



## Johnson County Audit Services

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June 14, 2001

Honorable Members of the Board of County Commissioners:

The Johnson County Audit Services Department has completed a limited scope audit of the County Appraiser's exempt property files. Our examination was conducted in accordance with generally accepted government auditing standards, with the exception of a peer review.

Our audit was performed to provide the Board of County Commission, the County Administrator, and the County Appraiser with an objective evaluation regarding the propriety of properties designated as exempt from property tax on the County's tax roles.

Based upon statistical sampling, the County Auditor's concluded that the exempt properties in the Appraiser's files were supported by valid Board of Tax Appeals exemption orders, as noted in the Findings section of this report.

Audit findings were discussed in detail with County Appraiser and the County Administrator. The County Appraiser's written comments are included in the appendix of this report. We appreciate the assistance, courtesy, and cooperation extended to us by the County Appraiser during our fieldwork.

Martin J. Kolkin  
County Auditor

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**Appraiser's Exempt Property Review**  
**Report Number 2001-05**  
**Executive Summary**

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The Johnson County Audit Services Department has completed a limited scope audit of properties designated as exempt from property tax on the County tax roles.

**Our review determined that the County Appraiser's files clearly document statutory compliance for acquiring and maintaining valid real property tax exemptions.**

1. Periodic Review of the Status of Exempt Property

The County Auditor notes that once real property exemptions are granted by the Board of Tax Appeals, no statutory requirement exists mandating the Appraiser to review the exemption status of the property. The Auditor believes that prudent business practices dictate that the Appraiser's office perform a periodic examination of the exemption status of real property.

The Appraiser agreed to implement new procedures to annually review the exempt status of real property.

2. Maintenance of Exempt Property Files

The County Auditor noted that 20 of the 120 properties sampled contained exemption orders where the real property parcel number had changed over time. The Appraiser was able to clearly demonstrate that only the parcel identification numbers associated with exempt properties had changed. However, the County Auditor believes that it would be a prudent business practice for the Appraiser to maintain his exempt property files so that the exemption order can be directly traced to parcel numbers maintained by the County Clerk.

The Appraiser stated that his representatives had begun the process of referencing BOTA exemption orders to exempt properties by the County Clerks' parcel identification number.

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**Appraiser's Exempt Property Review**  
**Report Number 2001-05**  
**Preliminary Section**

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**INTRODUCTION**

In accordance with the approved audit workplan, the County Auditor completed an examination of the Johnson County Appraiser's compliance with the statutory requirements for real property exempt from annual property taxes.

**OBJECTIVE**

This report provides the Board of County Commissioners ("BOCC"), the County Administrator ("CA"), and the Johnson County Appraiser ("Appraiser") with an objective evaluation regarding the propriety of properties designated as exempt from property tax on the County tax roles.

**BACKGROUND**

The Johnson County Appraiser values property in Johnson County for the purpose of determining the basis for calculation of the annual property tax levy.

**According to Kansas Statute Annotated ("K.S.A.") 79-213, the following process exists for property to acquire and maintain tax-exempt status:**

- (a) *The property owner requests a Board of Tax Appeals ("BOTA") form for a tax exemption;*
- (b) *The exemption request identifies the property, in detail, and the legal & factual basis for the request;*
- (c) *The exemption is filed with the county appraiser of the county where the property is principally located;*
- (d) *After a review of the exemption request and the facts, the county appraiser makes a recommendation for the granting or denial of the exemption. In the case of a denial, the county appraiser must include a statement of the facts and law on the form;*
- (e) *After making a written recommendation, the county appraiser files the request for exemption and his request with the BOTA;*
- (f) *Upon receipt of the exemption request, BOTA docket and notifies the applicant and the county appraiser;*
- (g) *BOTA may fix a time for an exemption hearing;*
- (h) *The exemption hearing shall be set within ninety days of the filing with the BOTA;*
- (i) *During the pendency of request for exemption, no real estate or property tax shall be charged; and*
- (j) *BOTA has authority to grant or deny the exemption request.*

**KSA 79-214 notes that the owner of exempted property is required to file a cessation of exemption with the county appraiser within thirty days when property ceases to have an exempt usage.** The exemption is assumed to exist until such time as the ownership of the property changes hands or the owner gives notice to the appraiser that the exempt purpose is no longer in effect as required by K.S.A.

**AUDIT SCOPE**

My examination included, but was not limited to the following:

- A statistical sample involving the files and documentation of 7,957 properties designated as exempt from real property tax by the Appraiser's office;
- Discussions with the County Clerk, the Appraiser and his representatives, and the County Administrator; and
- Examinations of relevant statutory requirements, county policies, and county procedures.

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**Appraiser's Exempt Property Review  
Report Number 2001-05  
Findings Section**

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**Based upon statistical sampling, the County Auditor's review concluded that the Johnson County Appraiser complied with the statutory procedures for acquiring and maintaining valid BOTA orders for exemptions from real property tax.**

**Testing of Files**

Our review of a universe of exempt properties noted 7,957 properties exempt from annual real property tax. A sample with a confidence interval of 95% and precision percentage of plus or minus 4% was selected, resulting in a sample size of 120 properties. A random number generator was used to select the 120 property files for sampling. The County Auditor notes that the dates on BOTA exemption orders for the sample spanned a time frame of fiscal 1970 – 2000.

**Sample Results**

Our review determined that all 120 exempt property files examined contained appropriate documentation, BOTA orders, exempting the property from annual real property taxes.

**County Auditor Observations**

1. Periodic Review of the Status of Exempt Property

The County Auditor determined that once exemptions are granted by the BOTA, no statutory requirement exists mandating the Appraiser to review the exemption status of the property. The exemption exists until such time as the ownership of the property changes hands, the owner notifies the Appraiser that the exempt purpose is no longer in effect, or BOTA rescinds the exemption order.

The County Auditor notes that the Appraiser's representatives visit each of the exempt real properties, on a rotating basis every six years, for a valuation purpose. However, the Appraiser's representatives do not review the exemption status of these real properties.

**RECOMMENDATIONS**

The County Auditor believes that prudent business practices dictate that the Appraiser's office perform a periodic examination of the exemption status of real property.

**Appraiser's Comments**

The Appraiser agreed to review the County Auditor's recommendation. However, the Appraiser voiced some concerns over the authority of the Appraiser's office to conduct exemption reviews and the training of appraisers to perform exemption reviews.

2. Maintenance of Exempt Property Files

The County Auditor noted that 20 of the 120 properties sampled contained BOTA exemption orders where the exempt parcel number had changed over time. The Appraiser was able to clearly demonstrate that only the parcel identification numbers associated with exempt properties had changed. However, the County Auditor believes that it would be a prudent business practice for the Appraiser to maintain his exempt property files so that the BOTA exemption order can be directly traced to parcel numbers maintained by the County Clerk.


**Appraiser's Comments**

The Appraiser stated that his representatives had begun the process of referencing BOTA exemption orders to exempt properties by the County Clerks' parcel identification number.

# Appendix



**Named "Distinguished Assessment Jurisdiction" for 2000**

TO: Marty Kolkin, County Auditor  
CC: Mike Press, County Administrator  
Eric Wade, Deputy County Administrator  
DATE: June 1, 2001  
FROM: Paul Welcome, CAE, County Appraiser   
SUBJECT: **Management Response from Draft Report**

I have reviewed your draft report of Johnson County Appraiser's Office Review Number 2001-05 Preliminary report for the exemption audit conducted by your department. Your two recommendations are as follows:

**Periodic Review of the Status of Exempt Property**

**Recommendations:** The County Auditor believes that prudent business practices dictate that the Appraiser's office perform a periodic examination of the exemption status of real property

**Appraiser's comments:**

The Appraiser agreed to review the County Auditor's recommendation. However, the Appraiser voiced some concerns over the authority of the Appraiser's office to conduct exemption reviews and the training of appraisers to perform exemption reviews.

**RESPONSE:** The appraiser's office will run an annual report showing all exempt properties that have been sold to review the exemption status. In addition, the office will notify the new property owners with a courtesy letter about the exemption status. See attached letters. A field audit may be conducted for those properties that fall within certain exemption categories.

**Maintenance of Exempt Property Files**

**Appraiser's comments**

The appraiser stated that his representatives had begun the process of referring BOTA exemption orders to exempt properties by the County Clerks' parcel identification number.

**RESPONSE:** The County Appraiser's office will scan all real estate exemption orders by year end and will continue to scan all new exemption orders. In addition, the staff will file all exemption orders by parcel number, not by ownership for those orders in archives. We hope to have this refilling project completed before yearend.