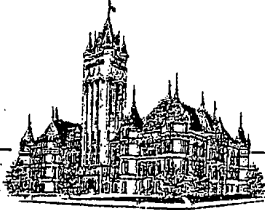


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S P O K A N E C O U N T Y



Human Resources Department

Cathy L. Malzahn, Human Resources Director

May 13, 2009

Whistleblower
Mr. Ralph Baker, Spokane County Assessor

RE: Whistleblower Complaint

I report to you the results of the investigation of the whistleblower complaint which is based upon the written description of the incidents and my discussions with parties having some interaction with or knowledge of the events.

1. This allegation involves the alleged falsification of time records by the employee where the employee said they were at their county work site but were actually working at the [REDACTED] and/or using sick leave time while working for the [REDACTED]

Response: I contacted both the Assessor's office and the [REDACTED] for the attendance records from October, 2001 through February, 2009 (October, 2001 is when the employee began their second job with [REDACTED]). The Assessor's office was only able to provide the attendance records for 2002 through February, 2009 as the 2001 records were already destroyed, according to retention requirements.

I analyzed the attendance data against each set (Spokane County versus [REDACTED]). The records provided by the Assessor's office were very thorough, including times/uses of vacation and sick leave hours. While the employee missed a significant number of hours (both sick and vacation) they were well documented and approved by the department.

The Assessor's office was well aware that the employee was working a second job with [REDACTED] and the [REDACTED] was very aware of the employee's primary job with Spokane County. The two jobs did not create a conflict of interest as the employee performed two entirely different types of work. There was no evidence to support that the employee used sick leave time from Spokane County while performing work for [REDACTED]. There were occasions where the employee took vacation time to perform work for [REDACTED]. However, the vacation leave was approved by management.

Whistleblower response letter
May 13, 2009
Page two

Therefore, based upon the extensive review of the attendance records I could not substantiate any misuse of County work time and/or sick leave time for working at [REDACTED] job.

2. This allegation involved the issue of claiming mileage reimbursement for areas not actually assessed and/or viewed at the indicated date/time and the lack of entering new construction and/or improvements to the tax roles.

Response: In looking at this allegation it was determined that an appropriate technical expert be asked to investigate the issue. After meeting with the Spokane County Assessor it was determined that Byron Hodgson, Appraisal Manager, would be the appropriate person assigned to complete the investigation.

I met with Mr. Hodgson and the whistleblower on a number of occasions to ensure that we all understood the complaint. Attached to this response is the outcome of his investigation into the complaint.

I have read Mr. Hodgson's report and concur with the finding.



Cathy Malzahn
Human Resources Director

1 May 8, 2009

2

3

4 Cathy Malzahn, Director
5 Spokane County Human Resources
6 Spokane, WA 99260

7

8 Re: Whistle Blower Complaint

9

10 Dear Cathy,

11

12 The following report is being submitted to you as the result of a Whistle Blower
13 Complaint filed against [REDACTED]. The scope of this report is limited to specific
14 issues and does not address the complaint in its entirety. Likewise, the findings of the
15 report are confined to specific issues.

16

17 The portion of the complaint that I am investigating is primarily related to property
18 omitted from the assessment roll. This report contains supplemental information that
19 sheds light on the operations at the Assessor's Office prior to and including the years
20 related to the complaint.

21

22 With respect to property missing from the assessment roll; it is questionable whether this
23 is a valid complaint under the Whistle Blower law. The provisions of the Law exclude
24 "personnel actions."

25

26 "Improper governmental action" does not include personnel actions,
27 including employee grievances, complaints, appointments, promotions,
28 transfers, assignments, reassignments, reinstatements, restorations,
29 reemployment, performance evaluations, reductions in pay, dismissal,
30 suspensions, demotions, violations or collective bargaining or civil service
31 laws, alleged violations of labor agreements or reprimands or actions
32 taken pursuant to those statutory provision enumerated in RCW
33 42.41.020(1)(b).

34

1 The offenses outlined in the complaint were brought to the attention of the complainant's
2 immediate supervisor and eventually to the Assessor. The majority of the issues in this
3 report had been discussed with [REDACTED] and with the Assessor directly. An
4 informal review of appraisal methods and processes that led to some of the problems was
5 conducted well before the filing of this complaint. Some of the issues surfaced in 2007.
6 Because a number of years had passed before this complaint was filed and because work
7 processes and methods had been reviewed and corrected there were no additional steps to
8 take by management.

9

10 The complaint against [REDACTED] is that she failed to add new construction to the
11 assessment roll in her inspection schedule in assessment years 2002, 2003, and 2004.

12 The complaint implies that she received unwarranted mileage reimbursements. This
13 appears to be based on the fact that [REDACTED] included the mileage on her reports but
14 failed to add new construction and/or make changes to specific parcels. [REDACTED]
15 was assigned neighborhoods (statistical areas) to inspect as part of the annual revaluation
16 plan. The issues raised in the complaint occurred as far back as 2002 when [REDACTED]
17 [REDACTED] was a field appraiser. [REDACTED] was promoted to [REDACTED]

18

19

20 The Assessor's Office inspection schedule is divided between revaluation and new
21 construction. Typically, revaluation starts in October and ends in May. New
22 construction is assessed countywide from June to September. These dates are governed
23 by Washington law and the Department of Revenue property tax calendar but have some
24 flexibility. If time permits, new construction in the revaluation inspection schedule is
25 assessed during revaluation. If a specific area has a large amount of new construction,
26 the appraiser will re-visit the neighborhood during the new construction season. New
27 construction is not evenly spread across the county and often is assigned to appraisers
28 outside of their individual inspection schedule.

29

30

31

1 [REDACTED] had a series of medical problems, operations, and [REDACTED]
2 surgeries beginning in April of 2002 and ending in December 2003. [REDACTED] states
3 [REDACTED] could not measure new construction with [REDACTED] various procedures and [REDACTED]
4 surgeries. [REDACTED] states [REDACTED] supervisors' directed [REDACTED] to inspect [REDACTED] revaluation area and the
5 new construction would be assigned to other appraisers. There were few options for
6 supervisors. There were no other available appraisers to complete [REDACTED]
7 revaluation schedule.

8
9 The first neighborhood that is included in the complaint is MARSH. This is a large rural
10 neighborhood between Spokane and Cheney. [REDACTED] states it was impossible for [REDACTED]
11 to physically measure new construction with the limited movement of [REDACTED]. The
12 methodology that [REDACTED] describes for revaluation is as follows: if [REDACTED] had a
13 building permit [REDACTED] indicated there was new construction by writing on the permit. In the
14 absence of building permits, [REDACTED] made copies of the field sheets with [REDACTED] inspection notes.
15 In some instances [REDACTED] took photographs. This information was to be provided to other
16 appraisers who would measure the new construction and add it to the assessment roll.

17
18 Computer records indicate there were only two new construction postings in the entire
19 MARSH neighborhood for 2002. The two postings were not during the revaluation cycle
20 but were in September and October. This supports [REDACTED] statements. [REDACTED] did not
21 miss the new construction because of poor work, but, in fact, was not assessing it as a
22 matter of practice as a result of [REDACTED] medical condition and surgeries.

23
24 To verify the circumstances that [REDACTED] outlined, computer posting records were
25 produced for the years in question. The posting records in the CAMA system indicate
26 who added new construction, the date it was added, and the dollar amount added. In
27 2003 and 2004 [REDACTED] posted 6.7 million worth of new construction in the MARSH
28 neighborhood. It is well documented by computer records that [REDACTED] re-visited
29 the MARSH neighborhood to appraise new construction in the non-inspection years 2003
30 and 2004. It stands to reason that if [REDACTED] would have had the permits and copies of field
31 sheets from the inspection year 2002, [REDACTED] would have added these properties to the

1 assessment roll as new construction. It is highly likely the copies of field sheets and
2 building permits from 2002 were misplaced or not returned to [REDACTED]. Some of these
3 documents surfaced later and now are the subject of this report.

4

5 The VNEGR neighborhood is the second neighborhood that is listed in the complaint.
6 [REDACTED] had a [REDACTED] in mid December 2003. According to
7 [REDACTED], [REDACTED] condition did not allow [REDACTED] to measure new construction. [REDACTED] followed
8 the same methodology as in MARSH. There was only one new construction posting in
9 2004, which was the inspection year. Computer records substantiate [REDACTED] statements. In
10 2005 this neighborhood was no longer in [REDACTED] schedule. The next new construction
11 postings are in 2006.

12

13 The other neighborhoods included in the list follow a similar pattern. The mileage sheets
14 do not list new construction added by [REDACTED]. Computer records confirm the
15 mileage sheets.

16

17 The FLAKAN neighborhood was started by [REDACTED] in error for 2005. The
18 neighborhood is currently being inspected. I did not take the time to go through the
19 material. The neighborhood was not signed off as an inspection neighborhood.

20

21 Most of the other material in the complaint is related to workloads, schedules and
22 communications. A great deal of material is provided about segregation where the
23 dwelling was not included on the new parcel number. The taxpayer's assessment and tax
24 notices were for the land only, omitting a \$650,000 (plus/minus) improvement value.
25 The discovery was made and the taxpayers were required to pay the property tax for the
26 missing years. Even though the error was made in the Assessor's Office, the taxpayers
27 made a weak attempt to rectify the problem. It was determined the owners had made
28 calls to the county Treasurer's Office and not the Assessor's Office. I personally worked
29 with their attorney to solve the problem.

30

1 Because of technology and other advancements, all building permits that have a potential
2 for new construction value are considered. Up until 2006, permits under [#]50,000 may not
3 have been looked at timely as an office policy. New single family residences were the
4 priority. Outbuildings were only assessed if there was enough time. In 2006, all existing
5 permit files were emptied and all permits were checked. Permits that may have been in
6 files for several years were distributed. This processes ferreted out permits that may have
7 been misplaced or misfiled. In an effort to discover missing new construction, permit
8 queries from the County Building and Planning and the City of Spokane were researched
9 back ten years. Unfortunately, not all municipalities have databases that our office can
10 query.

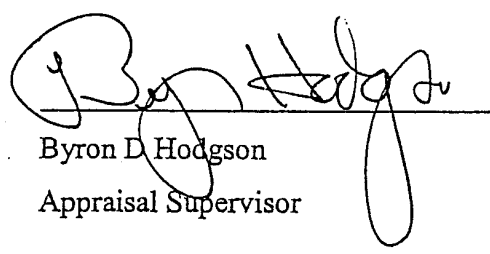
11 12 Conclusion

13
14 The largest issue in the complaint is missing new construction in 2002, 2003, and 2004.
15 In addition to difficult computer conversion years compounded by training and personnel
16 issues, ██████████ had a series of medical problems that limited ██████ ability to
17 inspect property and measure new construction. After each of three ██████████
18 surgeries, ██████ came to work using a walker. Because there was no one available to
19 complete ██████ assigned inspection schedule, ██████ worked with restrictions. To a large
20 degree, missing new construction resulted in the work being assigned to other appraisers
21 and not being completed. Assigning new construction to appraisers outside of their
22 individual inspections areas is a common practice. New construction totals are based on
23 estimates and there may not have been enough time for the other appraisers to assess this
24 additional new construction. However, the notes and inspection records that were made
25 by ██████████ should have been properly filed or returned to ██████ These notes surfaced
26 later and were used to indicate that ██████ failed to complete ██████ work and that ██████ received
27 unearned mileage. If these documents had been in ██████ possession, the missing new
28 construction would have been assessed in 2003 and 2004 when ██████ added millions to the
29 roll in the same neighborhoods. In reality, the whistleblower was not employed by
30 Spokane County in 2002, 2003, 2004, and most of 2005, and would have little
31 understanding of the complexities the office faced in every facet of the operation.

1 [REDACTED] did miss new construction as well as other appraisers. Most of the
2 issues surrounding [REDACTED] missed new construction; however, stemmed from [REDACTED]
3 medical condition. The issues at the Assessor's Office (computer conversion, employee
4 turnover, and large work loads) also contributed to missing new construction.
5 During the years in question, a multiplicity of factors made it difficult to insure that all
6 new construction was assessed timely. The amount of missing new construction is
7 dwarfed by the size of the assessment roll, which is currently 38 Billion dollars. Also, the
8 missed new construction has been added to the roll and in many cases it was added in
9 2006. Taxing districts receive the budgetary benefit of new construction in the year that it
10 is assessed, regardless of the year of actual construction. Each residential appraiser is
11 currently responsible for an average of 1.5 billion dollars of assessed value. The
12 Assessor's Office is currently timely with new construction and assesses millions of
13 dollars of property that is partially complete.

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After researching the facts surrounding this complaint and reviewing the computer records for the years in question, I can only conclude there was no wrong doing that would warrant disciplinary action.

 5-8-2009

Byron D. Hodgson
Appraisal Supervisor

Supplemental Information

1

2

3 Spokane County is classified as an annual county with respect to revaluation which
4 means all real property is revalued each year. Revaluation is accomplished using
5 appropriate statistical data. Revaluation does not necessarily mean assessed values will
6 change each year. A six year revaluation plan is filed and approved by the Washington
7 Department Revenue. "Physical inspection of all property in the county shall be
8 accomplished on a proportional basis in cycle, with approximately equal portions of
9 taxable property of the county inspected each year." At a minimum, an inspection is
10 defined as an external observation of the property. (RCW 84.41.041; WAC 458-07-015)

11

12 New construction is assessed as of July 31, regardless of its percentage of completion.
13 New construction after July 31 is added to the assessment roll in the following year.
14 (WAC 458-12-342) The assessor has the duty to add property that was omitted from the
15 assessment roll in the year of discovery and in some limited circumstances add the
16 omitted property for the three preceding assessment years. Generally, property omitted
17 from the assessment roll does not mean taxing districts lose revenue. Because taxing
18 districts levy a dollar amount, the districts collect the amount requested. Missed new
19 construction is a delay in revenue but not a cancellation. A tax rate is developed based on
20 the budget requested and the total value of a taxing district at the time of the request.

21

22 The Assessor's Office was faced with a myriad of serious problems from the mid 1980s
23 to 2000. The property tax system in Spokane County was slowly grinding down to a
24 catastrophic failure. The basic statutory requirements and functions of assessment
25 administration could not be accomplished. These problems primarily stemmed from an
26 under funded office that lacked facilities, equipment, and training. It is likely that some of
27 the problems were a result of ineffective decision making; however, even if management
28 was effective and all decisions were good, the situation could not be improved without
29 increased funding and drastic changes. The state of the Assessor's Office became so dire
30 that the County partnered with the Department of Revenue to fund a study that
31 summarized the issues and outlined step to remedy the problems. The conclusion of the

1 report basically stated the obvious; the office was underfunded and desperately needed to
2 modernize. The County did little to make any real changes as a result of the report. In
3 1999, the Department of Revenue warned that Spokane County ranked number 38 out of
4 39 counties for assessor's budgets per parcel. Only tiny Whitman County spent less. The
5 funding level for the fourth largest county in the state was inadequate to meet the most
6 basic functions. If the county legislative authority had any real concerns about the
7 conclusions of the report or the deteriorating property tax situation, it was not obvious.

8

9 The Assessor and Treasurer's Offices had converted to a computer assisted mass
10 appraisal software and tax collection system (OASIS) in the early 1990s. The
11 Washington Department of Revenue granted a two year revaluation moratorium to
12 provide the County a window of time to manually enter data into the system. The initial
13 phase of this project was completed and the system went on-line in tax year 1994. In
14 1997 the assessor's office was advised the county mainframe system was not Y2K
15 compliant and the OASIS software would need to be replaced. The prospect of replacing
16 a computer system that was essentially new had a sobering effect on a staff that had just
17 completed a painful computer conversion. Property tax collections based on assessed
18 values produced by OASIS were from 1994 to 1998.

19

20 Y2K turned out to be the best single thing that ever happened to the Spokane County
21 Assessor's Office. This brought about the drastic change that was needed to turn the
22 situation around. The OASIS system was replaced with the tax administration software
23 ASCEND and the appraisal software PROVAL. (These two separate companies were
24 later purchased independently by MANATRON.) The new software brought needed and
25 dramatic change to every section of the Assessor's Office.

26 Levy calculations and tax billing was launched in ASCEND for tax year 1999. In
27 September of 1999, OASIS and the mainframe computer system were scrapped.
28 Assessed values for one sixth of the county were produced from PROVAL in the year
29 2000 for 2001 tax collections. As one would expect, converted data was not perfect and
30 each parcel would have to be manually updated. Additionally, each improvement
31 (structure) would need to be sketched in PROVAL. This was a huge undertaking for a

1 staff of appraisers that were already over-loaded. (Snohomish County, for example, hired
2 temporary employees to sketch the improvements for their entire county.) Sketches
3 started in 2002 and by 2004 69,037 sketches had been completed in PROVAL.
4 Segregations and personal property began in ASCEND in 1999. The results were
5 immediate. Segregation backlogs that could not be erased for more than a decade were
6 reduced to a few hundred by the end of 2002.

7
8 With the announcement and inevitable conversion to ASCEND and PROVAL, all
9 supervisors in the Assessor's Office left or retired by mid 1999. Wholesale changes
10 could not be made without addressing entrenched ideas and attitudes of some existing
11 employees. Those who were unable or unwilling to adapt to the new circumstances
12 retired or left. Included on this list was the CAMA Systems Manager; Segregation
13 Supervisor, Industrial Appraiser, Senior Personal Property Evaluator, and Levy Clerk.
14 Between February 2000 and September 2002 fourteen positions were filled in the
15 Assessor's Office. Three additional appraisers would exit by August of 2003. Some of
16 these departures were not without arduous labor issues and, in one case, litigation.
17 Considering the Assessor's Office had a staff of 57 employees, the turnover and never
18 ending training contributed to more stress on remaining employees.

19
20 In the middle of these changes, money appropriated for the Assessor's office remodel in
21 1998 was released and major refurbishing began in 2002. This was good news; however,
22 the disruption added more stress to an already strained environment. Employees were
23 moved around and some were displaced to temporary quarters on the second floor of the
24 Courthouse and the Graybar building. The remodel was not completed until the first
25 quarter of 2003.

26
27 Field computers, first proposed in 2002, were funded and finally arrived in 2005. GIS
28 Maps and aerial maps became available on-line. Electronic soils maps were created for
29 the Current Use program. As the systems matured and databases were completed
30 efficiencies were realized. Building permits from Spokane County, City of Spokane, and
31 Spokane Valley were electronically sent to the Assessor's Office. Permit databases could

1 Revenue's funding ranking improved from 38 out of 39 counties in 1999 to 17 out of 39
2 counties by 2007.

3

4 The assessor's office operates in six year cycles. 1999 to 2004 was the inspection cycle
5 of the initial conversion to PROVAL. It was a period of great change and challenges.
6 Not all parcels were sketched and building permits fewer than fifty thousand could not be
7 timely added to the assessment roll. This was an improvement from the 1990s when a
8 great part of the new construction was not timely assessed.

9

10 Over several decades this office often had large backlogs of new construction that was
11 not on the assessment roll. Currently, all building permits that have any value are looked
12 at. The assessment roll has ballooned to 38.1 billion, up from 23 billion in assessment
13 year 2004. Finally, the Spokane County Assessor's Office has mature data bases and
14 technologies to keep all of the assessment functions on track.

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