

PUBLIC OVERSIGHT ROUNDTABLE

on

**The Department of Consumer and Regulatory Affairs:
Management of the Vacant and Blighted Property Program**

Committee of the Whole
Chairman Phil Mendelson

**November 14, 2017
John A. Wilson Building
Room 412**



**Testimony of
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Chief Financial Officer
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Good morning Chairman Mendelson and members of the Committee of the Whole. My name is Keith Richardson, Deputy Chief Financial Officer for the Office of Tax and Revenue (OTR). I am here today to testify on the role and responsibility of the Real Property Tax Administration (RPTA) within OTR, specifically as they relate to vacant and blighted properties as classified by DCRA.

In my testimony, I will also discuss Recommendations 8 through 13 of the September 21, 2017 report produced by the Office of the District of Columbia Auditor entitled “Significant Improvements Needed in DCRA Management of Vacant and Blighted Property Program.” With me today are Vladimir Jadrijevic, Director for RPTA and several key members of our administration who will assist in answering any questions the Committee may have.

RPTA annually assesses all properties within the District of Columbia, levies and collects real property, recordation and transfer taxes, and conducts the annual tax sale of delinquent property, through the following divisions: Assessment Services Division, Real Property Assessment Division, and the Recorder of Deeds Division.

Responsibilities of these Divisions

The **Assessment Services Division** semiannually levies and collects real property taxes, conducts the annual real property tax sale, administers tax relief programs, and collects other taxes and fees as required by law.

The Real Property **Assessment Division** assesses/values of all real property for ad valorem tax purposes, conducts assessment appeals, maintains the assessment roll and parcel maps, and administers the real property exemption laws.

The **Recorder of Deeds Division** serves as the official repository of land records for the District of Columbia, accepts for recordation various instruments (including deeds), and levies and collects recordation and transfer taxes.

Vacant and Blighted Class Changes

After the Department of Consumer and Regulatory Affairs (DCRA) determines that property is Vacant and/or Blighted, DCRA will request that OTR change the property class for billing purposes. This process starts when DCRA sends a master list containing class change requests to the Real Property Assessment Division, prior to the First Half and Second Half Billing Cycles. The list includes improved properties to be added to Class 3 and Class 4 status, and improved properties to be removed from Class 3 and Class 4 status. This list is reviewed by RPTA and approved for processing; file format requirements are verified by RPTA's technical group and "kick-outs" (described in detail under Recommendation #10) are researched and approved. In addition to this semi-annual master list, DCRA sends weekly class change requests throughout the year. These weekly lists go through the same review and approval process as the master list.

Audit Recommendations for RPTA

The District of Columbia Auditor's report on Management of the Vacant and Blighted Property Program included six recommendations for OTR. The remainder of my testimony will include OTR's responses to these recommendations.

Recommendation 8: DCRA and OTR should execute a written agreement that outlines the responsibilities and timelines of each agency related to the classification and billing of vacant and blighted properties.

- OTR has drafted an MOU that clearly outlines the current procedures, agency responsibilities, and duties, along with specific timelines and reporting requirements. The MOU was sent to DCRA on November 1, 2017 and is being reviewed by DCRA.

Recommendation 9: OTR should provide training to DCRA staff on the relevant processes related to Class 3 and Class 4 billing.

- OTR and DCRA held a comprehensive meeting on November 1, 2017 to discuss the current MOU and semi-annual pre-billing training sessions. OTR will work collaboratively with DCRA to streamline and improve the exchange of information between the agencies. The referenced training will be conducted semi-annually prior to each billing cycle, beginning with the upcoming First Half 2018 billing cycle.

Recommendation 10: OTR should implement its internal auditor's recommendation to ensure that periodic reconciliations are conducted of Class 3 and Class 4 billing.

- OTR has enhanced its periodic reconciliations procedures to ensure that kick-outs reports are reviewed and resolved by the Supervisor of the Standards & Exemptions Unit within RPTA. A Certification Form will be signed by the Unit manager, certifying that all the kick-outs were timely and accurately addressed.

Note: When the semiannual Class 3 and 4 List from DCRA is presented to OTR and uploaded into our billing system, some of the files fail to process and are referenced

internally as “kick-outs.” A report is then produced listing the specific properties which failed to be uploaded into our billing system, usually as a result of its complex status, such as mixed-use property, homestead, senior or exempted properties.

Recommendation 11: OTR should provide DCRA with reports of its semiannual billing of Class 3 and Class 4 Properties, as well as corrected bills, and class code change reports (i.e. daily, weekly, or monthly).

- OTR will provide DCRA reports showing which Class 3 and 4 Properties were billed shortly after each semi-annual billing cycle, beginning with the First Half 2018 billing, which will take place in March 2018. The report will allow both DCRA and OTR to reconcile requested and processed class changes. In addition, OTR will provide a monthly class change report to DCRA beginning November 20, 2017.
- Please note that when a class change has occurred within our real property tax system, RPTA generates a bill and mails it to the property owner. Simultaneously, the bill is then uploaded onto our public web page, under the specific property.
- If there is a particular issue with a property and its bill, DCRA may retrieve the most current bill from the OTR web page.

Recommendation 12: OTR should request only one set of bulk lists from DCRA for each billing cycle and adjust the deadline so that the bills follow the regular billing cycle.

- OTR develops a detailed billing schedule which is released in early December each year to assist all divisions within OTR and partnering agencies, such as DCRA, with the planning and execution of the billing requirements. The schedule has a specific

deadline for DCRA to provide OTR with a bulk list of class changes. If this deadline is met, there is no need to receive a second list from DCRA.

- Please note that the occasion cited in the Auditor's report was done as an accommodation to DCRA when it became evident that they would not be able to supply the list in advance of the billing deadline. A "delayed billing list" was utilized to help ensure that bills that may have been subject to reclassification were not erroneously mailed and then immediately made void by the subsequent Class 3 and 4 List. It was not OTR's desire to work in this manner and it will be avoided in the future if deadlines are achieved by DCRA.
- OTR has included the specific deadlines in the MOU with DCRA in an effort to clearly outline the specific requirements, duties and responsibilities that are critical to accurately bill all Class 3 and 4 properties.

Recommendation 13: OTR should develop SOPs that identify timelines for referring vacant or blighted properties to DCRA for inspection.

- OTR provides instructions to its staff to report apparent vacant property to DCRA. This includes both phone numbers and email addresses for DCRA contacts. Additionally, information about the program and DCRA's FAQ publication are reproduced in OTR's annual Customer Service Initiative Handbook that is distributed to OTR staff.

This concludes my testimony. Thank you for the opportunity to testify this morning and we are happy to answer any questions that you or the Committee may have.