



THE STATE  
of **ALASKA**  
GOVERNOR BILL WALKER

**Department of Commerce, Community,  
and Economic Development**

DIVISION OF COMMUNITY AND REGIONAL AFFAIRS

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**Topic:** State wide audit of assessment systems

**From:** Marty McGee, State Assessor

**To:** Wendy Lawrence, Assessor City and Borough of Sitka

**CC:** Jay Sweeney, CFO City and Borough of Sitka

**Date:** November 16, 2016

In 2016 a general audit of all taxing jurisdictions was conducted by the Office of the State Assessor. Questions were asked of all jurisdictions which levy a property tax under AS 29.45.010. The purpose of this audit was to determine the adequacy of the assessment information contained in the data systems of the local taxing jurisdictions, the adequacy of the systems, and the ability of the system to retrieve and report relevant and necessary assessment data in timely and useful manner.

The International Association of Assessing Officers has developed standards on assessment data and data management systems. We are guided by the IAAO standard on Mass Appraisal of Real Property as well as other IAAO professional standards. The Alaska Association of Assessing Officers is working on the development of standards related to professional practice. The information collected by this audit will be used to guide the development of AAAO standards and possible changes by the Office of the State Assessor to the State of Alaska Administrative code.

The expectation of modern assessment practice and the laws of the State of Alaska is that uniform fair and equitable assessed values can be produced using the data in the assessment records and the data storage system of the local taxing jurisdiction. These assessed values are expected to be current and updated on a yearly basis. Mass appraisal uses systems that can group property into categories which have similar market characteristics and statistical tools are used to calibrate value models for these groups of properties. Data held in a computerized electronic data base is a required element in the ability to create, maintain and update these assessment models.

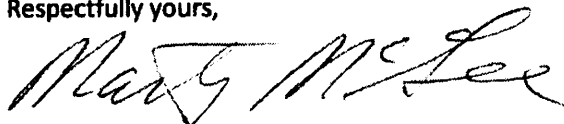
The information provided by the City and Borough of Sitka indicates that the current systems are not adequate to hold, retrieve, analyze and maintain assessment data on a yearly basis. A functional system must be able to sort data pull it down in a useable form and report the data in a timely manner. The request of the audit was to retrieve data in a two week period of time and to produce it in a excel format that associated the specific descriptive data with a unique tax parcel identifier. One focus of the audit was single family residences as a demonstration of the uniformity of assessment for this important element of the tax base. The data provided indicates that the Borough is not able to set uniform and consistent values associated with the replacement cost new or the applied depreciation associated with detached single

family residences using the existing data storage and retrieval systems. The borough also lacks the capability of demonstrating the same information to individual tax payers or in response to a property tax appeal on the ground of uniform and equal taxation as set forth in AS 29.45.210 (b). The data provided suggests that an appellant coming forward with an argument of unequal treatment may have grounds to prevail in that argument if all of the data were considered. The responsive argument that should be provided by the Assessor may not be possible in a timely manner because of the way the data is stored and the amount of time required retrieving, analyzing, and presenting the information to a board of equalization. The identified problem is as much about the system as it is about the data.

Further the data provided indicates a significant deficiency in the assessment process. This is true because the expectation is that the local assessor should pull down, analyze and adjust the assessed values and contributing descriptive information on a yearly basis in preparing the tax roll. The assessor also needs to be able to maintain current records regarding ownership, sales, and changes to exemption status in a timely and efficient manner as part of the yearly assessment process. The assessment data indicates that review of files and inspection of property on a four year cycle is not occurring in Sitka. This review cycle is required by CBS code and by the office of the State Assessor. This condition was noted in the 2014 Audit of assessment records by the Alaska State Assessor.

A problem of this kind can be the basis for a Letter of Major Error under AS 29.45.105. If a letter of major error is issued by the Office of the State Assessor the local jurisdiction has one year to take corrective action. If a program for substantial and material improvement of the assessment systems is not implemented and supported by the 2017 budget I, as the State Assessor, intend to issue a Letter of Major Error in 2017.

Respectfully yours,

A handwritten signature in black ink, appearing to read "Marty McGee". The signature is fluid and cursive, with the first name "Marty" being more prominent than the last name "McGee".

Marty McGee, State Assessor for Alaska.