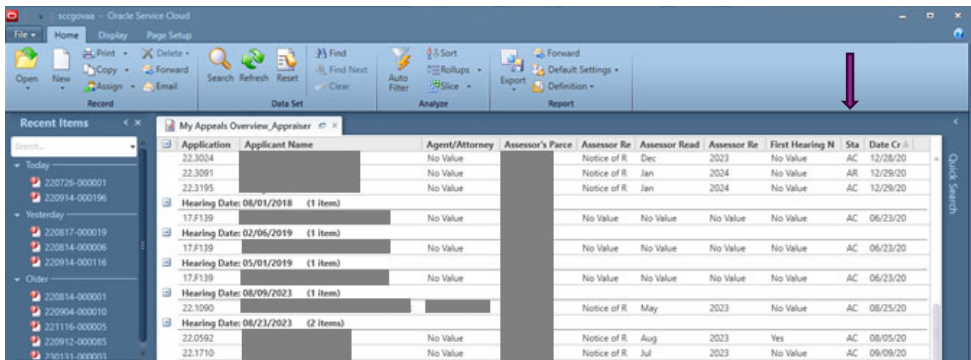
Findings and Recommendations

ADEQUACY OF ASSESSMENT APPEALS PROCESS

FINDING 9: Updates to processed roll value changes require manual adjustments in AIMS and TCAS.	
OBJECTIVE	To determine if updates to processed roll value changes are processed timely and accurately.
CRITERIA	Green Book, Principle 12 - Implement Control Activities, Attribute 12.03: Documentation of Responsibilities through Policies states "Management documents in policies for each unit its responsibility for an operational process's objectives and related risks, and control activity design, implementation, and operating effectiveness. Each unit, with guidance from management, determines the policies necessary to operate the process based on the objectives and related risks for the operational process. Each unit also documents policies in the appropriate level of detail to allow management to effectively monitor the control activity."
CONDITION	<p>Based on results of testing procedures, we noted the refund for one of ten appeals reviewed with roll value changes was processed to the applicant in January 2023; however, a revision to the land value was subsequently made in February 2023 resulting in a roll correction. Per inquiry with COB management, the normal process for roll changes flows from their system (AADM) to ASR's system (AIMS) to Controller-Treasurer Department - Tax Roll Control Unit's system (TCAS). Once results are processed through these systems, AIMS will not accept new adjustments due to programming limitations.</p> <p>The new adjustments are included in an "error report" generated from AIMS and requires ASR staff to manually process. As of October 2023, the land value and subsequent roll change for the appeal tested has not been processed.</p> <p>Untimely manual adjustments can lead to unsatisfactory customer service, incorrect monetary calculations and inaccurate records.</p>
RECOMMENDATIONS	<p>9.1 ASR management should identify the programming limitation within AIMS for accepting subsequent roll value changes and update the system, if possible, and subsequently communicate to COB management.</p> <p>9.2 If AIMS does not allow the option to update roll value changes after appeal results are processed, ASR management should develop a process (e.g., checklist) for handling subsequent adjustments that require manual processing to ensure the correct values and roll corrections are reflected in the AADM, AIMS and TCAS systems and processed timely.</p>
PRIORITY/EXPECTED COMPLETION DATE	Low (3) – Within six to 12 months after issuance of the final audit report
MANAGEMENT RESPONSES	ASR and COB: Agreed with all recommendations.

Findings and Recommendations

IT BUSINESS NEEDS FOR ASSESSMENT APPEALS PROCESS

FINDING 10: Detailed status reports and dashboard features in AADM are limited.	
OBJECTIVE	To determine if AADM meets business needs for the assessment appeals process.
CRITERIA	<p>Green Book, Principle 13 - Use Quality Information, Attribute 13.04: Relevant Data from Reliable Sources states in part "Management obtains relevant data from reliable internal and external sources in a timely manner based on the identified information requirements...Reliable internal and external sources provide data that are reasonably free from error and bias and faithfully represent what they purport to represent."</p> <p>Green Book, Principle 14 - Communicate Internally, Attribute 14.02: Communication throughout the Entity states "Management communicates quality information throughout the entity using established reporting lines. Quality information is communicated down, across, up, and around reporting lines to all levels of the entity."</p>
CONDITION	<p>Although there are over 500 reports available to run in AADM, ASR staff noted there is no specific report which provides them with detailed status of appeals or useful information to perform day-to-day operations. In addition, the "My Appeals Overview Appraiser" dashboard in AADM shows "Active" (AC) status, but does not display different stages of the appeals process such as:</p> <ul style="list-style-type: none"> • information requests sent or received from applicants (Form 441 D), • applicants' confirmation to attend their scheduled hearings, or • stipulation status (sent, received or completed), if applicable. <p>Screenshot of the "My Appeals Overview Appraiser" dashboard (see purple arrow noting AC status):</p>  <p>ASR staff further stated there are limited fields available to run reports, which varies based on a user's access level. For example, staff can search for a tentative agenda based on a single date while a supervisor has the ability to search by a date range, which allows for more flexibility.</p> <p>Not having useful reports or easily accessible information available within a system can result in unnecessary use of staff resources manually adjusting reports or unusable data requiring further research to meet business needs.</p>

Findings and Recommendations

FINDING 10: Detail status reports and dashboard features in AADM are limited. <i>(continued)</i>	
RECOMMENDATIONS	<p>10.1 ASR management should identify useful information to include on customizable reports in AADM and obtain the system’s data mapping information, which would help staff understand the nature of each data column.</p> <p>10.2 COB management should grant ASR’s IT Division read-only access to data in AADM allowing them the ability of creating reports that meet their business needs.</p> <p>10.3 Additionally, COB management should ensure appropriate access levels are granted to users based on their roles and responsibilities for performing day-to-day tasks.</p> <p>10.4 As funding and staffing resources become available, COB management should engage the AADM vendor to update the "My Appeals Overview Appraiser" dashboard layout to capture status details of the appeals (e.g., information requested from applicant (Form 441 D), applicant's attendance confirmation at the scheduled hearing and stipulation status).</p>
PRIORITY/EXPECTED COMPLETION DATE	Medium (2) – Within three to six months after issuance of the final audit report
MANAGEMENT RESPONSES	<p>ASR: Agreed with all recommendations. ASR suggested assigning high priority to the recommendations and limited funding or staffing resources should not be constraints for the AADM updates proposed in 10.4.</p> <p>COB: Agreed with recommendations 10.1, 10.2, 10.3 and partially agreed with 10.4. COB was not informed of the specific features needed by ASR before implementing AADM. Requested features may be updated by the AADM vendor if ASR provides necessary funding to assist with the changes.</p>

Findings and Recommendations

FINDING 11: Inputting staff's availability for hearings and updating multiple appeals cannot be performed in AADM.	
OBJECTIVE	To determine if AADM meets business needs for the assessment appeals process.
CRITERIA	Green Book, Principle 11 - Design Activities for the Information System, Attribute 11.08: Design of Appropriate Types of Control Activities states "Application controls, sometimes referred to as business process controls, are those controls that are incorporated directly into computer applications to achieve validity, completeness, accuracy, and confidentiality of transactions and data during application processing. Application controls include controls over input, processing, output, master file, interface, and data management system controls."
CONDITION	<p>Based on inquiry with ASR management, the following tasks cannot be performed in AADM:</p> <ul style="list-style-type: none"> • Inputting dates when staff are unavailable for scheduled hearings to ensure they can attend or make arrangements by delegating to others. Currently, staff only have the option of entering the proposed month and year for the hearing date. Since applicants can request a postponement of the scheduled hearing with COB, ASR staff must manually check all proposed hearing dates in AADM continuously and coordinate with COB staff to reschedule or delegate, if needed. • Selecting multiple appeals concurrently for ASR's Real Property Division to perform tasks such as updating the assigned staff, district area or Notice of Readiness dates (NOR¹). <p>Not having useful capabilities within a system can lead to unnecessary use of staff resources and operating inefficiencies.</p>
RECOMMENDATIONS	<p>11.1 As funding becomes available, COB management should engage the AADM vendor to add the following features in the system:</p> <ul style="list-style-type: none"> • A functionality that allows inputting when staff are unavailable to attend scheduled appeal hearings. • Capabilities to mass update staffing assignment, district area or NOR date changes for real property appeals. <p>11.2 ASR management should identify other high priority functionalities currently unavailable in AADM necessary for meeting their business needs and develop a plan with COB management to address them.</p>
PRIORITY/EXPECTED COMPLETION DATE	Medium (2) – Within three to six months after issuance of the final audit report
MANAGEMENT RESPONSES	<p>ASR: Agreed with all recommendations.</p> <p>COB: Agreed with recommendation 11.2 and partially agreed with 11.1. COB concurred with the recommendation for mass updating capabilities in AADM, but stated it is not feasible to add the functionality due to the volume of applicants and ASR staff involvement. COB also stated ASR's ability to make unilateral changes for hearing dates may unfairly benefit ASR over applicants.</p>

¹ The Notice of Readiness (NOR) is an internal term used by ASR staff to input the proposed month and year for scheduling hearings in AADM.

Findings and Recommendations

FINDING 12: Search function in AADM is limited.	
OBJECTIVE	To determine if AADM meets business needs for the assessment appeals process.
CRITERIA	Green Book, Principle 11 - Design Activities for the Information System, Attribute 11.08: Design of Appropriate Types of Control Activities states "Application controls, sometimes referred to as business process controls, are those controls that are incorporated directly into computer applications to achieve validity, completeness, accuracy, and confidentiality of transactions and data during application processing. Application controls include controls over input, processing, output, master file, interface, and data management system controls."
CONDITION	<p>Based on inquiry with ASR's Business Division, staff cannot perform a search in AADM capturing appeals for all locations owned by an entity (i.e. the business entity number). The current configuration requires the whole business account number to be entered, which only yields results for a specific location and will not display other properties owned by the entity. Searching by business name is also difficult as the spelling must be exact; however, the name could be entered multiple ways in the system.</p> <p>Inadequate search capabilities within a system can lead to unnecessary use of staff's time and may not yield intended results.</p>
RECOMMENDATION	12.1 As funding becomes available, COB management should engage the AADM vendor on modifying the search functionality allowing staff to look-up by business entity numbers to ensure all associated appeals for multiple locations are captured.
PRIORITY/EXPECTED COMPLETION DATE	Medium (2) – Within three to six months after issuance of the final audit report
MANAGEMENT RESPONSES	<p>ASR: Agreed with the recommendation. ASR suggested assigning high priority to the recommendation and limited funding or staffing resources should not be constraints.</p> <p>COB: Agreed with the recommendation. COB stated the requested features may be prioritized and updated by the AADM vendor if ASR provides necessary funding to assist with the changes.</p>

**APPENDIX 1: DEFINITION OF PRIORITY RATINGS FOR AUDIT
RECOMMENDATIONS**

Priority Ratings	Definition of Priority Ratings and Suggested Implementation Timeframe
<p>High / Priority One (1)</p>	<p>Priority One recommendations are assigned to the highest assessed level of risk. For these recommendations, internal controls are considered poor or insufficient, which results in the likelihood of financial loss, waste, misappropriation of assets, or errors for the area(s) evaluated. Priority One recommendations also include issues related to non-compliance with laws, regulations or policies and procedures.</p> <p>Management should urgently implement these recommendations within one to three months after issuance of the final audit report to avoid risk exposure.</p>
<p>Medium / Priority Two (2)</p>	<p>Priority Two recommendations are assigned to the moderately assessed level of risk. For these recommendations, internal controls provide reasonable assurance that the County program(s) or area(s) evaluated are protected from potential financial loss, waste, misappropriation of assets, or errors; however, additional action is needed to strengthen current practices.</p> <p>Management should promptly implement these recommendations within three to six months after issuance of the final audit report to improve internal control processes.</p>
<p>Low / Priority Three (3)</p>	<p>Priority Three recommendations are assigned to the lowest assessed level of risk. For these recommendations, internal controls are operating as designed to ensure the County program(s) or area(s) evaluated are protected from potential financial loss, waste, misappropriation of assets, or errors. These recommendations are desired actions to enhance current practices.</p> <p>Management should consider implementing these recommendations within six to 12 months after issuance of the final audit report to provide additional confidence in the internal control system.</p>

APPENDIX 2: INTERNAL CONTROLS FRAMEWORK

We utilized guidance in the U.S. Government Accountability Office’s *Standards of Internal Controls in the Federal Government* (“Green Book”)² to evaluate best practices for internal controls within government entities. Internal controls are processes used by management to help achieve their goals and objectives related to operations, reporting, and compliance.

Standards in the “Green Book” comprise of the following five internal control components and corresponding 17 principles that work together in an integrated framework:

Components	Principles
Control Environment	<ol style="list-style-type: none"> 1. The oversight body and management should demonstrate a commitment to integrity and ethical values. 2. The oversight body should oversee the entity’s internal control system. 3. Management should establish an organizational structure, assign responsibility, and delegate authority to achieve its objectives. 4. Management should demonstrate a commitment to recruit, develop, and retain competent individuals. 5. Management should evaluate performance and hold individuals accountable for their internal control responsibilities.
Risk Assessment	<ol style="list-style-type: none"> 6. Management should define objectives clearly to enable the identification of risks and define risk tolerances. 7. Management should identify, analyze, and respond to risks related to achieving the defined objectives. 8. Management should consider the potential for fraud when identifying, analyzing, and responding to risks. 9. Management should identify, analyze, and respond to significant changes that could impact the internal control system.
Control Activities	<ol style="list-style-type: none"> 10. Management should design control activities (i.e., policies and procedures) to achieve objectives and respond to risks. 11. Management should design the information system and related control activities to achieve objectives and respond to risks. 12. Management should implement control activities through policies.
Information and Communication	<ol style="list-style-type: none"> 13. Management should use quality information to achieve its objectives. 14. Management should internally communicate the necessary quality information to achieve its objectives. 15. Management should externally communicate the necessary quality information to achieve its objectives.
Monitoring Activities	<ol style="list-style-type: none"> 16. Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results. 17. Management should remediate identified internal control deficiencies on a timely basis.

² Source: <https://www.gao.gov/greenbook>

APPENDIX 3: PROGRAM BACKGROUND, METHODOLOGY AND OTHER KEY INFORMATION

PROGRAM BACKGROUND

An assessment appeal occurs when a taxpayer disagrees with the assessed value of their property determined by the County's ASR. Taxpayers can file for an assessment appeal online or submit a hard copy via mail or drop-off to the COB's office. The County's period to file an assessment appeal is from July 2nd through September 15th or within 60 days of a Supplemental or Escape Assessment Notice.

The California BOE and certain R&TC provide regulatory guidance for the assessment appeals process. Specifically, R&TC Section 1604 sets the statute of limitations requiring the County's AAB to make a final decision on assessment appeals within two years of the application's initial filing date. If a determination exceeds the timeline, the applicant's opinion will be granted. Applicants also have the option to sign a waiver form to forgo the statute requirement.

Assessment Appeals process involves coordination between multiple County departments. The two main departments included in the process are COB and ASR. Their responsibilities are described below:

COB's Assessment Appeals Division - responsible for administrative duties such as managing the assessment appeals process, receiving and reviewing applications, scheduling appeal hearings, preparing the hearing agendas, facilitating the hearings, preparing notices and sending final results to applicants.

ASR - responsible for assessing property values within the County's boundaries, attending appeal hearings to answer questions from applicants and/or the Assessment Appeals Board (AAB) members and presenting evidence supporting their determined value. The following divisions are involved: Real Property Division, Business Division, Standards Division and Information Systems Division.

Other departments or parties involved in the assessment appeals process include:

AAB - a group of three members appointed by the Board of Supervisors to resolve disputes between ASR and property owners.

County Counsel - responsible for advising COB and ASR on assessment appeals, legal matters, procedural concerns and approving proposed stipulations.

Controller-Treasurer Department's Tax Roll Control (TRC) - responsible for processing roll value corrections effecting the property tax amounts due to/from taxpayers.

Beginning in Spring 2019, COB implemented AADM system, an Oracle Integration cloud-based solution, which automates processes and provides electronic access to assessment appeals documentation. COB and ASR staff primarily use AADM for the assessment appeals process. Other departments such as County Counsel and TRC may be granted access as needed.

Appendix

METHODOLOGY

To achieve our audit objectives, we performed the following procedures:

- Reviewed applicable law/regulations and policies/procedures.
- Performed walkthroughs and interviewed key personnel to gain an understanding of key processes and concerns.
- Selected a sample of transactions and performed testing procedures to ensure assessment appeals were:
 - processed in accordance with applicable guidance,
 - adequately supported,
 - processed timely and accurately,
 - adjusted properly and accurately reflected in various County systems, and
 - communicated timely to applicants with the final results.
- Performed analysis on key stages in the assessment appeals process.
- Assessed the adequacy of IT system internal controls by reviewing areas such as user access permissions and data privacy practices.

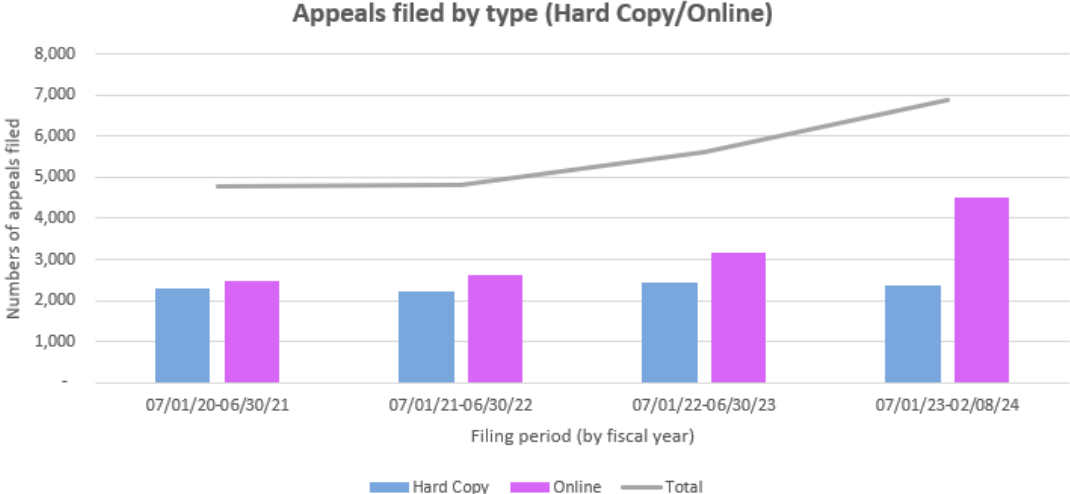
OTHER KEY INFORMATION

Below is a summary of assessment appeals filed by type (hard copy or online) for the period reviewed through February 8, 2024 (table and chart):

Period	Hard Copy	Online	Total
7/01/20 - 6/30/21	2,301	2,482	4,783
7/01/21 - 6/30/22	2,204	2,613	4,817
7/01/22 - 6/30/23	2,456	3,168	5,624
7/01/23 - 2/08/24*	2,350	4,513	6,863
Total	9,311	12,776	22,087

Source: Based on AADM data provided by ASR’s Standards Division.

* Data as of the report run date in AADM.



Appendix

Below is a summary of assessment appeals filed by status (open or closed) for the period reviewed through February 8, 2024 with further break down of hard copy verses online submissions (tables and chart):

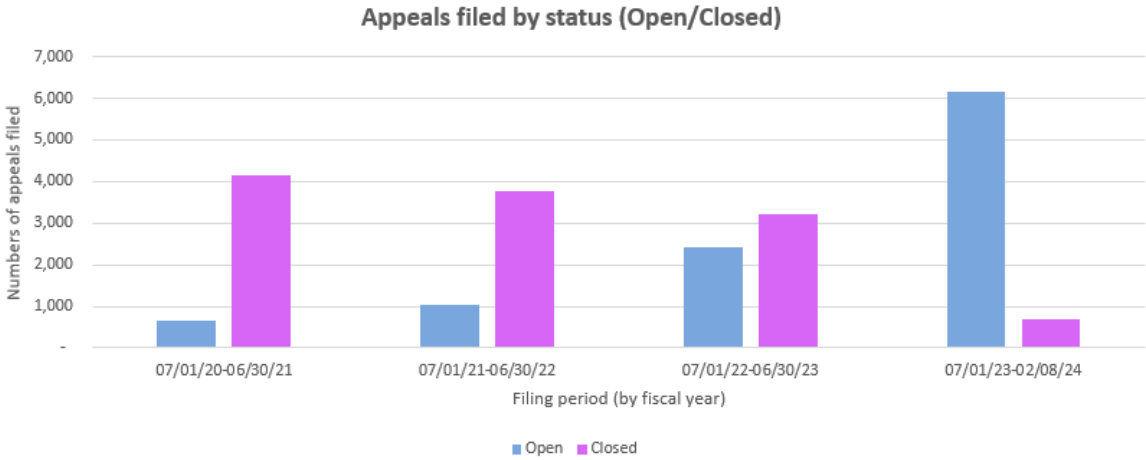
Period	Open Appeals	Closed Appeals	Total
7/01/20 - 6/30/21	648	4,135	4,783
7/01/21 - 6/30/22	1,041	3,776	4,817
7/01/22 - 6/30/23	2,423	3,201	5,624
7/01/23 - 2/08/24	6,160	703	6,863
Total	10,272	11,815	22,087

Source: Based on AADM data provided by ASR’s Standards Division.

Period	Open Hard Copy	Open Online	Total	Closed Hard Copy	Closed Online	Total
7/01/20 - 6/30/21	281	367	648	2,020	2,115	4,135
7/01/21 - 6/30/22	396	645	1,041	1,808	1,968	3,776
7/01/22 - 6/30/23	1,267	1,156	2,423	1,189	2,012	3,201
7/01/23 - 2/08/24*	2,073	4,087	6,160	277	426	703
Total	4,017	6,255	10,272	4,017	6,255	11,815

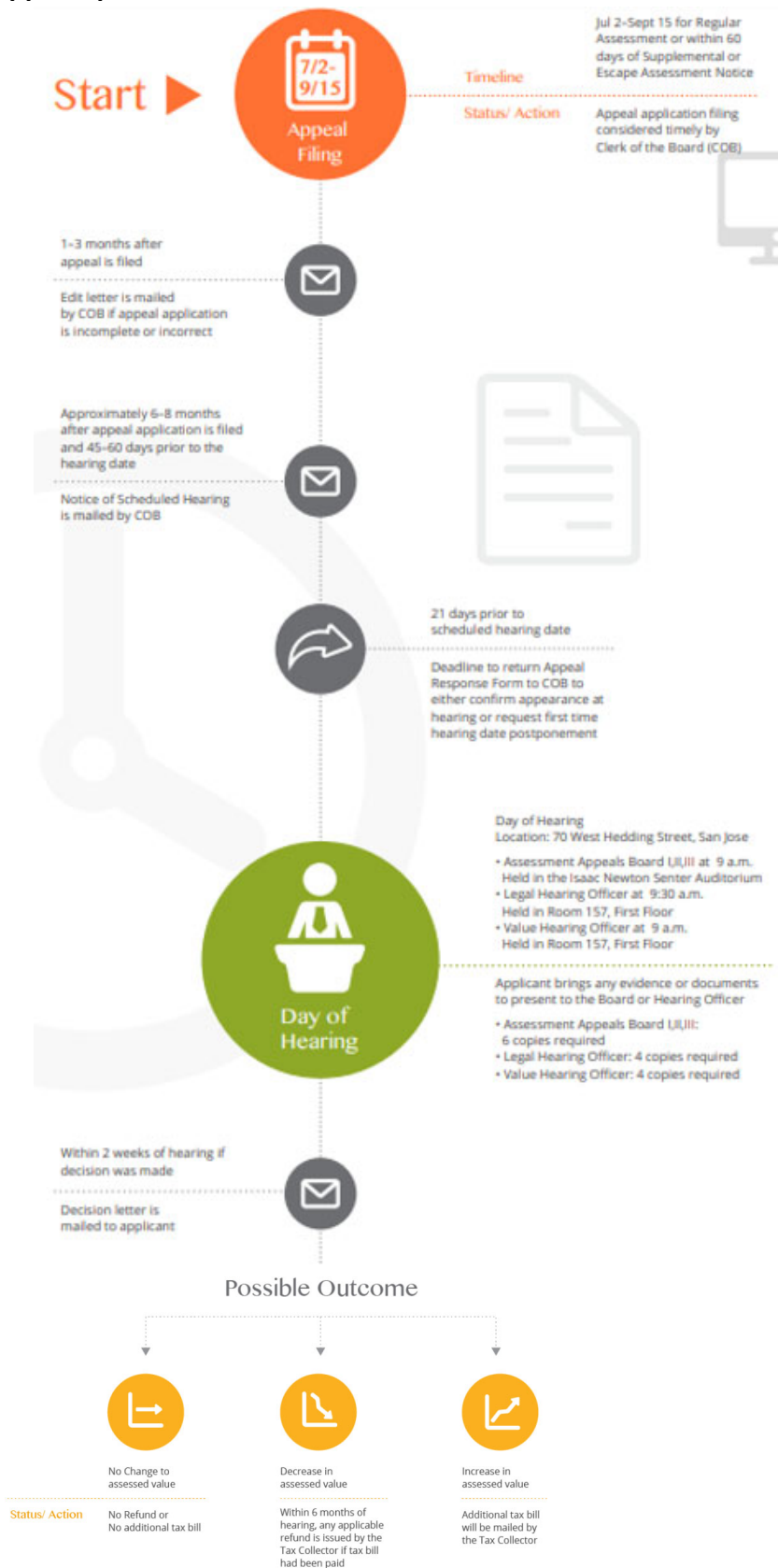
Source: Based on AADM data provided by ASR’s Standards Division.

*Higher volume of appeals are open during this period as they are currently in process.



Appendix

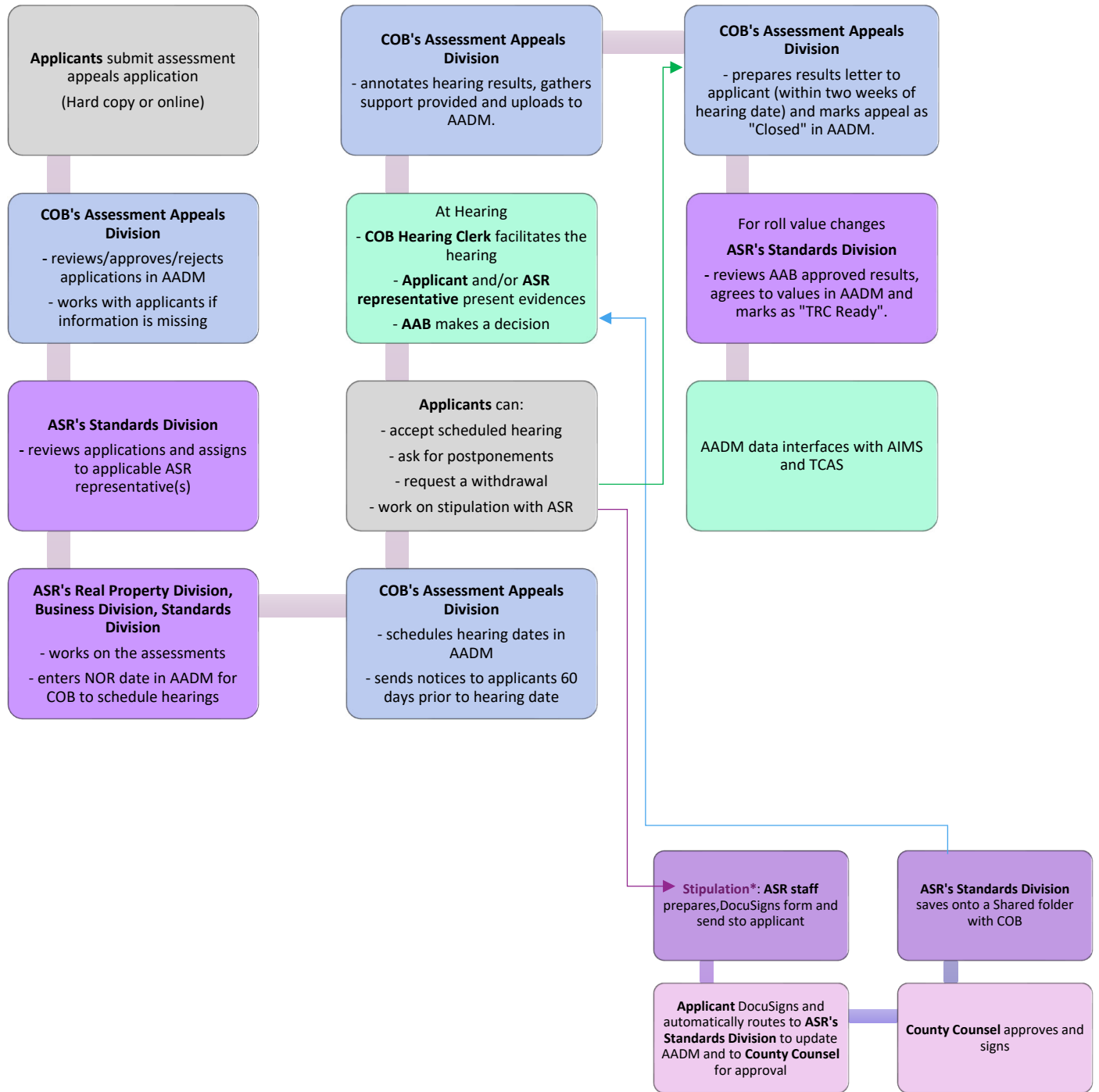
Assessment Appeals process timeline:



Source: County of Santa Clara - COB Assessment Appeals website

Appendix

A high-level overview of the County's Assessment Appeals process:



*Stipulation - a written agreement signed by the county assessor, county legal officer [e.g., County Counsel], and applicant when the value of their property is agreed upon after the application has been filed, but prior to the scheduled hearing (Per BOE website).

APPENDIX 4: ACCOMPLISHMENTS

The following accomplishments by COB’s Assessment Appeals Division were noted during the engagement period:

- Created policies and procedures for conducting virtual hearings and provided training to AAB members during the pandemic. They also created guidelines, procedures and infrastructure for conducting safe in-person appeal hearings.
- Made efforts to streamline the assessment appeals assignment process, customer service procedures and developed protocol for handling electronic applications without creating physical file copies, which reduced dependence on paper resources.
- Took over the responsibility of fully handling withdrawal and postponement tasks, which simplified processes.
- Worked with the AADM vendor on the following tasks:
 - Increased size limit for document uploads and removed Optical Character Recognition “OCR” processing to prevent system lag, which increased run speeds for all users.
 - Implemented “Board Decision Date” feature allowing ASR staff to run more detailed reports.
 - Resolved the issue of appeals appearing on prior scheduled hearings.
- Below are assessment appeals activities for FY20-21 to FY22-23:

Activity	FY20-21	FY21-22	FY22-23
Reviewed applications	4,619	4,654	5,483
Responded to # of applicants	7,568	11,587	11,192
Created and mailed corresponding notices	17,742	17,021	14,625
Processed withdrawals	1,430	2,218	2,867
Processed postponements	7,998	9,796	15,377

* Source: Obtained from COB management

APPENDIX 5: OTHER OBSERVATIONS (OBS)

OBS 1 - DAILY DATA EXTRACTION WITHIN AADM IS LIMITED

Observation: Based on inquiry with ASR IT management, they stated there is a daily data extraction limitation in AADM of 10,000 activities (“feeds”) to capture updates made within the system, which is a default configuration set by the vendor. As a result, there is a risk of activities not being captured due to system limitations, which could result in incomplete information necessary for operational tasks and decision making.

Suggestion: COB management should coordinate with ASR IT management and the AADM vendor to increase the daily extraction feeds capacity to ensure all updates made within the system are properly captured.

OBS 2 - A FORMAL DISASTER RECOVERY PLAN (DRP) WAS NOT DEVELOPED FOR THE CURRENT SYSTEM

Observation: A DRP helps maintain business continuity by focusing on restoring information stored in mission critical systems that are interrupted during an emergency or disaster by ensuring day-to-day operations can resume quickly and minimize economic impact. The DRP should include aspects related to prevention, mitigation, preparedness, training, response and recovery of information maintained in systems.

Based on inquiry with COB management, we noted they did not have a written DRP in place; however, the Administrative Unit is currently drafting the plan. Alternatively, COB management has an AADM's Production Fail over Plan document dated 2019, which guides them through steps to take in the event of a system failure.

Not having a formal plan to recover data from a system considered to be the central repository of client information could result in inaccurate, incomplete and unreliable information coupled with the inability to restore data timely.

Suggestion: COB management should develop a formally written DRP, which includes AADM, and documents stored on the County's TSS server. The DRP should also incorporate the following:

- Testing an organization's security preparedness.
- Checking for vulnerabilities in the IT systems and business processes.
- Recommending steps to lower the risk of future attacks.
- Keeping systems and policies updated.
- Pinpointing the most pressing vulnerabilities to prioritize rapid improvement.
- Ensuring management and staff are adequately trained to effectively execute disaster recovery tasks and activities.

Appendix

OBS 3 - SOC 2 TYPE II REPORT WAS MISSING FOR ONE PERIOD (OCTOBER 1, 2022 TO SEPTEMBER 30, 2023)

Observation: County's Information Security Office (ISO) performed a Security Risk Assessment (Assessment) in January 2022 for the migration from a legacy on-premise server to AADM. One recommendation included obtaining a System and Organization Controls (SOC)³ 2 Type II report from the vendor annually.

COB management received SOC 2 Type II reports covering the periods April 1, 2021 to September 30, 2021 and October 1, 2022 to September 30, 2023; however, the vendor did not provide a report covering the period October 1, 2021 to September 30, 2022.

If critical security related documents are not requested and reviewed, there is a risk data may be unrecoverable or compromised due to a cybersecurity breach or system failure.

Suggestion: To comply with ISO's recommendation, COB management should ensure the AADM vendor provides a SOC 2 Type II report annually. Any deficiencies noted should be timely addressed. In addition, COB management should implement other recommendations suggested in the Assessment report to prevent external threats or unrecoverable information.

OBS 4 - PENDING STIPULATIONS ARE NOT EASILY DISTINGUISHED ON HEARING AGENDAS

Observation: Pending stipulations are assessment agreements between the ASR and applicant awaiting review/approval by County Counsel before presenting to the AAB.

Based on inquiry with ASR management, *Pending Stipulations* are not easily distinguished on the scheduled hearing agenda as they are combined with other appeals and require an ASR representative and applicant to attend. For *Pending Stipulations*, an ASR representative or the applicant are only needed for prehearing requests made by AAB or their assigned counsel.

Not having detailed information to make an informed decision may lead to inefficient use of time and resources for affected parties.

Suggestion: COB management should add a *Pending Stipulations* category on the scheduled hearing agenda and include AAB's assigned counsel as the representative for this appeal type to ensure only required parties attend.

³ A SOC report is an examination by an independent CPA to report on the effectiveness of a service organization's internal controls and safeguards in place, which enable entities to feel confident they are operating in an ethical and compliant manner. A SOC 2, Type II report evaluates controls relevant to the following trust services criteria: Security, Availability, Processing integrity, Confidentiality and Privacy. The report also focuses on evaluating the fairness of management's presentation of a system and suitability of the controls design and operating effectiveness to achieve its objectives for a given period.

Office of the Assessor

County of Santa Clara

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Assessor@asr.sccgov.org



Lawrence E. Stone, Assessor

MEMORANDUM

DATE: February 26, 2024

TO: Robyn Rose, Internal Audit Manager

FROM: Lawrence E. Stone, Assessor 

RE: Response to Internal Audit Report: Assessment Appeals Coordination Between Assessor (ASR) and Clerk of the Board (COB)

The Assessor's Office appreciates the opportunity to comment on the Internal Auditor's Report on Assessment Appeals Coordination between the Assessor's Office and Clerk of the Board's Office. The software platform, policies and practices supporting the Clerk of the Board's Assessment Appeals administration of this function are vital to the timely, efficient and transparent resolution of assessment appeals. Improvements of each of the findings are long overdue, as it has become increasingly difficult and inefficient to track, report and timely resolve assessment appeals since the Clerk of the Board's implementation of the Assessment Appeals Data Management (AADM) platform. Though I agree with the 12 Findings and Recommendations, as well as the additional four "Other Observations," I am concerned they don't adequately capture the risk of property tax revenue loss, reputational damage, and loss of confidence in Santa Clara County's property tax system posed by the COB's inconsistent internal and process controls, and inadequate management of its software platform. I am also concerned about frequent ambiguities raised in the report where implementation recommendations are given high priority, yet are contingent on funding and staffing availability. It is my sincere hope that the COB be provided the needed resources in its FY '25 proposed budget.

With over 8,183 unresolved assessment appeals totaling \$104 billion of assessed value in dispute, equivalent to \$1 billion in property tax revenue at risk to our County, the potential financial consequences of inadequate appeals administration are extremely serious, yet paradoxically of low priority to the Clerk of the Board's Office. As of this writing, nearly six months after the close of the regular appeals filing period, over 1,700 2023 assessment appeal applications remain to be processed (in addition to the 8,183 active cases cited above) by the Clerk of the Board's Office, with no firm estimated date for completion! Each appeal includes a two-year statute of limitation for resolution.

Findings and Responses:

Finding 1 Scheduled hearings changes and applicants' attendance confirmations were not timely communicated to staff (by COB to ASR).

Response: The Assessor's Office agrees with the audit finding that the COB does not timely communicate changes to appeal status nor timely update appeals agendas. However, the Assessor differs with some of the recommendations proposed to solve the problem. COB staff training and enforcement of timely updates to AADM will likely mitigate the problem.

The audit's recommendation to timely modify AADM creating a customizable dashboard based on COB updates would enable staff to identify updates that may impact the scheduled hearings, such as postponements or withdrawals. The Assessor's Office agrees that a seasoned Business Relationship Manager assigned from TSS should assist COB with improvements to AADM necessary to meet the expected completion date associated with its high priority.

Finding 2 Scheduled representative for the hearing agenda may not be appropriately assigned.

Response: The Assessor's Office agrees with the audit recommendations and the associated priority and completion expectations.

Finding 3 COB's communication to applicants is inconsistent with regulatory guidance.

Response: The Assessor's Office agrees with the finding and recommendations.

Finding 4 Base Year column in the results letter is unclear.

Response The Assessor's Office agrees with the finding but is troubled by an inconsistency in the recommended timeline to address it. The audit states, "once funding and staffing resources become available," the problems with the results letters will be addressed. The priority assigned is "High" indicating resolution should come within one to three months. The Assessor's Office believes the severity of the problem merits immediate resolution, not when funding and staffing are available.

Finding 5 Unclear communication when scheduling sub-appeals hearing dates.

Response: The Assessor's Office agrees with the finding and the recommendations to address it.

Finding 6 Main and sub-appeals with the same hearing date were not closed concurrently in AADM.

Response The Assessor's Office agrees with the finding and recommendation.

Finding 7 Policies and Procedures were not updated with current practices.

Response The Assessor's Office agrees with the finding and recommendation.

Finding 8 **Records retention practices were inconsistent between COB and ASR.**

Response The Assessor's Office agrees with the finding and with the recommendation, noting that business needs of the department are a primary consideration in the review of records retention policy.

Finding 9 **Updates to processed roll value changes require manual adjustments in AIMS and TCAS.**

Response The Assessor's Office agrees with the finding and recommendation.

Finding 10 **Detailed status reports and dashboard features in AADM are limited.**

Response The Assessor's Office agrees with this finding and recommendations, however, characterizing the reporting features of AADM would be better described as "inadequate." Consequently, "High" priority should be assigned to addressing the recommendation and not be constrained by limited funding and staffing resources as the recommendation describes.

Finding 11 **Inputting staff's availability for hearings and updating multiple appeals cannot be performed with AADM.**

Response The Assessor's Office agrees with the finding and the recommendation and believes that the recommendation is time sensitive.

Finding 12 **Search function in AADM is limited.**

Response The Assessor's Office agrees with this finding, though the final word, "limited" should be replaced with "inadequate" especially since the ability to search by entity number is such a basic function, affecting literally thousands of appeal applications. The recommendation to provide this missing functionality is a high priority and, again, we are concerned that the recommended correction of the problem is contingent on funding availability.

OBS 1 **Daily data extraction within AADM is limited.**

Response The Assessor's Office agrees with the finding and recommendation.

OBS 2 **A formal Disaster Recovery Plan (DRP) is not developed for the current system.**

Response The Assessor's Office agrees with the finding and recommendation.

OBS 3 **SOC 2 Type II report is missing for one period (October 1, 2022 to September 30, 2023).**

Response The Assessor's Office agrees with the finding and recommendation.

OBS 4 Pending Stipulations are not easily distinguished on hearing agendas.

Response The Assessor's Office agrees with the finding and recommendation.

The number and severity of the recommendations clearly indicate the administration of the Clerk of the Board's Office presents serious fiscal risk to the County.

County of Santa Clara

Office of the Clerk of the Board of Supervisors
County Government Center, East Wing
70 West Hedding Street, 10th Floor
San Jose, California 95110-1770
(408) 299-5001 TDD 993-8272



Curtis Boone
Acting Clerk of the Board

DATE: March 11, 2024

TO: Robyn Rose, Internal Audit Manager

FROM: Curtis Boone, Acting Clerk of the Board of Supervisors

DocuSigned by:
Curtis Boone
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SUBJECT: Clerk of the Board response to Internal Audit Report regarding Assessment Appeals Coordination between Office of the Assessor and Office of the Clerk of the Board of Supervisors

Thank you for the opportunity to respond to the Internal Audit Division report regarding the Assessment Appeals Coordination Process Between Office of the Assessor and the Office of the Clerk of the Board of Supervisors. I appreciate the time and effort that went into this engagement.

Many of the recommendations provided by the Internal Audit Division are already implemented, or are in process of implementation. Several recommendations appear to minimize the important distinction between the Office of the Assessor, as one of the opposing parties in an adjudicated hearing, and the Office of the Clerk of the Board, as the neutral administrator of the appeal and hearing process (under direction from the Board of Supervisors).

The purpose of the assessment appeals process is to provide an avenue for property owners to appeal the assessed value of their property. The Office of the Clerk of the Board is committed to efficient and effective service, and to ongoing process improvement. Additionally, where Office of the Assessor business needs align with a properly functioning appeals process, and maintain the impartiality of that process, the Office of the Clerk of the Board will coordinate with the Office of the Assessor and consider process changes; such conversations are ongoing.

I have carefully evaluated the recommendations provided in concert with the management team in my Assessment Appeals Division. Following are the responses from the Office of the Clerk of the Board to each of the recommendations.

Recommendation 1.1:

COB management should:

- *Continue to communicate with staff about the importance of the 21-days rule per BOE Property Tax Rule 323 to allow sufficient time for updating AADM and preventing late adjustments to scheduled hearings.*
- *Provide staff with periodic trainings to ensure timely processing of postponement and withdrawal requests in AADM.*
- *Timely communicate with the assigned ASR representative when exceptions are granted for postponements submitted less than 7 days prior to the scheduled hearing.*

- *Coordinate with ASR on the process for handling changes or postponement requests received less than 21 days prior to the scheduled hearings to ensure mutual understanding of expectations.*

The Office of the Clerk of the Board (COB) concurs with this recommendation.

In general, those recommendations pertaining to communication regarding the 21-days rule, and periodic trainings with staff, are already occurring, as the Assessment Appeals Division within COB meets regularly to discuss policies and procedures.

Regarding communication with the Office of the Assessor (ASR) about exceptions granted after the 7 day deadline, COB would communicate with ASR regarding such exceptions. It should be noted, however, that COB procedures do not include scenarios under which such exceptions are unilaterally granted by COB. Applicants must seek approval of an emergency postponement from the applicable Assessment Appeals Board (AAB) or Value Hearing Officer (VHO), or, if the appeal is denied for lack of appearance, they must seek reinstatement from the AAB or VHO.

Regarding coordination with ASR on the process for handling changes or postponement requests received less than 21 days prior to the hearing, this is already occurring. Scheduling of appeals is a COB responsibility, but requires coordination with ASR.

Per prior agreement between ASR and COB, a response received timely may be processed by COB on the 20th day. This mostly applies when responses are received toward the end of the 21st day, or when a large number of responses are received on the 21st day. COB prioritizes the processing of such timely-but-last-minute responses to ensure they are provided to ASR within one business day. With that framework in mind, COB is amenable to continuing to coordinate with ASR on this process.

Recommendation 1.2:

COB should consider working with a County's Technology Services and Solutions (TSS) Business Relationship Manager and the AADM vendor on creating the following system configurations, if possible:

- *A toggle field to capture applicant responses received within 21 days of the scheduled hearing.*
- *A customizable dashboard for staff to identify updates that may impact the scheduled hearings, such as postponements and withdrawals.*

COB partially concurs with this recommendation.

AADM already tracks logged responses processed by COB. COB does not process responses received late, pursuant to County of Santa Clara Local Rules and prior agreements between COB and ASR. When a response is received late, it is not entered into AADM. The applicant is informed that their response cannot be processed, and if the applicant intended to attend, they are advised that they can attend solely to request a new hearing date, pursuant to Local Rule 307-1.

Appeals for which responses are not timely received are automatically placed in a “not timely confirmed” section of the agenda, indicating that the appeal will not be heard. Applicants do not have the ability to have an evidentiary hearing on a date for which they are not timely confirmed; as such, the utility of the proposed toggle field, and the logging of late responses, is minimal at best.

Regarding a customizable dashboard, the tentative agenda report already exists and provides much of this information, and an additional “my appeals” report provides another view of the applicable data. COB can coordinate with the AADM vendor and ASR on updates to the reporting options, as availability of funding allows.

Recommendation 2.1:

COB management should develop a checklist for the Hearing Clerk to ensure the correct representative(s) is entered in AADM for scheduled hearing agendas based on subject matter and timely update when there are

changes in staff's availability. If the scheduled hearing agenda cannot be changed, the representative(s) should be promptly notified.

COB does not concur with this recommendation.

The assignment of staff to a particular appeal is solely an ASR responsibility, along with the assignment of the issue type of each appeal, which ties into which divisions within ASR need to prepare for the hearing. Furthermore, ASR has the ability to enter this information into AADM directly. It is not practicable for COB to take on this function, as COB staff do not have insight into ASR operations, and cannot reasonably verify the information provided by ASR.

Recommendation 2.2:

COB management should engage the AADM vendor to add a COB representative field (generic or specific name) in AADM as an option when assigning appropriate parties for hearings.

COB does not concur with this recommendation.

The number of scenarios in which a COB representative is the responsible County staff person are extremely limited. Additionally, ASR staff assignments are made at an appeal level – not an agenda level – so were such a change to be implemented, it would require repeated updates to change the assignee to the clerk, and then back to the original ASR staff, increasing risk of error or oversight. The Deputy Clerk assigned to a given hearing already has the ability to speak to administrative matters where applicable.

Finally, the matters which could be assigned to the clerk are generally brief and largely procedural, and the AAB or VHO may wish to seek input from ASR on the information being communicated by the applicant, which is facilitated by listing the assigned ASR staff.

Recommendation 2.3:

COB management should ensure the correct representative(s) is assigned to the scheduled hearings based on the intended purpose such as Appraiser, Auditor, Appeals Coordinator, Examiner or COB representative.

COB partially concurs with this recommendation.

As noted above in our response to Recommendation 2.1, assignment of staff to a particular appeal is an ASR responsibility and cannot practicably be assumed by COB. COB does concur with the inclusion of additional ASR representatives to the agenda, and will add this modification to the improvement roadmap for AADM, to be addressed when funding is available.

Recommendation 3.1:

COB management should consult with BOE and County Counsel when appropriate action is not clear to reduce the likelihood of misinforming the applicant or improperly denying an application. If needed, ASR's Standards Division may be consulted with applicant's consent, while being mindful of potential conflict of interest between parties involved in the appeal.

COB partially concurs with this recommendation.

In cases where appeals present unusual or unprecedented scenarios, COB regularly consults with County Counsel and the Board of Equalization (BOE) in the validation process.

There already exists a formal process for ASR to communicate issues of concern to COB. The responsibility of determining whether or not to accept an appeal application clearly belongs to the COB, and consultation with ASR prior to that acceptance is kept to a minimum to avoid potential conflicts of interest.

Regarding the recommendation to obtain applicant consent for consultation with ASR, COB does not consult with ASR on validation of individual appeals, but may consult with ASR to gather information on assessment practices, such as whether a particular parcel is part of an Economic Unit. Such consultation would inform COB's validation process by ensuring that the appeal is checked against the appropriate

background, but would not entail obtaining ASR's input on the validity of the appeal itself. Since such information is required in order to validate the appeal, and ASR's systems do not contain adequate information for COB to properly perform the validation, in such cases consultation will be required regardless of whether COB obtains applicant consent.

Other consultation may involve overall process coordination – as no particular appeal is considered in this process, applicant consent would be impractical.

COB remains mindful of the distinct roles of COB and ASR in the appeals process, and will continue to avoid potential conflicts of interest.

Regarding the condition section of Finding 3, COB highlights that the auditor did not find any deviations in the appeals tested. This section also mischaracterizes multiple elements of the noted issues.

For Appeal #1, COB does not dispute that an application was improperly denied; however, the rest of the comments seem to imply that subsequent corrections to fix that error were improper. Pursuant to BOE guidance, COB is obligated to correct errors made by the County, which in this case necessitated that the applicant submit a new application. The resubmission falling outside of the original filing period is not relevant, given that COB was required to allow the applicant to correct the error pursuant to Property Tax Rules 305(c)(4) and 305(e)(2).

For Appeal #2, COB does not dispute that an application was improperly rejected. However, the referenced 60-day challenge period does not apply in this circumstance. BOE guidance does not limit the time period under which corrections may be made, but requires that a "reasonable opportunity" be provided to correct errors and omissions; the 60-day timeframe is a Local Rule associated only with appeals denied due to lack of appearance of the applicant.

COB takes accuracy and proper communication to applicants very seriously, and the AA Division conducts ongoing trainings on a weekly basis to improve and refine staff's understanding of the numerous and varied rules and regulations. These two errors were regrettable, and COB continues to strive to avoid such errors, but the most important takeaway from the conditions noted under this finding is that errors can and should be corrected promptly once identified, in a manner that preserves the applicants' rights and adheres to BOE guidance – which both cases demonstrate.

Recommendation 3.2:

COB management should provide staff with periodic trainings on BOE guidance and updates to systems/processes or other applicable law and regulations.

COB concurs with this recommendation.

Such trainings are a longstanding standard element of COB operations within the Assessment Appeals Division.

Recommendation 3.3:

COB and ASR management should consider resuming joint periodic trainings with departmental staff to communicate major changes impacting their processes and walkthrough examples of complex cases or corrected appeals.

COB concurs with this recommendation.

As noted in the recommendation, joint trainings have been conducted periodically in the past, and in scenarios where joint trainings make sense, COB is willing to continue to do so.

Recommendation 4.1:

COB management should clearly notate in the results letter the year affected on the "Values Adjusted by Board Action for Base Year" column to ensure applicants can easily identify the change. COB is aware of

the situation and will coordinate with the AADM vendor on updating the results letter templates once funding and staffing resources become available. As a short-term solution, COB management should manually add a period to the Base Year column or an explanatory sentence before sending the results letter to applicants.

COB partially concurs with this recommendation.

COB agrees that applicants may have difficulty understanding the meaning of the results letter, is evaluating potential solutions to address the concern, and is committed to making an update when feasible. The short-term solution proposed is not feasible within the current architecture of the AADM system, given the number of results letters produced.

Recommendation 5.1:

ASR management should coordinate with their various divisions to agree upon a unified process for scheduling sub-appeals hearings and communicate to COB.

COB concurs with this recommendation.

Receiving conflicting requests from various divisions within ASR can create confusion.

Recommendation 5.2:

COB management should ensure the process for scheduling sub-appeal hearings in AADM aligns with ASR's business needs and timely train staff on any changes.

COB concurs with this recommendation.

COB is willing to work with ASR on adjustments to processes where appropriate and where such modifications would not impact the impartiality of the appeals process. Training will be timely and ongoing, as is the standard practice within COB.

Recommendation 6.1:

COB management should develop a process to ensure staff check the 'Sub-Appeals' tab in AADM for related appeals and close them concurrently in AADM if they had the same hearing date. For example, COB management could run a bi-weekly detailed status report in AADM to help identify open/active sub-appeals and compare them with the main appeal closing date to ensure they are timely addressed.

COB partially concurs with this recommendation.

In some cases sub-appeals on the same hearing date may not all receive closure; should certain sub-appeals remain active, those will not be closed.

COB's ability to comply with this recommendation is largely dependent upon agreement between ASR and COB as to handling of sub-appeals. Within that context COB agrees to develop processes around ensuring that sub-appeals are properly checked and, where appropriate, closed.

Recommendation 7.1:

COB management should consolidate their P&P into a comprehensive procedural manual focused on relevant information applicable to key business processes.

COB concurs with this recommendation.

Policies and procedures are already organized around key business processes, but have not yet been assembled into a single "manual." This has been planned already and will be implemented.

Recommendation 7.2:

COB management should periodically review and update their P&P for changes in operational processes or IT systems to ensure organizational objectives are achieved. For example, references or tasks previously processed in AIMS should be replaced with current practices in AADM.

COB concurs with this recommendation, and it is already an established effort.

Policies and procedures are updated regularly. Given the large number of procedures, updates are made throughout these documents as manager time permits, and such updates are triaged and prioritized.

Recommendation 7.3:

Additionally, COB management should continue to provide periodic trainings to refresh staff on current processes and timely communicate any significant updates with ASR affecting their operations.

COB concurs with this recommendation.

The suggested activities are already performed as appropriate.

Recommendation 8.1:

ASR management should work with County Counsel and COB management on evaluating their internal record retention policies to ensure alignment with BOE and R&TC guidance.

COB concurs with this recommendation.

Recommendation 8.2:

ASR management should also work with County Counsel to determine which documents will be retained longer than BOE and R&TC guidance recommends for historical or other business needs and save them electronically. Other unnecessary documentations should be destroyed to reduce storage and related costs or prevent loss of information.

COB concurs with this recommendation and is prepared to destroy records, both paper and electronic, in accordance with the appropriate guidance from BOE and applicable statute.

Recommendation 9.1:

ASR management should identify the programming limitation within AIMS for accepting subsequent roll value changes and update the system, if possible, and subsequently communicate to COB management.

COB concurs with this recommendation.

Recommendation 9.2:

If AIMS does not allow the option to update roll value changes after appeal results are processed, ASR management should develop a process (e.g., checklist) for handling subsequent adjustments that require manual processing to ensure the correct values and roll corrections are reflected in the AADM, AIMS and TCAS systems and processed timely.

COB concurs with this recommendation.

Recommendation 10.1:

ASR management should identify useful information to include on customizable reports in AADM and obtain the system's data mapping information, which would help staff understand the nature of each data column.

COB concurs with this recommendation.

Recommendation 10.2:

COB management should grant ASR's IT Division read-only access to data in AADM allowing them the ability of creating reports that meet their business needs.

COB concurs with this recommendation.

Such permissions were already granted to ASR IT Division staff upon the launch of AADM in 2019, and such permissions can be granted to additional staff upon notice to COB of the additional staff who require such access.

Recommendation 10.3:

Additionally, COB management should ensure appropriate access levels are granted to users based on their roles and responsibilities for performing day-to-day tasks.

COB concurs with this recommendation, but notes that for ASR users, such access levels are determined by ASR.

Access levels can be updated upon notice to COB of the staff whose access requires update, provided such changes to access do not adversely impact COB business processes or the neutrality of the appeals process.

Recommendation 10.4:

As funding and staffing resources become available, COB management should engage the AADM vendor to update the "My Appeals Overview Appraiser" dashboard layout to capture status details of the appeals (e.g., information requested from applicant (Form 441 D), applicant's attendance confirmation at the scheduled hearing and stipulation status).

COB partially concurs with this recommendation.

COB was not informed of the additional data needed when the report was initially created by the AADM vendor for ASR use. ASR senior management and IT Division staff have already been granted the ability to design and update reports for use by ASR staff, and have received training on this functionality. Such dashboard updates and other reports can also be updated by the AADM vendor, as noted in the recommendation, should ASR be able to provide the necessary funding.

Recommendation 11.1:

As funding becomes available, COB management should engage the AADM vendor to add the following features in the system:

- *A functionality that allows inputting when staff are unavailable to attend scheduled appeal hearings.*
- *Capabilities to mass update staffing assignment, district area or NOR date changes for real property appeals.*

COB does not concur with the recommendation to add functionality around inputting staff availability. COB is responsible for managing the scheduling process for appeal hearings in accordance with the advice of the BOE. Functionality that would allow unilateral changes to hearing dates by the ASR would unfairly benefit the ASR over applicants; it is not feasible for COB to manage the schedules of the hundreds of ASR staff and thousands of applicants that would be necessary to implement this functionality.

COB concurs with the recommendation around mass updates. This functionality exists within AADM already.

The condition for Finding 11 notes that "since applicants can request a postponement of the scheduled hearing with COB, ASR staff must manually check all proposed hearing dates in AADM continuously and coordinate with COB staff to reschedule or delegate, if needed." It should be noted that both the applicant and ASR are opposing parties to the appeal, and that the ability to request a postponement is a matter of

right. As such, ASR has the same rights to request postponement of an appeal as the applicant, and the same rules apply. ASR already has greater visibility into status than applicants have, and can access current status at any time.

As noted above, ASR has access both to a My Appeals report, as well as the ability to configure reports as desired.

Recommendation 11.2:

ASR management should identify other high priority functionalities currently unavailable in AADM necessary for meeting their business needs and develop a plan with COB management to address them.

COB concurs with this recommendation, and remains willing to work with ASR on ongoing improvements, but notes that specific requests would need to be evaluated individually.

Recommendation 12.1:

As funding becomes available, COB management should engage the AADM vendor on modifying the search functionality allowing staff to look-up by business entity numbers to ensure all associated appeals for multiple locations are captured.

COB concurs with this recommendation. This was not previously requested by ASR so it was not understood to be an issue. COB will integrate this request into the AADM roadmap for future improvements when funding is available. Should ASR be able to assist with funding, COB will be willing to move this update up in the priority ranking of system improvements.

Observation 1 - Daily Data Extraction Within AADM is Limited:

Suggestion: COB management should coordinate with ASR IT management and the AADM vendor to increase the daily extraction feeds capacity to ensure all updates made within the system are properly captured.

COB comments: The limitation of 10,000 activities applies specifically to funneling updates to outside software. AADM is capturing all activities on a daily basis regardless of quantity. COB is preparing for a major update to AADM to move the system to Oracle Integration Cloud (OIC) infrastructure; this update is expected to allow for expanded transfer beyond the 10,000 activities/day limitation. Assuming that expanded data transfer does not impact AADM system performance, COB believes this observation will be addressed upon completion of the OIC project.

Observation 2 - A Formal Disaster Recovery Plan (DRP) was Not Developed for the Current System:

Suggestion: COB management should develop a formally written DRP, which includes AADM, and documents stored on the County's TSS server. The DRP should also incorporate the following:

- *Testing an organization's security preparedness.*
- *Checking for vulnerabilities in the IT systems and business processes.*
- *Recommending steps to lower the risk of future attacks.*
- *Keeping systems and policies updated.*
- *Pinpointing the most pressing vulnerabilities to prioritize rapid improvement.*
- *Ensuring management and staff are adequately trained to effectively execute disaster recovery tasks and activities.*

COB Comments: As noted, this is under development and COB staff are engaged with the vendor and TSS to identify existing DRP protocols. AADM is composed of multiple components and it is believed that separate DRPs exist for each of these components. COB will obtain all existing DRPs and consult with TSS

regarding what additional material, if any, may be necessary to unify the DRPs for appropriate disaster preparedness.

Observation 3 - SOC 2 Type II Report was Missing for One Period (October 1, 2022 to September 30, 2023):

Suggestion: To comply with ISO's recommendation, COB management should ensure the AADM vendor provides a SOC 2 Type II report annually. Any deficiencies noted should be timely addressed. In addition, COB management should implement other recommendations suggested in the Assessment report to prevent external threats or unrecoverable information.

COB Comments: COB has added to its yearly calendar the task of obtaining, evaluating, and addressing any deficiencies in the SOC 2 Type II report.

Observation 4 - Pending Stipulations are Not Easily Distinguished on Hearing Agendas:

Suggestion: COB management should add a Pending Stipulations category on the scheduled hearing agenda and include AAB's assigned counsel as the representative for this appeal type to ensure only required parties attend.

COB Comments: Stipulations may be pending for a variety of reasons – e.g., because they are awaiting Counsel signature or because they are still being negotiated between ASR and applicant – so assigning AAB's assigned Counsel may not be appropriate.

Appeals pending stipulation may be postponed by mutual agreement between ASR and applicant. Such postponements must be submitted to COB by 7 days prior to the hearing, pursuant to Local Rules 323-1(a)(1)(B) and 323-1(a)(2)(A). Only those appeals pending stipulation where the applicable postponement request is not submitted prior to the deadline remain on the agenda.

Furthermore, COB has received prior advice from County Counsel that there is no *regulatory* concept of a "pending stipulation." If no fully executed stipulation is ready for AAB approval, the appeal is still technically an active case. As such, a "pending stipulations" section on the agenda may not be appropriate, and it may be inappropriate guidance to advise that certain parties are not required to attend, as the AAB could still theoretically take action on such cases.

COB will revisit the matter with Counsel, and will also explore other potential avenues to provide greater clarity on the agenda around outstanding stipulations.