

P. O. Box 47471
Olympia, WA 98504-7471

Department of Revenue Property Tax Division

Innovations in the Administration of the **County Sales Validation Process**



June 2007

Innovations in the Administration of the County Sales Validation Process

May 2007

The purpose for this review is to describe the “best practice” methodologies employed by county assessors in the sales validation process. The practices are actions or processes that positively impact the assessment administration function. The objective is to provide ideas to enhance the effectiveness of similar programs in other counties. Each county is encouraged to review these practices and decide if any of them can be adopted to improve the efficiency and effectiveness of their own programs. Best practice reports provide additional tools that counties can use to improve assessment administration.

Best Practice is a management idea that asserts that there is a technique, method, process, activity, incentive, or reward that is more effective at delivering a particular outcome than any other technique, method, process, etc. The idea is that, with proper processes, checks, and testing, a project or task can be rolled out and completed with fewer problems and/or unforeseen complications.

A sales validation process provides a means for sales screening and identification. Assessors must be able to identify sales that require adjustments or are not indicative of the market. The screening process provides a mechanism for the assessor to sort and categorize sales data.

Sales data is essential for calibrating and specifying market models as well as developing sales ratio studies. The reliability of any ratio study or valuation model depends on the quality and quantity of the data available for analysis. In order to obtain valid measures of true market value, specific sales data must be collected, analyzed, and adjusted to reflect the true market conditions at the time of assessment. Three basic sources of sales data are real estate transfer documents, buyers and sellers, and third parties.¹

Six county assessment offices were selected for best practice review: two in eastern Washington and four in western Washington. These counties represent a mix of small, medium, and large counties. The Department of Revenue’s ratio program specialist recommended each county based upon the county’s exemplary sales validation process.

During the review process, we (the Department) identified essential elements in evaluating whether a process has achieved “Best Practice” status. These essential elements are documentary evidence, organizational accountability, and compliance function. We examined each county’s entire sale validation process, including the administrative process, policies and procedures, and the methodology used to maximize the effectiveness of the process.

¹ *Property Appraisal and Assessment Administration*, The International Association of Assessing Officers, 1990, pp. 133–134.

The “best practice” processes and actions identified through the reviews included:

- ◆ Procedure manual development
- ◆ Personnel education
- ◆ Single-point review
- ◆ Informational sources
- ◆ Sales data collection methodology

We are confident that the best practices we have identified will assist the assessment community and provide an additional tool that can be utilized in administering these programs.

Subject area:
Procedures Manual (Pierce)

Contact person: Pierce County — Shellie Pollitt (253) 798-2719

Best practice: In the process of conducting our reviews, we found that the Pierce County Assessor/Treasurer has developed an in-house procedures manual to assist staff in the sales validation process. The manual is divided into two sections: the first section is for support staff, and the second section is for appraisal staff.

Best practice defined: Counties should develop their own in-house manual defining the procedures under which support and appraisal staff should validate or invalidate sales in their county. The manual should be readily available to all relevant employees.

How used: The first of the two sections in the procedures manual assists support staff during the Excise Tax Number (ETN) pre-screening process.² It guides them in determining whether a sale is valid or invalid based on the transfer type. Then it further guides them in determining whether any of the sales deemed valid in that pre-screening are invalid based on the type of sale. Finally, it guides them in coding the invalid sales with the appropriate invalidation code.

The second section provides procedures and guidelines for appraisal staff to consistently validate commercial, residential, and mobile home sales.³ This section includes verifying and updating the sale history with the correct account inventory at the time of sale and properly validating sales before new construction and improvements are added.⁴

Why best practice: A procedure manual specific to each county promotes efficiency, accuracy, and continuity in the sales validation process. The manual should be readily available to all relevant employees. Clearly written, available policies and procedures are foundation

² Pierce Co. Assessor-Treasurer Appraisal Policy and Procedures, ETN Pre-screening Process, pp. 1–4.

³ Pierce Co. Assessor-Treasurer Appraisal Policy and Procedures, Sales History-Sales Validation, pp. 1–20.

⁴ Pierce Co. Assessor-Treasurer Appraisal Policy and Procedures, p. 1.

elements of any system in which individuals and units are held accountable for adherence to those policies and procedures.

Subject area:

Personnel Education (Pierce)

Contact person: Pierce County — Shellie Pollitt (253) 798-2719

Best practice: Pierce County has developed and implemented a sales-validation training program for support and appraisal staff that provides a consistent and uniform methodology. The in-house training is provided annually to all support and appraisal staff members.

Best practice defined: Consistency and uniformity are key principles for a successful sales validation process.

How used: Pierce County maintains consistency and uniformity in the application of sales validation procedures by requiring formal training for all new staff involved in the validation process. The assessor provides two training opportunities to staff. An annual sales-validation training class lasting one day is offered for all appraisal and support staff. The one-day class includes two mandatory tests, one at the beginning of the class and one at the conclusion of the class. These tests cover details of sales validation based on hypothetical property sale conditions. Appraisers and support staff taking the tests are asked how they would validate the sale based on a particular set of circumstances. To avoid the need to rewrite the tests, sample tests are not provided. The second training opportunity is a half-day refresher course offered to all staff.

Both parts of the procedures manual previously mentioned in this review are also used as software training manuals because they contain command-specific and menu-specific procedures that guide assessment staff in the proper application of sales validation criteria.

The support staff section provides the process for pre-screening valid and invalid sales and provides software training with command-specific and menu-specific procedures. Areas covered are as follows:

- Verifying recorded data
- Pre-screening sales in Ascend (software)
- Identifying transfer documents by type
- Forwarding certain document types to the statistical department
- Sales validation codes
- Coding of improved and vacant sales
- Coding of valid and invalid sales

The sales validation section provides specific guidance, such as:

- Sales validation rules
- Market value definition

- Updating sales
- Deleting duplicate reception numbers
- Sales history procedures
- Deleting duplicate account numbers from account detail at time of sale
- Viewing details
- Real ware – Account Inventory Tab (software) to lock a sale account and edit the sale history
- Field ware – Account Inventory Tab (software)

Why best practice: Education and training promote consistency, create efficiencies, and provide uniformity, which are key principles in the sales validation process.

Subject area:

Single-point Review (Snohomish, Jefferson, Okanogan)

Contact person: Snohomish County — Steve Lightle (425) 388-3446

Jefferson County — Jack Westerman (360) 385-9105

Okanogan County — Jim White (509) 422-7190

Best practice: The county assessor's office employs a single review point to perform and manage the sales validation process. Using a single point for review enhances the consistency and efficiency of the process.

Best practice defined: One individual conducts the initial review, any training, and/or daily review of the coding done by co-workers. The sales validation process is streamlined and promotes efficiency.

How used: The single point review methodology enables the county assessor to streamline the sales validation process without compromising consistency or uniformity. The reviewer receives the Real Estate Excise Tax Affidavits (REETs) from the treasurer every week. The individual REETs are reviewed for accuracy of information and the legal description; then the reviewer verifies the parcel identifier, sale date, and ownership. After the information is verified, the REETs are screened to determine whether the sale is valid or invalid, based on a detailed policies and procedures manual used to guide the review to a consistent standard of validating/invalidating sales. The manual contains sales validation code sheets used in reviewing the REETs and classifying the sales. Coding of the REETs is reviewed quarterly by management to ensure accuracy, any errors are corrected, and training is implemented to prevent future errors.

How used: The Jefferson County Assessor's Office employs an initial single review point to perform/manage the valid/invalid sales process. Using a single point for review enhances the conformity of the validation process because one individual conducts the initial review and codes the sales. Additional review and investigation are performed by senior appraisers and subsequently confirmed by the assessor.

Utilizing the assessor as the initial review point places a high level of emphasis on sales validation, ensures that consistency is maintained, and eliminates duplication of effort. Having multiple people perform the same work can create problems with communication and uniformity and can emphasize different details for similar sales.

Sales are reviewed regularly, quickly, and with a consistent process.

Why best practice: Single point review methodology streamlines the sales verification process and promotes consistency and uniformity in the process. It also provides process efficiencies and follows a systematic and logical sequence that can easily be verified through the audit process.

Subject area:

Informational Sources (Commercial Sales) (Pierce, Snohomish)

Contact person: Pierce County — Shellie Pollitt (253) 798-2719

Snohomish County — Steve Lightle (425) 388-3446

Best practice: The assessor gathers sales data using a wide variety of informational sources in verifying commercial sales, including the use of online sources.

Best practice defined: The assessor relies on a variety of informational sources for collecting and documenting income, cost, and expense information from commercial sales for use as benchmarks in assessment modeling. The commercial appraisal staff uses publications to research typical income and expense ratios and to validate sales. The assessor also uses online commercial real estate services that deliver sale information and quickly provide accurate reports containing sale comparables.

How used: The commercial appraisers use publications and online services to research typical income and expense ratios and to validate sales. Specifically, they use CoStar COMPS Professional (CoStar), Dupree & Scott for apartment properties, Building Owners and Managers Association (BOMA) for office buildings, and The Central Puget Sound Real Estate Research Report.

CoStar is an online commercial real estate information service that delivers sales comparables independently researched and verified by over 1,000 staff researchers. CoStar quickly provides accurate reports containing sales comparables that are sometimes as current as the day of the sale. The reports contain a variety of valuation details, including sale status (sold, for sale or under contract), cap rate, financing descriptions, plat/site maps, occupancy rate, site photos/aerial photos, property characteristics, and demographics, plus views of the original deeds. In 2006, Snohomish County paid \$13,800 as a yearly access fee to the Greater Puget Sound Region data.

Why best practice: Commercial appraisers use the service to research/confirm commercial sales data, obtaining reliable information in minutes that previously took hours. According to the assessor, “the savings in man-hours more than covered the cost of the program.”

Subject area:

Sales Data Collection Methodology (Pierce, Pacific)

Contact person: Pierce County — Shellie Pollitt (253) 798-2719

Pacific County — Loni Hooper (360) 875-9300 Ext. 2206

Best practice: A data collection methodology is used by the assessor to develop sales files and verify sales.

Best practice defined: The assessor gathers sales data using a wide variety of sources including deeds, contracts, sale agreements, REETs, sale verification questionnaires, telephone interviews of interested parties, private real estate company websites, leasing agents, and certified property managers.

How used: The assessor collects detailed sales data in a file that captures the terms, conditions, and any special circumstances regarding the sale. To collect this data, the assessor has developed four sale verification questionnaires, a questionnaire cover letter, and a commercial retail income/expense survey mailer. The assessor also reviews deeds, contracts, sale agreements, and REETs to capture the details of a sale. These data collection methods make it possible for the assessor to capture the physical description of each parcel as of the date of sale. The sales file contains features for arraying and tabulating sales data, which allow the assessor to access the data by specifying the records, variables, and type of data desired. The assessor is able to generate sales reports by defining the specific data and reporting categories to be used for analysis.

Why best practice: The ability to collect sales information efficiently and effectively provides the assessor the ability to create and maintain a sales data file that contains pertinent sales information.
