Significant Improvements Needed in DCRA Management of Vacant and Blighted Property Program

September 21, 2017

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A Report by the Office of the District of Columbia Auditor
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Why ODCA Did This Audit

In 2015, ODCA surveyed Advisory Neighborhood Commission members on which agencies and programs weren't meeting the public's expectations for high-quality services. Commissioners agreed that D.C.'s handling of vacant and blighted properties was a major concern, and D.C.'s elected officials concurred. In fact, the Mayor's fiscal year (FY) 2018 budget submitted to Congress included an increase of $4.6 million for the Department of Consumer and Regulatory Affairs (DCRA) to support additional abatement activities for vacant and blighted properties. ODCA looked at whether DCRA effectively managed the program in FY 2015, whether the Office of Tax and Revenue (OTR) effectively managed property tax collection in FY 2015, and the community and fiscal impacts of both agencies' management.

What ODCA Found

DCRA's mismanagement of the vacant and blighted program—including improper granting of exemptions, not following legal requirements, errors with communication with OTR, and weaknesses in processes related to occupied status—resulted in almost **$1 million** in lost potential revenue from our sample of only 31 properties. With anywhere from 1,000-3,000 more vacant and blighted properties in D.C., the true financial impact could be far more significant. The community impact has been no less grievous: deteriorating buildings; fewer neighbors and eyes on the street; magnets for illegal activity; and frustration from neighbors and elected officials when their repeated complaints do not produce results. As indicated throughout the report, the Bowser Administration has made reforming DCRA and the vacant and blighted property program a priority in the nearly two years that have elapsed since the end of this audit's scope.

For more information regarding this report, please contact Diane Shinn, Director of Communications, at Diane.Shinn@dc.gov **or 202-727-3600.**

What ODCA Recommends

The following is a summary of the report's recommendations.

1. DCRA should update/replace its management information system.
2. DCRA staff should regularly produce vacant property program performance reports.
3. DCRA should issue detailed regulations based on D.C. Code.
4. DCRA should adopt and train staff on Standard Operating Procedures (SOPs) based on D.C. Code and regulations.
5. DCRA should update its website, and correspondence.
6. DCRA should end the granting of Special Exemptions.
7. DCRA should address how RPTAC appeals should be categorized for the purpose of exemption limits.
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.
9. OTR should provide training to DCRA staff on the relevant processes related to Class 3 and Class 4 billing.
10. OTR should implement its internal auditor's recommendation to ensure that periodic reconciliations are conducted of Class 3 and Class 4 billing.
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).
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.
13. OTR should develop SOPs that identify timelines for referring vacant or blighted properties to DCRA for inspection.
14. DCRA should conduct a formal, structured risk assessment of the program and select and implement appropriate risk responses, including, internal controls.
15. DCRA should conduct monitoring of internal controls.
16. The Mayor should continue efforts to strengthen DCRA's management of the vacant and blighted property program.

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Background

In 2015, the ODCA surveyed Advisory Neighborhood Commission (ANC) members on which agencies and programs weren't meeting the public's expectations for high-quality services.[1] One commissioner wrote:

> *"We have several buildings that have sat empty and dormant for 5+ years. The usually cited risks of crime, rodent infestation, trash and dumping, and general unsanitary conditions associated with vacant and blighted properties are clearly visible to us, but there is also long-term risk to the community's economic development because retail merchants cannot be attracted to an area they perceive as blighted."*

The commissioner wasn't alone. Several others raised the District's handling of vacant and blighted properties as a major concern[2]. The issue has drawn the attention of other elected officials. Mayor Muriel Bowser spent a week in 2016 at the Department of Consumer and Regulatory Affairs (DCRA), the agency tasked with managing vacant properties, and devoted her first day to learning more about DCRA operations, including the vacant property program. The Mayor's fiscal year (FY) 2018 budget submitted to Congress included an increase of $4.6 million over the FY 2017 approved budget to support the agency's ability to complete additional abatement activities for vacant and blighted properties. Subsequently, D.C. Councilmember Elissa Silverman responded to public safety concerns raised by constituents about vacant properties by introducing legislation enacted in 2017 to reform the program.[3]

D.C. Code defines a vacant building as real property with a building that has not been continuously occupied and that the Mayor has determined does not have a resident with intent to return and occupy the building.[4] D.C. Code defines a blighted vacant building as a vacant building that is unsafe, unsanitary, or threatens the health, safety, or general welfare of the community.[5] DCRA reported to the D.C. Council in its FY 2015-16 performance oversight hearing that it had 2,294 vacant and blighted properties in its database.

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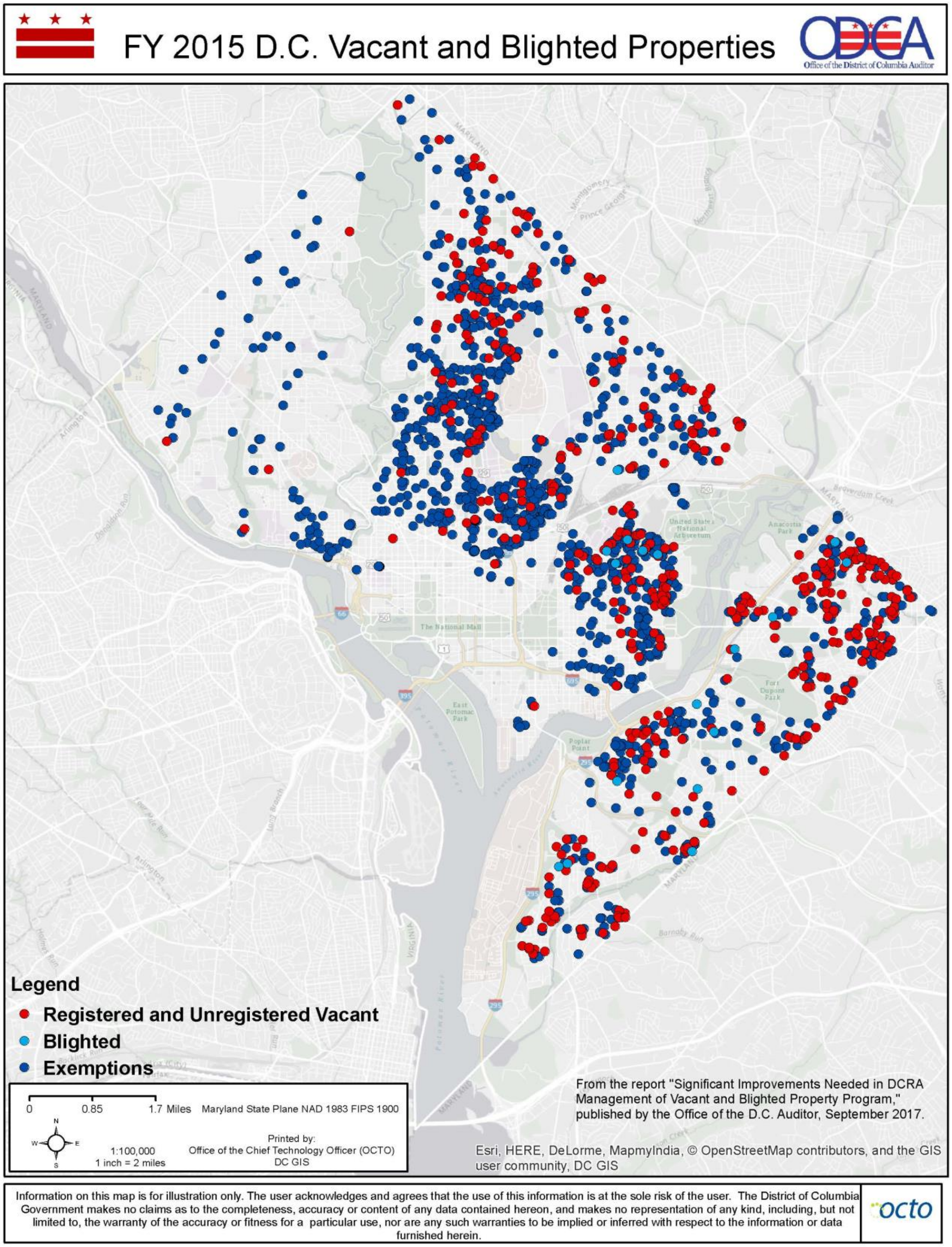
[1] According to the ANC website, an Advisory Neighborhood Commission (ANC) is a non-partisan, neighborhood body made up of locally elected representatives called commissioners. The ANCs were established to bring government closer to the people, and to bring the people closer to government. https://anc.dc.gov/page/about-ancs

[2] Our objective, as we explained to the commissioners in the survey, was to "identify programs or activities that are falling short of–or are at risk of falling short of–the public's expectations for high-quality services. Risks may arise from external factors, such as changes in the economy or new laws and regulations, or internal factors, such as poor management or lack of well-trained staff."

[3] *See* L21-200, "Vacant Property Enforcement Amendment Act of 2016", effective February 18, 2017.

[4] Mayor's Order 2002-33 delegated all authority vested in the Mayor to DCRA related to the abatement and condemnation of nuisance properties.

[5] *See* D.C. Code § 42-3131.05.



NOTE: This map is for illustration purposes only. ODCA used data provided by DCRA to create this map, although ODCA found issues with the reliability of the data provided by DCRA as discussed in the audit results.

According to DCRA's FY 2018 budget submitted to Congress, DCRA's Vacant Building Enforcement Unit registers vacant properties "to encourage their return to productive use." The Unit investigates and classifies vacant and blighted properties, reaches out to these property owners, and maintains a list of these properties. DCRA's vacant property program spent $600,000 in FY 2015, had an approved FY 2016 budget request of $650,000, a FY 2017 request of $681,000, and a FY 2018 request of $645,000.

While DCRA is chiefly responsible for the management of vacant and blighted properties, the Office of Tax and Revenue (OTR) has a role to play. After DCRA classifies properties as vacant and blighted, OTR applies significantly higher property tax rates that are designed to encourage action to improve the properties and return them to productive use. D.C. Code stipulates that for vacant properties, OTR is to apply the Class 3 vacant tax rate of $5 per $100 of assessed value, which is more than five times the Class 1 regular residential property rate of $.85. For blighted properties, OTR is to apply the Class 4 blighted rate of $10 per $100 of assessed value, which is almost 12 times the residential rate. Figure 1 summarizes these different property tax rates in effect for FY 2015.[6]

Figure 1: FY 2015 Real and Special Real Property Tax Rates

Tax Classification	Per $100 of Property's Assessed Value
Class 1 (Residential rate)	$.85
Class 2 (Commercial rate)	$1.65
Class 3 (Vacant rate)	$5
Class 4 (Blighted rate)	$10

The responsibilities of DCRA and OTR as outlined in the D.C. Code are detailed below, as well as scenarios crafted by ODCA to provide specific examples of the program requirements.

Scenario: *When a building becomes vacant, the owner registers and pays a $250 annual fee. DCRA inspects the building for compliance with the vacant property maintenance requirements, such as secured doors and windows, and cut grass. Once DCRA approves the registration, it then communicates with OTR semiannually about properties that should be billed at the Class 3 and Class 4 tax rate.*

Registration

Within 30 days of a property becoming vacant, owners are required to register it as vacant and pay a $250 annual registration fee.[7] Before registration is approved,[8] DCRA must inspect the property to determine if it is being properly maintained,[9] or if the property should be classified

[6] *See generally* Title 47 D.C. Code, Chapter 8, Subchapter II.
[7] D.C. Code § 42-3131.09. Fees: (a) As provided in § 42-3131.06(a), the owner of a building shall register the building and pay the registration fee within 30 days after it becomes a vacant building, except if the vacant building is owned by the government of the United States or its instrumentalities or by a foreign government or its instrumentalities. The Mayor, in his or her sole discretion, may extend the time for payment for good cause. (b) Registrations shall be renewed annually from date of initial issuance unless there is a change in ownership. (c) The initial registration fee shall be $250. (d) The renewal registration fee shall be $250.
[8] D.C. Code § 42-3131.07. Registration and renewal procedure.
[9] *See* D.C. Code § 42-3131.12. Vacant building maintenance standard.

Scenario: *A neighbor reports a property as blighted to their ANC commissioner. The commissioner calls DCRA to report the property. DCRA conducts an inspection and finds graffiti on the walls, rotten porch planks, and an unsecured basement door. The inspector posts a sticker on the door of the property. DCRA sends a notice to the owner that the property has been found blighted and issues the property owner a $2,000 NOI for failing to register the property. DCRA's notice to the property owner also states that they will be billed a Class 4 property tax rate, unless the owner submits an appeal within 15 days. The owner does not respond and DCRA refers the property owner to the OAG for an additional $1,000 penalty for failing to register and pay after notice. DCRA communicates with OTR semiannually about this property's Class 4 tax rate status.*

as blighted.[10] DCRA can issue citations for violations of vacant property maintenance standards, such as excessive trash or vegetation. If not remedied by the owner, DCRA can take action (mowing the lawn, properly sealing windows and doors) and charge the owner for these services.

Property owners must renew their registration and pay the registration fee every year a property remains vacant.[11] Once registered, the property is to be billed at the Class 3 vacant tax rate or, if the building is considered blighted, at the Class 4 blighted rate.

DCRA reported to the D.C. Council during its 2015-16 performance oversight hearing that it collected $142,000 from vacant building registration fees.

D.C. real property tax law exempts government-owned (District, federal, or foreign) buildings from property taxes, including Class 3 and Class 4 rates, if they are being used for governmental purposes.[12] There are other exemptions, which will be discussed in more detail below.

Violations

While some property owners proactively register their vacant properties, the majority of them do not, and it is DCRA's responsibility to identify such properties.[13] DCRA identifies these properties using tips/complaints from private citizens, D.C. Advisory Neighborhood Commissions (ANCs), the D.C. Council, District agencies such as the Metropolitan Police Department (MPD), the Department of Public Works (DPW), and others.

When inspecting a property, DCRA is to verify whether the property is actually vacant by checking whether electric, gas, and/or water meters have had usage, if there is accumulated mail, etc.[14] If DCRA determines that a property is vacant or blighted, it is to send a vacant notice to the property owner that OTR has on file, post a notice on the building,[15] and issue the owner a $2,000 notice of infraction (NOI) for failing to register.[16] The vacant notice also notifies the property owners that they will be billed a Class 3 or Class 4 property tax rate, unless they submit an appeal within 15 days.

[10] D.C. Code § 42-3131.07. Registration and renewal procedure: (a) At the time of application for the initial registration or renewal of registration of a vacant building, the owner shall arrange with the Mayor for the inspection of the building. On receiving an application for the initial registration or renewal of registration of a vacant building, the Mayor shall thereafter inspect the building.
[11] D.C. Code § 42-3131.07. Registration and renewal procedure.
[12] D.C. Code § 47-1002. Real Property – Exemptions.
[13] D.C. Code § 42-3131.11. Notice of vacancy designation and right to appeal.
[14] D.C. Code § 42-3131.05(5).
[15] D.C. Code § 42-3131.05a.
[16] DCMR 16-3311.1(a) sets forth the fine for failure to initiate registration of a vacant building within 30 days (as required by D.C. Code § 42-3131.06(a)). It specifies this as a Class 1 infraction. DCMR 16-3201 specifies that a Class 1 infraction, first offense is $2,000.

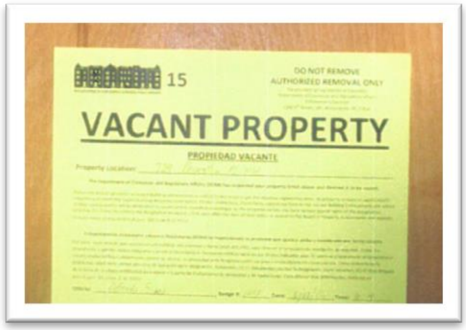


Photo Credit:
DCRA inspection report

Owners who fail to register after receiving DCRA's notice of vacancy face an additional $1,000 penalty,[17] which is to be issued and collected by the Office of the Attorney General (OAG).[18]

DCRA reported to the D.C. Council during its 2015-16 performance oversight hearing that it collected nearly $53,000 from vacant property infractions. Figure 2 summarizes the various infractions and penalties related to vacant and blighted properties.

Figure 2: Costs That Noncompliant Vacant and Blighted Property Owners are Subject to Pay

Purpose	Amount	Enforcement Agency
Vacant property maintenance standards violation	Lien amount varies	DCRA
Failure to register a vacant property[19]	$2,000 (Class 1, first offense)	DCRA to issue, OAH to appeal
Failure to respond (register or appeal) to DCRA within 15 days of vacant notice[20]	$1,000	DCRA refers to OAG

[17] Note: this amount was raised to $5,000 in 2017.

[18] D.C. Code § 42-3131.10. Penalties for noncompliance. (a) The failure of the owner of a vacant building to register and pay all required fees under § 42-3131.06(a) or § 42-3131.09 after notice of the designation of the owner's building as vacant, the determination of delinquency of registration or fee payment, the denial or revocation of registration, the filing by an owner of any false or misleading registration-related information, or the refusal of the owner of a vacant building to permit the Mayor to inspect the building shall, upon conviction thereof, be punished by a fine not to exceed $ 1,000. The Director of the Department of Consumer and Regulatory Affairs shall provide the Office of the Attorney General with a list of all owners who fail to register and pay the required fee after notice.

[19] D.C. Code § 42-3131.05a. D.C. Code §42-3131.06. DCMR 16-3311.1(a) sets forth the fine for failure to initiate registration of a vacant building within 30 days (as required by D.C. Code § 42-3131.06(a)). It specifies this as a Class 1 infraction. DCMR 16-3201 specifies that a Class 1 infraction, first offense is $2,000.

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Appeals and Exemptions

Within 15 days of receiving DCRA's vacant or blighted property notice, the owner can appeal to DCRA, claiming that the property is occupied, not blighted, or qualifies for an exemption, for example. DCRA has 30 days to grant or deny an appeal, which is to be issued as a notice of final determination.[21]

The D.C. Code specifies a number of conditions that can make a vacant property exempt from registration and the increased property tax rate. A property can be deemed exempt if it is:

- Undergoing construction and there is a building permit to make the building fit for occupancy that was issued, renewed, or extended within 12 months of the required registration date.
- For sale or advertised for rent, but not to exceed one year from initial listing of rent or sale (if residential) and not to exceed two years from initial listing (if commercial), and should have a valid certificate of occupancy.
- Exempted by the authority of the Mayor, delegated to DCRA in 2002, for extraordinary circumstances upon showing substantial undue economic hardship,[22] not to exceed 12 months.
- Subject to probate or title litigation, not to exceed 24 months.
- The subject of a pending application for development and is awaiting approval by District bodies (i.e. Board of Zoning, Historic Preservation Review Board, etc.), not to exceed 12 months.[23]

Scenario: *A neighbor reports a potentially vacant property via the District call center by dialing 311. DCRA inspects the property and confirms vacant status, then sends the owner a vacant notice. The owner responds within 15 days and appeals on the basis of the property undergoing active construction. DCRA reviews the property owner's proof of building permits and approves the exemption within 30 days.*

D.C. Code also states that the same owner cannot receive more than three cumulative years of exemptions.[24]

If DCRA does not grant the appeal, the owner has 45 days from DCRA's final determination to file an appeal with the Real Property Tax Appeals Commission (RPTAC). The owner must go through the first-level appeal process with DCRA before RPTAC will hear the appeal. The Code does not specify that RPTAC follow the exemption criteria in evaluating DCRA's final determination, it simply establishes RPTAC's power to review property classification appeals and decide within 120 days after the filing. If RPTAC denies the appeal, the owner can take their case to the D.C. Superior Court.

[21] See D.C. Code § 42-3131.15. Administrative review and appeal.
[22] "substantial economic hardship" is not defined.
[23] See D.C. Code § 42-3131.06. Registration of vacant buildings.
[24] D.C. Code § 42-3131.06(f)(1). Registration of vacant buildings. The cumulative time period for exemption from registration and fee requirements for a vacant building under the same, substantially similar, or related ownership shall not exceed 3 real property tax years.

Notifying OTR of Vacant and Blighted Properties for Property Tax Billing

> **Scenario:** *A property owner proactively submits an exemption request to DCRA that the property is the subject of a probate proceeding. Within 30 days, DCRA reviews the materials provided by the owner and finds that the probate documentation was dated four years ago. DCRA denies the exemption and sends the owner a final determination that the property is classified as vacant. Within 45 days, the owner submits an appeal to RPTAC. RPTAC decides to remove the vacant classification. There is no OTR involvement in this scenario as OTR should not be notified until the appeals process has been exhausted.*

In the District, annual property taxes are split into a first and second half billing: a tax bill due March 31 for the tax period of October 1-March 31, and a tax bill due September 15 for the tax period of April 1-September 30. Therefore, twice every year, DCRA must provide OTR with a list of vacant and blighted properties so that OTR can bill these property owners at the Class 3 vacant and Class 4 blighted tax rates.[25] The list should only contain properties for which the appeals process outlined above has been exhausted or expired, and should not contain occupied or exempted properties.

OTR uploads the lists twice a year into its tax billing system, the Integrated Tax System (ITS). The upload results in a class code change for the properties included on the lists (such as a change from the regular residential Class 1 tax rate to the vacant Class 3 tax rate) because at the beginning of every tax cycle ITS automatically sets the rate for every property at Class 1 or Class 2 (depending on the use code). OTR refers to these lists as Class 3 and Class 4 bulk lists, as they involve making class code changes in ITS for a bulk of properties. ITS generates bills that OTR sends to property owners, as part of its regular billing cycles. OTR does not prorate property tax bills.

DCRA and OTR also established a system for DCRA to request that OTR change a property class code outside of the bulk list process, which will be discussed in greater detail in the Audit Results.

Almost $13 million in property taxes was collected from 958 vacant and blighted property owners for FY 2015, according to a data report OTR provided in April 2017.[26]

Impact of New Legislation

On February 18, 2017, the D.C. Code was updated to incorporate reforms contained in the "Vacant Property Enforcement Amendment Act of 2016." The Act, introduced by Councilmember Silverman, made the following changes:

- After DCRA finds a property vacant or blighted, it need not perform additional inspections. The designation is to stay in place until the property owner submits sufficient information to change its classification.

[25] D.C. Code § 42-3131.16 Transmission of list by Mayor. (a) Semiannually, the Mayor shall transmit to the Office of Tax and Revenue a list of buildings: (1) Registered as vacant; provided, that for the purposes of this section and § 47-813(d-1)(5)(A-i)(i)(I)(aa), buildings for which the registration has been revoked shall also be deemed registered; and (2) For which a notice of final determination has been issued under §§ 42-3131.05 through 42-3131.16 and administrative appeals have been exhausted or expired. (b) The list shall be in the form and medium prescribed by the Office of Tax and Revenue.

[26] This amount was as of the date the data report was run (April 18, 2017) and is subject to change as collections are still being received for tax year 2015.

- It limits the time from the date of the initial building permit on the construction exemption to 18 months for residential properties and two years for a commercial project.
- It replaced the penalty not to exceed $1,000 with a penalty not to exceed $5,000.
- It requires DCRA to maintain and publish a list semiannually of buildings that are vacant, blighted, registered, and exempt, including relevant dates.

Objectives, Scope, and Methodology

Objectives

The objectives of this audit were to determine:

1. Whether the Department of Consumer and Regulatory Affairs (DCRA) effectively managed vacant and blighted properties from across the District, and the community and fiscal impact of that management.
2. Whether the Office of Tax and Revenue (OTR) effectively managed its role in implementing property tax collection for vacant and blighted properties, and the community and fiscal impact of that implementation.

Scope

The scope of this audit was fiscal year (FY) 2015, (October 1, 2014 through Sept. 30, 2015), which is the same as the District's property tax year (TY) 2015.

Methodology

This audit was conducted in response to a risk assessment ODCA conducted by surveying ANC commissioners in 2015. We reached out to commissioners for the addresses of vacant and blighted properties in their communities in order to generate a population of properties to examine. We heard back from a number of commissioners, as well as some private citizens who had been referred to us by commissioners. In addition, we reached out to the D.C. Council, as well as the OAG for any information they had on specific vacant and blighted properties.

We found that we could not rely solely on DCRA's list of properties to select our sample because we found problems with the reliability of the list. In fact, seven of the properties we selected for our sample based on community input were missing from DCRA's data report that was supposed to contain all FY 2015 vacant, blighted, and exempt properties. For example, 5505 5th St. NW, was recommended for review by ANCs and the community, and inspected and exempted by DCRA, but not found on the DCRA data report. As will be discussed in our results, we found multiple ways in which DCRA's data report was unreliable and incomplete, and found multiple issues with how that property was handled by DCRA in FY 2015.

For these reasons, we used the following sampling methodology:

For the first part of our sample, we selected two properties from each ward that represented a range of exemption types (i.e. construction, sales/listing, etc.), property status types (i.e. vacant and blighted), and some that were missing from one or more of the vacant and blighted property lists provided by DCRA and OTR.[27] It is worth noting that this sample subset of vacant and blighted properties was not a random sample but one that represented some of the most problematic cases in the District.

For the second part of our sample, we selected a random sample of:

- Five properties that received sales/listing exemptions.
- Five properties that received economic hardship exemptions.
- Five properties that had been denied a special exemption.

These two sampling methodologies combined for a total of 32 properties. When we began our audit work at DCRA, we learned that DCRA had not inspected one of the properties, 2201 R St. NW, thus there were no DCRA actions or records to review, which reduced our DCRA sample to 31 properties. However, that property did have a record at OTR, albeit not as a vacant property, thus our OTR sample remained at 32 properties.

Our methodology for analyzing DCRA's processes consisted of:

- Sitting with DCRA staff to obtain, for our sample, all DCRA actions and supporting documentation found in DCRA's property database Accela (i.e. inspection reports, exemption letters, etc.).
- Reviewing DCRA actions found in DCRA Quickbase reports, a data report created by DCRA, a DCRA record of exemptions granted from 2011-2014, the Class 3 and Class 4 bulk lists that DCRA sent OTR for the first and second half of TY 2015, and OTR's record of DCRA's weekly class code change requests.
- Comparing DCRA actions to program requirements spelled out in the D.C. Code, D.C. Municipal Regulations (D.C.M.R.), and DCRA Standard Operating Procedures (SOPs) and forms.

Our methodology for analyzing OTR's processes consisted of:

- Determining, for our sample, if OTR followed DCRA's first and second half Class 3 and Class 4 bulk list instructions, as well as the weekly class code changes that DCRA requested; and
- Verifying OTR assessment calculations from original and corrected bills, as well as from a data report created by OTR.

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[27] We ended up with a sample of 17 properties because three properties were selected from Ward 8, as two properties were adjacent with the same owner and were regarded by the community as one site.

In addition, ODCA:

- Requested from DCRA and OTR copies of relevant audits, strategic plans, policies and procedures, and financial reports.
- Interviewed DCRA and OTR staff to obtain an understanding of how vacant properties are identified, inspected, reviewed, and taxed.
- Searched multiple public data sources to cross-check the validity of the assertions made by property owners who received the hardship exemption in our sample.
- Interviewed RPTAC commissioners to obtain an understanding of how appeals from vacant or blighted property owners are handled.
- Rode along with a DCRA vacant property inspector to observe how he inspected properties and notified property owners.

In order to learn more about DCRA and OTR, as well as the internal controls that each put into place for their vacant property responsibilities, we:

- Interviewed additional staff.
- Reviewed performance reports, action plans, information submitted to the Council for oversight hearings, internal audits, flowcharts, policies and procedures, organizational charts, handbooks, and checklists.
- Requested any available risk assessments, and received none.

While some of the properties in our sample were issued violations of vacant property maintenance standards, and DCRA placed liens on the properties for the amount due for remediating some of the conditions, these specific activities fell outside the scope of this audit.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Audit Results

As we began our review of DCRA's case files for the properties in our sample, it quickly became clear why this program was cited by ANC commissioners as a program that was falling short. We found a number of problems: vacant notices never sent or sent several months after the inspection, exemptions granted without support or even an exemption request, as well as multiple errors in DCRA's correspondence to owners and communications to OTR.

A summary of ODCA's analysis of DCRA's management of the 31 properties is included as Appendix A. Case histories of DCRA and OTR's handling of each of the sample properties, including a photo from the FY 2015 inspection, is included as Appendix B.

Although there was no evidence of intent, we cannot rule out the possibility that fraud could have occurred during our scope, as some cases were well outside the bounds of bureaucratic errors. For example, in one case, DCRA conducted two inspections, both of which found the property vacant, but DCRA never sent vacant notices to the owner, thus OTR was never notified of the Class 3 status. In another case, DCRA granted an owner's exemption request within one day of the request and without conducting an inspection, while DCRA's average cycle time between request and exemption was 50 days. We also found a few cases in which staff decisions to deny an exemption or deny occupied status were overturned and there was no documentation to justify the change. Given the overall mismanagement of the program in FY 2015, we also cannot rule out that these were cases of gross negligence. Because we did not see any evidence of intent, we did not refer these cases to the District's Office of the Inspector General for further investigation. As noted in our response to agency comments later in the report, we have an obligation to report when we find an environment where there is a risk of fraud or negligence even if we do not substantiate any such occurrence.

We should note that our scope was FY 2015, which ended almost two years ago, and during the course of this audit we observed multiple changes made by DCRA management that were intended to strengthen internal controls. While we did not verify the implementation of these controls as they were outside of our scope, DCRA stated that it has been drafting SOPs and making staff and supervision changes, and the Mayor's Office has conducted additional oversight and invested additional resources in the agency. We have also seen DCRA take swift corrective action for some of the properties in our sample in which we identified lapses (i.e. re-inspecting properties, issuing NOIs, sending vacant notices, revoking exemptions, and so forth).

While acknowledging the appearance of reforms now underway, we caution DCRA management not to disregard our audit findings by assuming that they have already addressed them. Many of the weaknesses that we identified are significant, and we strongly recommend that DCRA use this report as a tool to ensure that the new controls they have described are sufficient.

DCRA's vacant and blighted property data was unreliable and its property case histories were incomplete.

The Government Accountability Office (GAO) Standards for Internal Control state that "Management should use quality information to achieve the entity's objectives... Quality information is appropriate, current, complete, accurate, accessible, and provided on a timely basis." DCRA used at least two different data systems to manage vacant and blighted properties: Accela and Quickbase. During our scope, DCRA did not have effective IT management related to its vacant property program in either of these systems.

One of the reasons we selected a portion of our sample properties from community input and not from a list produced by DCRA was that we could use the community recommended properties to test the reliability and completeness of DCRA data. When we did so, we found that seven of the 31 properties in our sample (23 percent) were not on a data report that DCRA produced for us of vacant, blighted, and/or exempt properties in FY 2015, though DCRA had inspected those seven properties and found them to be vacant, blighted, or exempt in FY 2015.

Also, in this same data report, some properties were not identified accurately: 1257 K St. SE was listed as a hardship exemption when DCRA had approved occupied status; and 925 Shepherd St. NW was listed as having two exemptions denied, while Accela only contained documentation for one, which points to either data reliability issues and/or an incomplete case history in Accela.

DCRA did not capture all correspondence in Accela. For example, we did not see copies of vacant notices that had been sent, but other support/documentation stated they had been. Decisions, such as revocations and exemptions, were made without documentation in Accela to support them. An NOI was dismissed by the Office of Administrative Hearings (OAH) but this was not in Accela. The reports produced using Quickbase contained duplicates of NOIs, special exemptions denied, and appeals.

Accela was outdated and lacked functionality to meet the program's needs. Additionally, DCRA did not regularly produce data reports for supervisors and management to use for monitoring and oversight. The SOPs were outdated and incomplete as they did not detail what documentation was required to support specific actions (exemptions, revocations, etc.). Additionally, staff created new records for a property without completing existing records, thus leading to duplicates and incomplete records. Another reason that the case histories were not complete was that Quickbase tracked information separately from Accela. A result of this unreliable data was a wide variation in the data that DCRA reported publicly. For example, DCRA reported to the D.C. Council in its FY 2015-16 performance oversight hearing that it had 2,294 vacant and blighted properties in its database, but reported 8,400 vacant and blighted properties in its FY 2015 Performance Accountability Report (PAR). The data report that DCRA provided to us for FY 2015 showed 3,278 vacant and blighted properties.

Without complete, accurate, and consistent data, DCRA could not effectively monitor program performance. The data sent to OTR had errors, omissions, and duplicates. When property case histories are incomplete and/or inaccurate, DCRA cannot administer the program effectively and efficiently (i.e. tracking an owner's number of exemptions and revocations). An inaccurate and incomplete case history also prevents DCRA from obtaining the documentary support needed for RPTAC appeals, NOIs, and penalties. Finally, unreliable data leaves the program vulnerable to fraud, waste, and/or abuse, as supervisors cannot identify patterns, conduct reconciliations, or efficiently monitor program milestones (i.e. date of notice being sent, date of NOI issued).

In ODCA's sample, DCRA did not follow D.C. Code resulting in lost revenue and delay in returning properties to productive use.

DCRA did not implement the vacant and blighted program according to the D.C. Code and D.C.M.R. in the following ways:

DCRA did not issue notices of infraction (NOIs) to owners who did not proactively register their vacant properties. The D.C. Code states that property owners must register their vacant properties within 30 days of the property becoming vacant and regulations specify that those who don't are subject to an NOI. DCRA did not issue NOIs to 25 owners in our sample who failed to proactively register.[28] By not issuing NOIs, the District lost $50,000.

DCRA failed to consistently send owners notices following inspections. The D.C. Code requires that DCRA send owners notices if it finds properties to be vacant or blighted. If a notice is not sent, the owner is unaware of the property's status as vacant or blighted and has no opportunity to appeal. In our sample, we found that DCRA did not send notices in 10 of 29 instances (2 were not applicable), or 34 percent. As a result of DCRA failing to send notices, we calculated that the District lost more than $80,192 in potential Class 3 and Class 4 tax revenue in our sample, and wasted resources by conducting an inspection without subsequently sending a notice that initiates Class 3 or Class 4 tax rates.

[28] Six properties from our sample of 31 were not subject to the NOI, as three owners proactively registered, one was granted an appeal by RPTAC, and two were issued an NOI for the incorrect reason: for failure to respond to the vacant notice, which should have been assessed as the penalty, and is addressed below.

For example:

> **4232 6th St. SE:** A DCRA inspection found the property to be blighted on April 10, 2015. No blighted notice was sent. Per their policy, DCRA conducted a re-inspection within 30 days on May 8, 2015, and again found the property to be blighted. Again, no blighted notice was sent. As a result, $13,249 in additional tax revenue from blighted status was not collected in FY 2015.
>
> **1010 49th St. NE:** The owner, a bank, registered the property as vacant on October 3, 2014. A DCRA inspection on May 6, 2015, found it blighted but no blighted notice was sent.

DCRA granted vacant property owners excessive time to respond. When DCRA sent a notice, it improperly gave the owner 30 days to respond when 15 days is stipulated by the Code. In addition, after the first notice, DCRA often sent a delinquency notice which provided the owner another 15 days to respond. Thus, DCRA typically gave the owner 45 days to respond, when only 15 days were granted by law.

DCRA did not refer any of the applicable property owners in our sample to OAG for the $1,000 penalty. D.C. Code outlines a penalty for property owners who fail to respond to DCRA's notice of vacant status, and fail to pay the required registration fee.[29] During our scope, D.C. Code stated that DCRA should refer these property owners to the OAG for a $1,000 penalty.[30] From our sample, 15 property owners were subject to this penalty, as they did not register or appeal to DCRA in 15 days, but DCRA did not refer any of them to OAG, meaning that $15,000 in penalties were not collected.

DCRA frequently did not respond to property owners within the required 30 days. D.C. Code stipulates that DCRA must issue a notice of final determination within 30 days after receiving a petition for appeal. From our sample, we found DCRA did not respond to nine owners in this timeframe. The average response time for an appeal by DCRA was 50 days.

DCRA provided misinformation to vacant property owners about appeal timelines. We found several instances in which DCRA notified property owners of incorrect appeal timelines. For example, the owner of 925 Shepherd St. NW submitted documentation to DCRA in an attempt to show that the property was occupied. When DCRA denied this claim, it misstated that the owner had 30 days to appeal (D.C. Code states 15 days) and that DCRA had 45 days to issue a final determination (D.C. Code states 30 days). Appendix C contains an example of a DCRA letter that contains these incorrect timelines, as well as other issues.

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[29] § 42-3131.10. Penalties for noncompliance.

[30] As of February 2017, the penalty has increased to not to exceed $5,000.

In one case in our sample, 4720 Meade St. NE, DCRA failed to notify the owner of their appeal rights before RPTAC, as required by the D.C. Code.

DCRA did not consistently seek the $250 registration fee after denying an exemption or occupied status request. When DCRA denied an exemption or occupied status request, its correspondence to property owners did not include instructions to pay the $250 vacant registration fee if an appeal was not sought.[31] For example, in our sample of five properties for which DCRA denied a special exemption, none of the owners had registered their properties and paid the $250 fee, as DCRA did not instruct them to do so in its letter denying the exemption. DCRA did not have a process for ensuring that these properties registered or were issued a penalty for failure to respond. Appendix C provides an example of DCRA correspondence denying an exemption that did not inform the owner of the requirement to register and pay the annual registration fee, as well as additional ODCA comments on the multiple errors contained in the letter. The $250 annual registration fee was lost when DCRA failed to send notices and instruct owners to pay after denying their exemption and occupied status requests, totaling $3,250 in our sample.

One likely factor in DCRA's failure to follow legal requirements in managing this program was the absence of detailed regulations. The Code does not require DCRA to issue rules to implement the law, but only states that DCRA *may* issue regulations.[32] Regulations can help agency staff implement the law. In this case, the law is quite intricate and may have specified timelines that were different from other DCRA programs. In addition, DCRA's vacant program SOPs did not follow the actions and timelines specified in the Code. For example, a flowchart in the SOPs incorrectly showed that the owner had 30 days to respond, as well as that a delinquency letter should be sent that provides owners an additional 15 days to respond. This flowchart also did not include that an NOI should be issued when the owner does not proactively register after a DCRA inspection finds the property vacant. Likewise, DCRA correspondence templates did not reflect Code requirements, such as incorrectly stating that the owner could respond in 30 days.

DCRA's main information technology system, Accela, has been limited in its automation of needed DCRA actions. For example, Accela could not automatically notify DCRA when an owner response was due. DCRA staff was left to track this manually, and did not always do so.

There was a financial impact of $148,442 resulting from DCRA's failure to follow legal requirements for the properties in our sample, as detailed in Figure 3 on the following page.

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[31] D.C. Code § 42-3131.09. Fees.

[32] D.C. Code § 42-3131.06. Registration of vacant buildings. (h) The Mayor, pursuant to subchapter I of Chapter 5 of Title 2 [§ 2-501 et seq.], may issue rules to implement the provisions of this chapter. The rules may include a schedule of fines for violations of this chapter.

Figure 3: District Revenue Lost for Sample Properties When DCRA Did Not Follow Legal Requirements

Reasons	# Applicable Properties	Estimated Lost Potential Revenue
Not sending vacant notices	10 of 29	$80,192
Not issuing NOIs	25 of 25	$50,000
Not referring to OAG for penalty	15 of 15	$15,000
Not seeking $250 registration fee	13 of 16	$3,250
Total Estimated Lost Potential Revenue		**$148,442**

Adding to the financial impact has been an overall negative impact on the community. By not issuing NOIs, DCRA missed an opportunity to inform vacant property owners of the requirement to proactively register and demonstrate its strong enforcement of the law. When it did not refer owners for penalties to the OAG, DCRA signaled to owners that it was not taking vacant and blighted properties seriously. As DCRA frequently appeared not to comply with the 30 day deadline to review owner's appeals, DCRA sent the message that timelines would not be enforced. For our sample, DCRA's average cycle time from inspection to final determination was 176 days; it should have been 25 days when there was no owner appeal[33] and 100 days with an owner appeal.[34] This delayed timeline meant that properties remained vacant and blighted longer than they might have with timely action. One community member explained that one property has been vacant or boarded up for "at least three years! ... It is not only an eye sore, but has attracted loitering as well."

In ODCA's sample, DCRA improperly granted exemptions, resulting in more than $733,000 in lost revenue from 31 of 1,000-3,000 properties and further delay in returning properties to productive use.

D.C. Code details which vacant properties can qualify for exemptions from registration and higher Class 3 or Class 4 taxes.[35] Where the Code was not specific about the exemption criteria, DCRA appropriately established documentary requirements in their SOPs and

[33] The D.C. Code does not, nor did DCRA's vacant program SOPs, specify the required days that a notice should be mailed following an inspection; ODCA estimates that it should take no more than 10 days from the inspection to send the notice plus the 15 days for the owner to respond per the D.C. Code.

[34] As the D.C. Code and the DCRA SOPs did not specify the required days that a notice should be mailed following an inspection, ODCA estimates it should take 10 days to send the notice, plus 15 days for owner appeal, 30 days for DCRA review of appeal, 45 days for owner to appeal to RPTAC (per the D.C. Code).

[35] D.C. Code § 42-3131.06.

correspondence to owners. However, DCRA failed to comply with these requirements, as outlined below.

In a majority of cases in our sample, DCRA granted exemptions to vacant property owners who did not make the request by the deadline outlined in the D.C. Code. The Code is clear that an owner has 15 days from the date of the DCRA notice to appeal the decision, that is, to demonstrate occupied status or qualification for an exemption. In our sample, DCRA granted nine of 13 exemptions to owners who failed to reply within 15 days, or 69 percent. DCRA also appeared not to set any time limit for when an owner could request an exemption after a vacant notice. For example, DCRA granted a construction exemption to an owner who did not reply to a January 8, 2015, vacant notice until October 1, 2015. It is our interpretation of the Code that the owner had only 15 days (until January 23, 2015) to either register or apply for an exemption. Even if they began construction in October 2015, they still should have registered the property in January, and then later applied for an exemption. In another case, the owner requested a sales/listing exemption in May 2015 and DCRA granted it, though the notice was sent more than eight months prior in October 2014.

In more than half of the exemptions DCRA granted, the property owners were not in compliance with the Code's exemption criteria.[36] Of the 19 vacant property owners in our sample who requested an exemption, DCRA's exemption decision did not comply with the criteria outlined in the D.C. Code in nine of those cases, or 47 percent, as outlined below.

> **Construction Exemption:** A construction exemption can only be granted if a permit was issued, renewed, or extended within 12 months of the required vacant registration date. Of the three construction exemption requests in our sample, DCRA granted two and in both cases we did not find proof that DCRA used its own data system to verify the permit number, type, and expiration date.
>
> **Sales/Listing Exemption:** To obtain a sales/listing exemption, the time period for sale shall not exceed one year for a residential building, two years for a commercial building, or one year for a rental listing. Of the six requests for sales/listing exemptions in our sample, DCRA granted one that exceeded the time period: in May 2015, the owner of a residential property, 704 3rd St. NW, submitted a sales listing agreement that spanned three years (October 1, 2012, thru September 30, 2013, plus an amendment for September 22, 2014, thru September 30, 2015).

[36] *See generally* D.C. Code § 42-3131.06 for exemptions.

Additionally, when notifying owners that their sales/listing exemption had been granted, DCRA correspondence included the following confusing note to owners:

If you sell this property, please notify the buyer that it is on the DCRA vacant list.

The property was not on the vacant list, however, because DCRA had granted an exemption; this shows confusion inside DCRA as to how exemptions were treated.

Hardship Exemption: The Code also allows for a hardship exemption for vacant property owners who show "continuing extraordinary circumstances and substantial undue economic hardship." These exemptions must be published in the D.C. Register. DCRA granted five economic hardship exemptions in our sample and none showed proof of economic hardship. There were other red flags related to DCRA's granting of this exemption:

- None of the files included documentation of the owner's request for the hardship exemption.
- DCRA did not specify any criteria or documentation that owners should provide to show substantial undue economic hardship when submitting their exemption request, such as tax returns.
- The amount of time from the inspection to DCRA's final determination was exceptionally long: the minimum number of days was 188 and the maximum was 335 days.
- DCRA did not publish any of these exemptions in the D.C. Register during our scope, though it stated that it planned to in the future.
- Correspondence to the owners when granting these exemptions was confusing. DCRA referred to the properties as having occupied status, which is not the same thing as a hardship exemption: "DCRA will immediately direct the Office of Tax and Revenue (OTR) to re-classify your property as occupied." It also referred to the exemption as a "special exemption." It then stated that the owner must register the property or apply for an exemption with the following note:

You must register the property as vacant or apply for an exemption with the Office of Vacant Buildings. Pursuant to D.C. Code §42-3131.06(f)(1) states that a property may only be exempted for a total of three (3) fiscal years under the same or similar ownership.

- DCRA notified OTR that these properties were occupied, when they were actually granted exemptions. In the case of 5505 5th St. NW, on April 12, 2016, DCRA notified OTR to change from Class 4 to Class 1 (though it was never Class 4), which was prior to DCRA's final decision to grant the economic hardship exemption on April 30, 2016.

- Two of the property owners were not listed as individuals but as a limited liability company (LLC).

Probate/Litigation Exemption: If a property is the subject of probate proceedings or litigation, the Code allows for an probate exemption in our sample, 2601 Martin Luther King Jr. Ave. SE, despite it having exceeded the two-year limit. The exemption was granted on October 1, 2014, with a court case file date of February 24, 2012. This happened to be the one case in our sample in which DCRA granted an exemption without first conducting an inspection to ensure the property was not blighted or with violations, per their internal policy.

Zoning Exemption: The D.C. Code also allows for an exemption if a vacant property is the subject of a pending application before a zoning board for a period not to exceed one year. DCRA reviewed one zoning exemption request in our sample, 5505 5th St. NW, and it acted properly to deny the request because the owner submitted no pending applications. It should be noted however that this property later received an economic hardship exemption for FY 2015.

DCRA granted exemptions to owners who had exceeded the three-year limit of exemptions. The Code states that an owner may only receive three years of exemptions. In our sample of 31 properties, DCRA granted additional exemptions to seven owners who had exceeded the three year limit, or 23 percent. Because we only reviewed exemptions going back to 2011, there could have been more owners to whom DCRA granted more than three exemptions if the owners had received exemptions prior to 2011.

DCRA granted exemptions to properties that did not comply with its own documentation requirements. As the Code does not detail any documentation that an owner must provide to obtain a sales/listing exemption, DCRA appropriately established its own criteria: a listing agreement with realty contact information and an MRIS or MLS electronic listing. In fact, this was strong criteria as it required an owner to not only show that they engaged a legitimate real estate broker, but also that the broker actually listed the property. However, DCRA did not consistently require the submission of these two documents when granting this exemption. Of the six sales/listing exemptions we reviewed, four (67 percent) were granted without sufficient documentation. Of these, three did not provide the MRIS/MLS listing and one provided a listing agreement that was not signed by the agent and had a rent that was excessive ($8,500 per month for a 3 bedroom, 1 bath row house).

Another case detailed below shows how DCRA did not enforce its own requirements:

> **704 3rd St. NW**: DCRA found it vacant on October 8, 2014, and sent a notice on October 15, 2014, that granted 15 days for appeal and 30 days to complete the Vacant Building Response Form. DCRA sent a failure to register notice on November 17, 2014, granting another 15 days. The owner requested a sales/listing exemption on May 15, 2015, and provided a listing agreement. More than 30 days later, on June 24, 2015, DCRA approved the exemption despite the owner not submitting an MRIS/MLS listing and not requesting the exemption within 15 days of the vacant notice. The process took 259 days from inspection to DCRA decision and the District lost almost $360,000 in Class 3 property taxes.

The exemptions in our sample that DCRA granted improperly are summarized in Figure 4.

Figure 4: Improper Exemptions in ODCA Sample

How Exemptions Were Improperly Granted	# of Properties	Percent
Owner did not appeal in 15 days	9 of 13	69%
Owner did not submit required DCRA sales/listing documentation	4 of 6	67%
Not in compliance with D.C. Code exemption criteria	10 of 19	53%
Exceeded the three year limit of exemptions	7 of 31	23%

DCRA referred to a "special exemption," which was not established in the D.C. Code. DCRA provided us with a list of properties in the appeal process during our scope and some were designated as "special exemptions." We found some but not all of these properties on the economic hardship exemption list as well. Since the law does not authorize a "special exemption," we selected for review a sample of these "special exemption" cases that were not on the economic hardship list. DCRA acted appropriately to deny these owners' requests for an exemption or occupied status. However, we found no documentation of these owners having requested a special exemption and are unclear why they would have been on the appeals list.

DCRA did not make use of other District government information to verify owner exemption documentation. DCRA staff stated that they were not using any other District government sources to verify the validity of information provided by owners. While this is not currently a requirement, it would constitute an appropriate internal control for DCRA to seek to verify information provided by an owner seeking an exemption with an independent source. For example, DCRA can establish procedures to verify economic hardship status by searching for additional real estate holdings through OTR's website. For example, we researched the owner of 1458 Church St. NW, and found evidence that the owner apparently was not suffering from an economic hardship. The sample property was purchased in 2012 for $732,000. The 2007 purchase price of the owner's mailing address property, which is a separate property, was $2.36 million. In addition, the owner appears to have owned up to 12 properties since 2002 according to deeds recorded with the D.C. Recorder of Deeds, including the sale of a property to the Principality of Monaco for $5.5 million in 2007. The owner's name and mailing address was left blank on the data report that DCRA provided ODCA, and the exemption request only contained the name of an LLC, which points to a lack of key information that DCRA required prior to granting an exemption.

There is a lack of clarity about whether a successful appeal to RPTAC qualifies as an exemption. DCRA referred to successful RPTAC appeals as "exemptions," but did not appear to count them toward the three-year limit. For example, DCRA noted to ODCA that 2601 Martin Luther King Ave. SE, was "Exempted (RPTAC)" in 2011, 2012, and 2013, and then was granted a probate exemption in 2015. RTPAC also occasionally referred to its actions as exemptions. The D.C. Code is unclear about whether a RPTAC appeal constitutes an exemption. This lack of clarity in the law, and absence of any regulations, makes it difficult for DCRA to monitor the number of exemptions granted and ensure that owners do not exceed three years. It also can lead to public and property owner confusion and frustration. Property owners may be taking advantage of the system with unclear limits on exemptions or appeals.

A variety of causes underlie the many problems with DCRA exemptions. We saw multiple indications within DCRA of a culture of permissiveness related to exemption requirements. For example, staff decisions to deny an exemption were overturned by supervisors; staff stated that policies were not written down, such as the practice of granting construction exemptions if the permit was six months expired; and when documentary support for an exemption was not found, staff attributed it to instances in which a property owner came into the DCRA office asking to have their exemption denial overturned and had succeeded. The following case is illustrative:

> **1400 9th St. NW**: A December 3, 2014, inspection found the property vacant. DCRA sent a vacant notice on December 11, 2014, and again on January 5, 2015. On February 4, the owner requested a sales/listing exemption. DCRA staff denied the request on March 23, 2015, on the basis that the property had already received three exemptions. Then, on May 6, 2015, the request was approved, though the listing agreement had expired March 31, 2015 and did not contain a listing price or broker license number.

Some DCRA supervisors did not enforce or comply with document requirements, either by retaining documentation or requiring their submission. Based on this information, we cannot rule out that staff improperly granted exemptions possibly in exchange for gifts or favors, or to friends. To be clear, we do not have evidence that this occurred, but in a GAGAS audit we have a responsibility to identify the possibility of fraud and the absence of sufficient controls to detect and prevent it.

The SOPs also did not follow Code requirements. For example, the SOPs stated that the sales/listing exemption terms for a rental unit was 90 days when the Code states one year. From just the 12 properties in our sample whose exemptions were improperly granted, we estimate that $730,050 in higher vacant and blighted property taxes was lost in FY 2015, as detailed in Figure 5 on the next page.

Figure 5: Sample Properties: Potential Property Tax Revenue Lost from DCRA's Improper Granting of Exemptions[37]

Address	Potential Lost FY15 Property Tax Revenue
704 3rd St. NW	$359,437
2920 Ontario Road NW	$160,638
5505 5th St. NW	$47,310
1424 Wisconsin Ave. NW	$44,616
1458 Church St. NW	$20,228
1212 Euclid St. NW	$19,019
20 K St. NW	$18,331
213 Bates St. NW	$17,336
1618 14th St. NW	$17,183
1400 9th St. NW	$14,268
2601 Martin Luther King Jr. Ave. SE	$6,255
317 Atlantic St. SE	$5,429
Total Potential Lost FY15 Property Tax Revenue	**$730,050**

In addition, there was $3,500 lost from registration fees for owners who were improperly granted an exemption, thus a total of $733,550 in potential revenue was lost.

The improper granting of exemptions had a negative impact on community members, who had to continue to face vacant and blighted properties whose owners did not have the incentive of higher property taxes to encourage turning properties to productive use. For example, when describing the blighted properties in her community, an ANC commissioner stated that "These particular units have had several complaints through the years with three different mayors." Also, given

[37] This amount accounts for the Class 1 or 2 taxes assessed for TY 2015, as we subtracted the amount of Class 1 or 2 taxes that has been assessed for this period from our total.

the highly subjective nature by which exemptions were granted, DCRA's actions were unfair to vacant property owners who complied with legal requirements.

DCRA did not properly communicate Class 3 or Class 4 status to OTR for some properties in our sample, resulting in more than $19,000 in property taxes not assessed. Also, DCRA inefficiently communicated Class 3 or Class 4 status to OTR for all properties, resulting in wasted DCRA and OTR staff time.

Moving properties into the higher Class 3 and Class 4 tax bracket is the District's most powerful tool to improve vacant and blighted property, which means DCRA's communication to OTR about which properties should be billed as vacant and blighted is a critically important DCRA responsibility. The Code states that, twice a year, DCRA shall transmit to OTR a list of vacant and blighted buildings for which administrative appeals have been exhausted or expired. OTR uses these bulk lists to determine which properties should be billed at the Class 3 and Class 4 tax rates. We found a number of significant issues with how DCRA communicated this information to OTR for both the properties in our sample as well as all of the Class 3 and Class 4 properties in FY 2015.

When we reviewed DCRA actions for the properties in our sample, we found:

DCRA incorrectly included and excluded sample properties from the bulk lists submitted to OTR. In our sample, DCRA incorrectly communicated the status of 12 properties (39 percent) on its first half list and five properties (16 percent) on its second half list. The following three examples outline some of the most critical issues:

> **1424 Wisconsin Ave. NW:** A DCRA inspection found the property vacant on December 19, 2014, but DCRA did not send the vacant notice until May 12, 2015, five months later. DCRA included this property on the first half list submitted to OTR on February 2, 2015, which was incorrect because DCRA had not yet sent the notice and the owner had not been able to exercise his or her appeal rights. Acting incorrectly again, DCRA did not include the property on the second half list submitted to OTR on August 19, 2015, despite the fact that the owner failed to respond to the vacant notice within 15 days, and their appeal rights had expired by May 27, 2015.
>
> **213 Bates St. NW:** DCRA inspection found the property vacant on December 23, 2014, and DCRA sent a notice on January 12, 2015. On January 16, 2015, the owner requested a construction exemption, which DCRA approved on January 20, 2015. DCRA incorrectly included this on the first bulk list sent to OTR on February 2, 2015.

1458 Church St. NW: DCRA found the property vacant in an inspection on December 5, 2014, and sent a notice on December 30, 2014. The owner requested a zoning exemption within 15 days, which DCRA denied on February 2, 2015. DCRA incorrectly included this property on the vacant list sent to OTR on February 2, 2015, because at this date the owner still had 45 days to appeal to RPTAC. However, the owner did not appeal to RPTAC, thus its appeals rights had expired by March 19, 2015. DCRA should have included it on the second bulk list sent to OTR on August 19, 2015, but did not.[38]

DCRA listed sample properties as both blighted and vacant on the bulk lists. DCRA listed two properties from our sample on both the vacant and blighted bulk lists.[39] These were conflicting instructions that DCRA sent to OTR because a property cannot be billed at both the Class 3 and Class 4 rates during the same billing cycle. According to OTR, whichever list was loaded first into the ITS system determined if the property was billed as Class 3 or Class 4. In our sample of two, one billed at Class 3 and one at Class 4. While we cannot determine DCRA's actual intent, both properties did have inspections finding them blighted, thus it is reasonable to assume that DCRA had intended to have them both billed at the Class 4 rate.

In addition to our review of the properties in our sample, we also identified issues with how DCRA communicated to OTR for all of the FY 2015 properties that had a Class 3 or Class 4 status, including:

DCRA failed to submit both bulk lists by the OTR deadline. OTR provided DCRA with deadlines for when the bulk lists should be submitted so that the property tax bills could be sent per OTR's normal billing cycle. For the first billing cycle, OTR stated that the deadline was January 30, 2015, and DCRA submitted the lists on February 2, 2015. For the second billing cycle, OTR stated that the deadline was August 14, 2015, and DCRA submitted the lists on August 19, 2015. This led to unneccessary communications within OTR and to DCRA. There was no plausible reason why the DCRA bulks lists could not be submitted prior to OTR's deadline, after being thoroughly reviewed for quality, and indicates a lack of planning, leadership, and controls over the vacant property program on the part of DCRA.

DCRA weekly change requests to OTR were largely unnecessary and required significant OTR work. In addition to the bulk lists, OTR and DCRA established a system in which DCRA would twice per week email

[38] On September 24, 2015, DCRA approved a hardship exemption for this property.

[39] Outside of our sample, we found a total of 18 instances in which a property was listed as both Class 3 AND Class 4 for either the first or second half TY 2015 billing cycle. In addition, our data analytics found 34 instances in which DCRA listed a property twice on the vacant list or twice on the blighted list. While OTR staff told us that their billing system would make this correction and only bill the property once, thus not have a negative effect, these duplicates indicated a lack of data quality control procedures at DCRA before the lists were submitted.

OTR a list of properties for which the class codes needed to be changed. This process was to make class code changes outside of the bulk list process outlined above. DCRA used a numbered form that OTR created in response to OTR's FY 2013 internal audit which sought to verify whether all class code changes DCRA submitted were received and processed by OTR. From our analysis of OTR's list of DCRA weekly change code requests, there were 1,605 class code transactions related to FY 2015.[40]

The DCRA weekly change requests involved significant OTR staff resources. For example, in the case of 1212 Euclid St. NW, DCRA included it on the second half bulk vacant list on August 19, 2015, but on September 24, 2015, requested that OTR remove the Class 3 status and replace it with Class 1. OTR sent a corrected bill. An OTR staff person would log each of these changes in a database, calculate the new assessment amount to determine which OTR staff were required to approve that change, request a corrected bill, and log the change in ITS (which would calculate the new amount due). There were multiple layers of review by OTR supervisors and management of these change requests, based on the value of the tax assessment. Also, a separate office had to determine if the Homestead Deduction[41] should be re-applied, as it is automatically removed for Class 3 and Class 4 properties. Also, OTR's IT department generated a daily report on Class 3 or Class 4 changes with the name of the OTR staff person who made the change. Another OTR office was responsible for sending new bills.

The majority of the DCRA requests—1,076 of them—were to remove the Class 3 or Class 4 status. While we did not review all of these requests, it is likely that most of them could have been avoided if DCRA had followed legal requirements. Specifically, as discussed in the previous finding, DCRA should not have included on the bulk lists properties whose appeal rights had not been exhausted, nor should it have granted exemptions after the 15 day deadline. Thus, aside from the sale of a property, there should be few instances in which DCRA would need to notify OTR to change the Class 3 or Class 4 statuses.

In addition, DCRA notified OTR unnecessarily when there were no relevant changes to class code status. For example, DCRA informed OTR 303 times of a class code change from 1 to 1, 2 to 2, etc., which are not actually changes in the class code. These were inefficient actions by DCRA that required significant OTR staff time and resources.

In general, DCRA did not use the weekly change request process to report Class 3 or Class 4 statuses to OTR. There were few instances—179 or 11 percent—in which DCRA requested a change from standard tax rates to a Class 3 or Class 4, that is, informing OTR outside of the bulk lists that a property was actually vacant for a past billing period and that the owner should receive a corrected bill. It is helpful to refer to the case of 1458 Church St. NW. DCRA should <u>not</u> have included it on the first half

[40] This number was as of April 18, 2017.
[41] Homestead eligibility: https://otr.cfo.dc.gov/page/homesteadsenior-citizen-deduction

bulk list on February 2, 2015, as the owner still had 45 days to appeal to RPTAC (March 19, 2015). The owner did not appeal to RPTAC, thus on March 19, DCRA should have notified OTR via the weekly change request process to bill the owner for the first half of FY 2015. There were not detailed procedures at DCRA to ensure that vacant properties in the appeal process–whether internal at DCRA or to RPTAC – whose owners were not successful in gaining an appeal, had been reported to OTR.

DCRA also did not have detailed procedures related to determining whether a vacant or blighted property should be reported to OTR for the first half and/or second half of a tax year based on when the DCRA inspection found it vacant. For example, as the first half tax year bill covers September thru March, does a March inspection finding a property vacant mean that it should be billed for the first half tax year? Or just some portion of it? These are questions for not only DCRA to answer, but also OTR, and possibly the D.C. Council.

DCRA's staff lacked a clear understanding about how OTR's processes worked. For example, only after this audit began did DCRA learn that ITS resets twice per year so that all properties revert back to either Class 1 or Class 2 status and that DCRA is to send the list twice to ensure that Class 3 and Class 4 properties are loaded into the system before both the first and second half billing cycles. Part of this lack of understanding can be attributed to the absence of a written agreement between DCRA and OTR outlining their respective responsibilities, including timelines and methods for information sharing. Additionally, DCRA reported that the agency information systems were outdated and did not meet their needs. For example, Accela could not report which properties were sent to OTR on the bulk lists or the weekly lists, as that information was maintained in an Excel sheet maintained by a single DCRA staff member.

The most significant cost attributable to DCRA's flawed communications with OTR was the wasted resource of OTR and DCRA staff time. This included time spent logging, approving, and processing unnecessary change requests, generating new bills, as well as OTR needing to remind DCRA to submit its bulk lists. While wasting the time of government employees, these actions also generated confusion among property owners whose property tax bills may not have matched their communications with either DCRA or OTR. For just the properties in our sample, $19,451 was lost in potential revenue from not reclassifying properties to higher vacant and blighted property taxes.

OTR generally implemented DCRA's instructions for vacant and blighted billing for the sample properties with some opportunities for improvement identified.

Overall, OTR implemented DCRA's bulk list and weekly change list instructions and properly billed our sample vacant and blighted properties at the Class 3 and Class 4 rates. Our audit identified a few areas in which OTR processes could be strengthened.

OTR did not correctly implement DCRA's vacant billing instructions for just one of the 27 properties in our sample for which DCRA provided Class 3 or Class 4 instructions (4 percent). DCRA's first half bulk list instructed OTR to bill 1618 14th St. NW as vacant Class 3, which ODCA calculated as a first half FY 2015 bill of $39,408.22, but OTR did not bill the property as vacant. In this case, OTR's actions did not result in lost Class 3 tax revenue to the District because DCRA had incorrectly included this property on the first half bulk list, as it had granted the owner an exemption. OTR's system nevertheless failed to implement the DCRA billing instructions in this instance and must be addressed to ensure it does not happen again.

One reason OTR did not correctly bill the property was that 1618 14th St. NW had the distinction of being a mixed Class 1/Class 2 rate (residential/commercial use) property, which required additional steps for OTR to follow outside of ITS when changing the class code to 3 or 4. Another contributing factor was that OTR had not followed the recommendation of its internal auditor to develop written policies and procedures that require supervisors to conduct reconciliations and monitoring.[42] For example, OTR created a daily report that could be used to monitor class code changes, but OTR supervisors were not reviewing it regularly in order for it to be a meaningful control. Additionally, DCRA did not have the opportunity to review OTR actions to determine if it followed DCRA instructions. OTR did not produce a report for DCRA after the first and second half billing to show which Class 3 or Class 4 properties were billed, nor did DCRA receive a copy of the daily class code change report that OTR automatically generated. DCRA told us that they have an interest in this data and we believe it will help them with their program reforms, and could possibly help detect errors.

There were two cases in our sample in which OTR did not follow DCRA's bulk list billing instructions because during our scope, OTR asked DCRA to submit two separate lists for each billing cycle, one list to delay the billing of potential Class 3 or Class 4 properties and a final list of properties to bill at the Class 3 and Class 4 rates. In these two cases, OTR followed the delayed instructions, not the final list because DCRA was late in submitting the final list. OTR did send the correct bills, thus there was no financial impact.

While not related to Class 3 and Class 4 billing, we identified an additional weakness related to one property in our sample at 2201 R St. NW.[43] We included this property in our sample because it was recommended by an ANC and represented a unique situation related to

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[42] *Audit of Changes in Real Property Class Codes by the Office of Tax and Revenue Real Property Tax Administration*, Office of Integrity and Oversight, 2013. https://cfo.dc.gov/sites/default/files/dc/sites/ocfo/publication/attachments/OIO-13-1-05%20OTR_final.pdf

[43] On June 28, 2017, OTR sent the Government of Pakistan a final notice before tax sale of the property. The property was included on OTR's 2017 tax sale listing, which was held on July 17-18, 2017.

exempt properties owned by a foreign government, Pakistan in this case. When we found that DCRA had not inspected it nor had any record of it related to the vacant and blighted program, we removed it from our review of DCRA. We did find that OTR had records of its property tax billing and we sought additional information from OTR about its case history.

The following timeline shows a weakness in OTR actions, outside of our scope, related to the timely sending of a corrected bill for 2201 R St. NW, pictured here.

Photo Credit: Advisory Neighborhood Commissioner

February 28, 2014: OTR sent the government of Pakistan a Notice of Proposed Real Property Assessment of Tax Year 2015 showing an Estimated Taxable Assessment of $0.

June 26, 2014: The U.S. Department of State notified OTR that 2201 R St. NW was exempt from local property taxes due to its diplomatic uses.

March 1, 2016: OTR sent a Notice of Proposed Real Property Assessment of Tax Year 2017 showing a 2016 and 2017 Estimated Taxable Assessment of $0.

March 2, 2016: The U.S. Department of State notified OTR that the property was no longer entitled to diplomatic status, as of February 29, 2016. DCRA was copied on the letter, but the letter did not address the property's condition or possible vacant status.

March 8, 2016: OTR changed the billing status from exempt to taxable as of February 29, 2016, based on the State Department notification.

May 18, 2016: ODCA inquired about this property to OTR.

May 19, 2016: OTR sent a corrected bill two and a half months after being notified by the State Department of the change in tax status. OTR mailed a corrected bill of $7,742.63 to the government of Pakistan for TY16 (charging a tax rate of $1.65, for an assessed value of $5,694,790), due by June 23, 2016. In its explanation for why there was a delay, OTR stated that staff was out sick and there were staff vacancies.

We raise this case to OTR so it can ensure whether there were, or are, adequate controls in place to detect if a corrected bill was needed, as it appeared that OTR sent a corrected bill based on the ODCA inquiry. Since we only examined one case like this, we do not have sufficient evidence to assume this is a systemic issue.

This case also raises questions about how to ensure that community concern about a vacant property is effectively communicated to DCRA. From the State Department letter, OTR had no way to know that the property may be vacant or blighted, though it is probable that if the property is no longer entitled to diplomatic status, it could potentially be vacant and OTR should refer it to DCRA. Likewise, DCRA was copied on the letter, but took no action to inspect the property. One reason both OTR and DCRA should pay keen attention to these types of properties is that there is a community cost as well as a financial benefit to the District, as the ANC pointed out:

> *"The city is walking away from nice tax revenue by ignoring these [diplomatic] properties spread mostly in our ANC. And once restored and renovated, the neighborhood is better for it. In particular the Serbian government owns one property that runs through from R St to Decatur St that includes two buildings on each street, which are crumbling eyesores that threaten adjoining properties with rats, refuse, and in the case of the R Street property, the adjoining building must have joint walls that are vulnerable."*

Based on our calculation, if a DCRA inspection had found this property vacant and OTR had billed it at the vacant Class 3 rate for FY 2015, it could have generated $300,160.

We were told that in the past DCRA and OTR had a stronger working relationship on the issue of vacant and blighted properties, such as holding an annual meeting. As DCRA embarks on a reform of this program, we encourage it to reach out to OTR for its insights into how to streamline and strengthen the process.

ODCA also had an additional concern that, in numerous instances, we documented DCRA management actions that were incomplete and inconsistent.

In addition to DCRA not complying with requirements spelled out in the D.C. Code or its own requirements, we found numerous instances in which DCRA's actions in managing the vacant property program were incomplete and inconsistent. While these did not rise to the level of a finding, these are areas that DCRA should address during its reform efforts.

DCRA Actions That Are Incomplete

Vacant complaint/tip source and date. During the scope of our audit, DCRA did not track the source or date of the vacant and blighted property complaints or tips it received from the public or other agencies. Without this information, DCRA could not internally track how quickly it conducted inspections following a tip. This also made it difficult for management to ensure that inspections, notices, etc., were completed for all of the properties that were reported, and that some properties did not fall through the cracks. Officials told ODCA that such tracking is currently underway.

Standard timeline for vacant notices. DCRA did not establish a standard for the number of days that should elapse between an inspection and sending a vacant notice. This resulted in a wide range in our sample in the number of days it took DCRA to mail a vacant notice following an inspection. The average was 42 days, and three notices were not sent for more than four months.

Attendance at RPTAC hearings. There was only one property owner in our sample who appealed to RPTAC. In that case, DCRA did not attend the hearing and RPTAC overruled DCRA's vacant classification. In our interview with RPTAC representatives, they stated that DCRA representation has an impact on the outcome of a case. RPTAC staff stated that DCRA typically attends hearings. DCRA's vacant program SOPs did not require staff to attend, which leaves this part of the process vulnerable, as DCRA staff could choose which hearings to attend, thus giving preferential treatment to some property owners over others.

DCRA Actions That Are Inconsistent

Blighted follow-up inspections. DCRA stated that it was their policy to conduct a follow-up inspection of blighted properties within 30 days. We found that they did not consistently comply with this. Of the four blighted properties in our sample, DCRA only once conducted a re-inspection within 30 days. In the case of 4714 Meade St. NE, inspections were conducted in October and November 2014, as well as one in February 2015, that all found the property to be blighted, and yet another that found it vacant. It was not clear from DCRA documentation why the property was not reported as blighted to OTR, and points to the need for stronger protocols on when and how such properties should be on the blighted list.

Occupied status criteria varied. The Code does not specify what documentation an owner must provide to appeal DCRA's vacant designation to prove that the property is actually occupied. Appropriately, DCRA established its own criteria, but different sources cited different criteria. The Vacant Building Response Form that DCRA sent to owners listed the required supporting documentation as: "two most recent water bills showing usage, and any other utility bills…" DCRA staff responsible for reviewing these documents told us that two water bills and two gas bills were required. The SOPs, however, did not specify any number of bills as seen from this excerpt below.

Exemption Category	Documents Required
Occupied.	Utility bills (water, Pepco, gas, etc.)

Occupied criteria not always followed. Despite the fact that the occupied criterion was unclear, we found several instances in which DCRA did not follow any of the criteria listed above.

> **1257 K St. SE:** On July 16, 2015, DCRA properly denied the occupancy proof of one gas bill submitted by the owner based on insufficient usage. But then, on February 29, 2016, DCRA granted occupied status stating that sufficient utility bills (water) were provided as evidence, though there were no copies of any utility bills showing any usage.
>
> **1000 C St. NE**: On July 24, 2015, the owner submitted three water bills, as well as one Pepco bill that did not appear to show usage for the current month, just the past due amount. Despite only one utility bill showing usage, DCRA approved the occupied designation notice on August 7, 2015. Then, without documentation to show why, on March 10, 2016, DCRA sent a revocation of occupancy status to the owner of stating that the "information submitted was insufficient." This language was confusing; DCRA had already deemed the information sufficient when it had approved the occupied status with the same information. When asked to explain the discrepancy, DCRA staff stated "management had information, which is not in Accela." While we are encouraged that DCRA revoked the occupied status of this property, this case highlights the lack of clarity and consistency around the verification of occupied status, as well as the documentation needed in Accela to support DCRA actions.

Occupied status frequently, and mistakenly, referred to as an exemption. DCRA sent Exemption Denial Letters to owners who requested occupied status, which is confusing as occupied status is not an exemption. This is also seen in the SOPs excerpted above where "Occupied" is listed as an Exemption Category. When DCRA provided us with a list of past exemptions for our sample properties it incorrectly referred to occupied status as exempt. We subsequently identified cases in which DCRA notified OTR that a property was occupied when it was not. For example, for 1212 Euclid St. NW, DCRA notified OTR on April 14, 2015, and September 24, 2015, that it was occupied and to change the Class from 3 to Class 1, but DCRA's final determination was to grant an economic hardship exemption on September 14, 2015.

In one area DCRA was commendably consistent in following its policy: in our sample, every inspection conducted included accompanying photos. This is important to note because there were detailed written procedures and training provided to staff for this task. That tells us that when staff was properly trained and procedures were written down, it resulted in compliance and consistency. Therefore, many of the weaknesses described above were caused by outdated SOPs that were not sufficiently detailed, a lack of staff training, inadequate supervisory review, and correspondence templates that were not based on Code. In addition, there were technological inefficiencies, including that Accela was not able to effectively ensure timeliness of blighted follow-up inspections or notices being sent after inspections with automated reminders. DCRA had not developed an approach for risk management, which includes identifying the risks a program faces in achieving its goals and then, identifying ways to reduce the risks.

The financial cost associated with this additional concern was $18,018 in revenue lost as result of occupied status being granted without adequate proof. Due to the deteriorated condition of blighted properties, these properties have an especially negative impact upon the community, as summarized by a community member:

> "*Safety: unrestricted access through doors and windows. Structural: excavation in crawl space/basement has taken place without the structural integrity of header across opening or no restricted access. Trash and Debris: illicit dumping and building materials/debris piled up in rear yard."*

Finally, the inconsistent actions were unfair to other property owners who paid properly and complied with submission of document requirements.

Report Recommendations

Most of the recommendations in this report are budget neutral, have the potential to generate revenue and/or cost saving, and/or help to advance the goals of DCRA, the Mayor, or OTR, as seen below.

Recommendation	Budget Neutral	Potential For Revenue Generation or Savings	Specific Agency or District-Wide Goal Advanced by Recommendation (emphases added by ODCA)
1. DCRA should ensure its management information system properly reports on the vacant and blighted property program, integrates with other relevant systems used, and includes automated notifications to staff for important deadlines (i.e. sending of vacant notices, NOIs, responding timely to appeals), possibly by updating or replacing its information management system.			Mayor’s 2017 State of the District: “[T]his year we’re going to make sure DCRA has more tools…we’ll strengthen DCRA’s resources to address vacant nuisance properties and buildings where people live that do not meet our standards.”[44]
2. DCRA staff should regularly produce vacant property program performance reports that supervisors examine for completeness and accuracy.	X		Mayor’s FY 2018 Budget Proposal: “$2.5 million for DCRA to hire additional housing inspectors, increase the number of vacant and blighted properties abated, and **improve internal business processes**.”[45]
3. DCRA should issue detailed regulations based on the D.C. Code for the vacant and blighted property program.	X		
4. DCRA should adopt and train staff on Standard Operating Procedures (SOPs) based on D.C. Code and regulations that detail: A) Supervisory approval and monitoring of timeliness of DCRA actions. B) Instructions about when penalties are due, and when and how cases are to be referred to OAG. C) Exemption document requirements and retention, receipt and review timelines, and verification processes. D) Supervisory review of exemption approvals (i.e. ensuring no more than three years of exemptions granted). E) Procedures for implementing the new	X	X	FY 2017 Performance Plan Strategic Objective: “Provide effective enforcement of vacant and blighted surveying, and the notice of violation and fining process, to allow for additional options for affordable housing.”[46]

[44] Mayor Bowser's 2017 State of the District Address. https://mayor.dc.gov/release/mayor-bowsers-2017-state-district-address
[45] Mayor Bowser Presents Fiscal Year 2018 Budget Proposal. https://mayor.dc.gov/release/mayor-bowser-presents-fiscal-year-2018-budget-proposal
[46] Department of Consumer and Regulatory Affairs FY 2017 Performance Plan. https://oca.dc.gov/sites/default/files/dc/sites/oca/publication/attachments/DCRA17.pdf

Recommendation	Budget Neutral	Potential For Revenue Generation or Savings	Specific Agency or District-Wide Goal Advanced by Recommendation (emphases added by ODCA)
requirement to semiannually publish information on vacant and exempt properties on its website. F) What documentation DCRA needs in its management information system. G) Data quality controls (i.e. how to ensure the same property does not have multiple records). H) Procedures and criteria for determining which properties to include on the bulk lists and weekly change requests to OTR. I) Internal deadlines for ensuring timely submission of the lists, data quality guidelines, and supervisory review processes of the bulk list data and weekly transmissions to OTR. J) Procedures for recording the date and source of a vacant complaint. K) An internal deadline for when vacant notices are to be sent. L) Guidance on DCRA attendance at RPTAC hearings. M) Procedures to ensure that blighted status follow-up inspections are conducted in a timely manner. N) Consistent and strong criteria for proving occupied status. O) Procedures for ensuring that occupied status is granted only when owners provide the required documentary support. P) Clarity that occupied status is not an exemption.			
5. DCRA should update its website, correspondence, and forms to properly inform owners about: A) The timelines for action per D.C. Code. B) Exemption requirements per the D.C. Code and DCRA requirements, including specific criteria for qualifying for the economic hardship exemption. C) DCRA's required documentation to prove occupied status.	X		FY 2017 Performance Plan Strategic Objective: "Provide effective enforcement of vacant and blighted surveying, and the notice of violation and fining process, to allow for additional options for affordable housing."[47]
6. DCRA should end the granting of Special Exemptions.	X	X	

[47] Department of Consumer and Regulatory Affairs FY 2017 Performance Plan. https://oca.dc.gov/sites/default/files/dc/sites/oca/publication/attachments/DCRA17.pdf

Recommendation	Budget Neutral	Potential For Revenue Generation or Savings	Specific Agency or District-Wide Goal Advanced by Recommendation (emphases added by ODCA)
7. DCRA should address how RPTAC appeals should be categorized for the purpose of exemption limits.	X		Mayor's FY 2018 Budget Proposal: "$2.5 million for DCRA to hire additional housing inspectors, increase the number of vacant and blighted properties abated, and **improve internal business processes**."[48]
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, as well as shared reports used for reconciliations.	X	X	FY 2017 DCRA Performance Plan Strategic Objective: "**Provide timely and efficient business processes** to promote and improve the progression and development of the District." **AND** OCFO 2017-2021 Strategic Plan: "**Improve Customer Service**" and "**Improve Transparency and Quality of Information**."[49]
9. OTR should provide training to DCRA staff on the relevant processes related to Class 3 and Class 4 billing, and updates when needed based on staffing and process changes.	X	X	OCFO 2017-2021 Strategic Plan: "Improve Customer Service" and "Improve Transparency and Quality of Information."[50]
10. OTR should implement its internal auditor's recommendation to ensure that periodic reconciliations are conducted of Class 3 and Class 4 billing, especially properties that are technically complex (i.e. mixed rate).	X	X	
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).	X	X	
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.	X	X	

[48] Mayor Bowser Presents Fiscal Year 2018 Budget Proposal. https://mayor.dc.gov/release/mayor-bowser-presents-fiscal-year-2018-budget-proposal
[49] Office of the Chief Financial Officer Strategic Plan. https://cfo.dc.gov/page/office-chief-financial-officer-strategic-plan_rev
[50] Office of the Chief Financial Officer Strategic Plan. https://cfo.dc.gov/page/office-chief-financial-officer-strategic-plan_rev

Recommendation	Budget Neutral	Potential For Revenue Generation or Savings	Specific Agency or District-Wide Goal Advanced by Recommendation (emphases added by ODCA)
13. OTR should develop SOPs that identify when it is appropriate to refer potentially vacant or blighted properties to DCRA for inspection.	X	X	
14. In order to better achieve the vacant property program objectives, DCRA should conduct a formal, structured risk assessment of the program and, for all significant risks identified, should select and implement appropriate risk responses, including, when appropriate, internal controls.			FY 2017 DCRA Performance Plan Strategic Objective: "**Provide timely and efficient business processes** to promote and improve the progression and development of the District."
15. DCRA should conduct regular monitoring to ensure internal controls are properly functioning to meet program goals.	X		
16. The Mayor should continue efforts to strengthen DCRA's management of the vacant and blighted property program.			Mayor's 2017 State of the District: "[T]his year we're going to make sure DCRA has more tools…we'll strengthen DCRA's resources to address vacant nuisance properties and buildings where people live that do not meet our standards."[51]

[51] Mayor Bowser's 2017 State of the District Address. https://mayor.dc.gov/release/mayor-bowsers-2017-state-district-address

Conclusion

One way to look at the impact of DCRA's mismanagement of this program is financial; we found almost $1 million in lost potential revenue just from our sample of 31 properties. There are anywhere from 1,000 to more than 3,000 vacant and blighted properties in the District, thus the true financial impact could be far more significant.[52] Figure 6 details the amount of potential revenue lost for the findings outlined in this report related to our sample properties, for just one tax year.

Figure 6: Financial Impact of DCRA Mismanagement for the Sample Vacant and Blighted Properties for FY 2015

Finding Related to DCRA Mismanagement of the Vacant & Blighted Property Program	Potential Revenue Lost From Sample Properties
Improper granting of exemptions	$733,550
Not following legal requirements	$148,442
Errors with communication with OTR	$19,451
Weaknesses in processes related to occupied status	$18,018
Total Potential Revenue Lost From Sample Properties	**$919,461**

The other impact is the negative consequences for the community: deteriorating buildings, fewer neighbors and eyes on the street, magnets for illegal activity, and frustration from neighbors and elected officials when their repeated complaints do not produce the intended results, to name just a few.

In fact, community members often have a front-row seat to observe what is happening at a vacant and blighted property. They can be key partners in helping DCRA encourage the movement of these properties into more productive use and identify potential fraud or wrongdoing (i.e. absence of construction underway for those with construction exemptions, no signs of occupancy while occupied status was granted, etc.). While the new requirement that DCRA semi-annually publish a list of vacant, blighted, and exempted properties provides valuable new information to stakeholders, the information is to be posted only twice per year. This may not give stakeholders sufficient time to review DCRA actions, nor sufficient time for DCRA to make changes based on new

[52]As expressed in the report, we are not confident in the reliability of DCRA's data related to vacant property. DCRA reported to the D.C. Council in its FY 2015-2016 performance oversight hearing that it had 2,294 vacant and blighted properties in its database. The data report that DCRA provided to us for FY 2015 showed 3,278 vacant and blighted properties. As of this report publication, DCRA's website reports that it has inspected and classified 1552 vacant buildings in the District of Columbia.

information from stakeholders prior to submitting the lists semi-annually to OTR. DCRA should consider updating and posting this information more frequently. To further leverage the communities' input to reform the program, there is additional information that DCRA can make public: NOIs issued, penalties referred to the OAG, date notices were sent, etc. Taking such actions also helps to advance DCRA's goal to "Create and maintain a highly efficient, transparent and responsive District government," which is now a required Strategic Objective for all agencies.

Agency Comments

On August 3, 2017, we sent a draft copy of this report (without the appendices) to DCRA and OTR for review and written comment. OTR responded with comments on August 23, 2017. DCRA responded with comments on September 5, 2017. Agency comments are included below in their entirety, followed by ODCA's response.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF CONSUMER AND REGULATORY AFFAIRS
OFFICE OF THE DIRECTOR

September 5, 2017

Ms. Kathy Patterson
District of Columbia Auditor
717 14th Street, N.W. Suite, 900
Washington, DC 20005

RE: Office of the District of Columbia Auditor's Draft Report Entitled "Significant Improvements Needed in DCRA Management of Vacant and Blighted Property Program"

Dear Auditor Patterson,

Thank you very much for taking the time to meet with the Department of Consumer and Regulatory Affairs (DCRA) to discuss the District of Columbia Audit Report (Report). As indicated, DCRA welcomed the audit and continued to stress that the audit period of FY 15 provided DCRA the opportunity to demonstrate the significant changes DCRA has implemented during and subsequent to the audit.

DCRA's Vacant Building Enforcement Unit (VBE) is charged with investigating and classifying for tax purposes vacant and blighted buildings located in the District of Columbia. VBE's work is aimed at bringing buildings back to productive use through enforcement of the law and abatement of nuisance properties. Additionally, VBE responds to complaints from citizens, Council for the District of Columbia (Council), and other District agencies and later makes a determination of a buildings occupancy status after inspecting a property. VBE reaches out to owners of vacant and blighted buildings and maintains a list of all vacant and blighted buildings in the District. This list is used by the Office of Tax and Revenue (OTR) in reclassifying buildings to the higher property tax rate of Class 3 (vacant) or Class 4 (blighted), as mandated in the D.C. Official Code.

Contrary to the Auditor's statement that VBE's management failed to meet the purpose of bringing properties into productive use, VBE's task is limited to ensuring that properties are safe and properly maintained according to the District of Columbia Property Maintenance Code. The District's policy behind the VBE's authority to compile a list of vacant and blighted properties is aimed at bringing all vacant property into productive use. However, the scope of specific authority granted to the Mayor by Council is too narrow to ensure that properties are, in fact, brought to productive use.

VBE's scope of authority is established in D.C. Official Code §42-3131. This Code section lays out the mechanism for registering vacant/blighted buildings – a mechanism that advances the District's policy of bringing properties into productive use. Per D.C. Code, VBE's authority is limited to the following: conducting building inspections/surveys, determining whether a building is occupied or blighted, reviewing exemption requests submitted by the property owners, and compiling annual lists of vacant and blighted properties. Pertaining to vacant properties, the process set out in D.C. Code § 42-3131 is designed to use enforcement, liens, and higher taxes to force property owners to come into compliance with the vacant building maintenance standards outlined in D.C. Code § 43-3131.12. Pertaining to blighted properties, the process created by legislators also targets nuisance properties that are blighted. Once a property is deemed blighted, the Code allows DCRA to abate these unsafe and/or insanitary properties which negatively impact the community and to apply liens to such properties. Procedures established in D.C. Code § 42-3131 define the limits of DCRA's authority to further the objective of bringing the properties into productive use. Notably, there is no mandate or methodology in the Code to bring properties into productive use. The onus is strictly on the property owners to sell or rehabilitate their properties, while DCRA is authorized to incentivize the owners to use their property productively by imposing a higher tax as an indirect tool to encourage turning properties to productive use. Ability to directly bring properties into productive use is simply outside the scope of DCRA's authority. Therefore, DCRA disagrees with the audit's conclusion that DCRA has failed to meet its purpose of bringing properties into productive use.

This audit covered FY 15 - a period when DCRA was under previous administration. We appreciate the Report's recognition that DCRA has implemented new technology and procedures to improve the overall management of VBE. However, we disagree with some of the concerns mentioned in the Report. Further, we wish to reassure those, who might have the impression that alleged weaknesses in our systems lead to the overall mismanagement of VBE - that such impression is incorrect.

After careful review of the Report, DCRA challenges some general conclusions provided in it. First, DCRA challenges some of the definitions that lead the Auditor to conclude that DCRA's actions were problematic. DCRA disagrees with the Audit findings that "although there was no evidence of intent, we cannot rule out the possibility that fraud could have occurred during our scope, as some cases were well outside the bounds of bureaucratic errors."[1] DCRA acknowledges that the technology and business processes were not utilized accurately and poor employee performance led to the failure to document any records provided by property owners which substantiated agency decisions. Fraud is defined as "a person commits the offense of fraud … if that person engages in a scheme or systematic course of conduct with intent to defraud or obtain property of another by means of a false or fraudulent pretense, representation, or promise… ." See D.C. Code § 22-3221(a)-(c). Further, the Report states, "given the overall mismanagement of the program in FY 2015, we also cannot rule out that these were cases of gross negligence. Because we did not see any evidence of intent, we did not refer these cases to the District's Office of the Inspector General for

[1] *See* Draft Report "Significant Improvements Needed in DCRA Management of Vacant and Blighted Property Program," p. 11 (August 3, 2017).

further investigation."[2] Gross negligence is defined as "a willful intent … or a reckless or wanton disregard …" See D.C. Code § 5-119.11. The Auditor admits in the Report that there was no evidence of fraud. The Report states that "there was no evidence of intent."[3] Further, the Report again states that "we do not have evidence that this [fraud] occurred."[4] As such, DCRA recommends that the statement be removed because the actions described do not meet the legal definition of fraud and/or gross negligence as defined by D.C. Code. Additionally, in accordance with Generally Accepted Government Auditing Standards (GAGAS), the purpose of the Audit is to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions. Admittedly, no inappropriate evidence was found. Therefore, the reference to fraud and/or gross negligence is inappropriate. Thus, DCRA recommends that the statements be removed from the Report because they are inflammatory and unsubstantiated.

Second, DCRA challenges the sampling methods of the audit. In devising the samples, Auditors must ensure that the sample selected is representative of the population. If the sample is not represented by the population, the Auditor will be unable to form a conclusion on an entire population. We reject the sampling of seven properties selected based on community input because they were identified as problematic properties which ultimately led to a skewed result and conclusion, as demonstrated by the statements provided in the Report on the clear problems with the property designations and supporting documents. The definition of Audit Sampling is "the application of audit procedures to less than 100% of items within a population of audit relevance such that all sampling units have a chance of selection in order provide the Auditor with a reasonable basis on which to draw conclusions about the entire population." See ISA 530, "Audit Sampling", Paragraph 5(a).

Third, the Report states that "Mayor Muriel Bowser spent a week in 2016 at the Department of Consumer of Regulatory Affairs (DCRA), the Agency tasked with managing vacant properties, and devoted her first day to the Vacant Property Program in order to understand how to strengthen the program." However, this statement inaccurately infers that spending time on the first day to get to know more about VBE somehow confirms VBE's deficiencies. The purpose of Mayor Bowser's DCRA Week was to learn more about DCRA operations as a whole. Mayor Bowser spent her first day of her weeklong visit with the Agency's executive leadership gaining an overview of Agency operations, which included, amongst others, VBE. The Mayor's review of VBE's activity on her first day of the DCRA's Week was an effort to gain more knowledge about DCRA and the work we do in general, and not a result of particular concerns with the VBE operations.

As more fully discussed below, DCRA has made significant improvements in the overall management of the VBE. Those improvements include new management, staff changes, significant Accela upgrades, the adoption of more detailed Standard Operating Procedures (SOPs) and strong

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[2] *See* Draft Report "Significant Improvements Needed in DCRA Management of Vacant and Blighted Property Program," p. 11 (August 3, 2017).
[3] *Id*.
[4] *See* Draft Report "Significant Improvements Needed in DCRA Management of Vacant and Blighted Property Program," p. 22 (August 3, 2017).

protocols, rigorous staff training, corrected correspondence templates and upgraded business workflows.

After careful review of the Report, DCRA would like to respond to the findings and recommendations. To ensure that our response is complete, DCRA will provide its comments in two sections: (1) DCRA's Response to the Findings and (2) DCRA's Response to the Report Recommendations.

DCRA'S RESPONSE TO THE FINDINGS:

1. DCRA's vacant and blighted property data was unreliable and its property case histories were incomplete.

   DCRA acknowledges that its property database system, Accela, did not provide reliable data regarding vacant/blighted property. Since FY 16, DCRA has made a significant investment in Accela. Specifically, DCRA has done the following to improve Accela and its overall data. First, data entry protocol was developed to ensure clarity and consistency of data. During FY 15, the Accela entry categories were limited. However, during FY 16 and FY 17, VBE has implemented improvements regarding entry of data into Accela. Changes were made to ensure that the vacant/blighted property data is captured in the required fields and maintained correctly. Because of these changes, DCRA is able to track all vacant/blighted property determinations, registrations, and exemptions. Second, DCRA has implemented Accela standards which require all correspondence to be captured in designated fields and to include exemption determinations, as well as, copies of supporting documentation. Third, DCRA has updated, removed, and/or added specific categories within Accela to accurately retrieve data. Fourth, DCRA has revised the way vacant properties are counted and classified in Accela to correctly reflect the number of vacant/blighted properties. The new Accela workflow now requires the user to update the property status. Previously, there was no requirement to review property classifications to determine whether a specific issue on the property had been addressed.

   In addition to the IT changes, DCRA made staff changes. In FY 15 the VBE staff had numerous supervisors resulting in poor monitoring and oversight. The Agency made staff changes – a new VBE Manager was hired in 2016 and poor performing employees were released. The VBE Manager immediately implemented quantitative and qualitative measures, along with the implementation of new Accela workflows and SOPs.

   Further, efforts were made to improve staff performance. More specifically, employee performance is currently monitored monthly and production reports are provided to VBE management. Employee meetings are held monthly. The VBE Manager routinely checks staff work product for quality, timeliness, and consistency. Collectively, these efforts significantly improved VBE's efficiency in enforcing the Code provisions regulating vacant/blighted buildings in the District.

2. <u>In ODCA's sample, DCRA did not follow D.C. Code in determining which properties were vacant or blighted resulting in lost revenue and delay in returning properties to productive use.</u>

As indicated above, DCRA is authorized to enforce the law by exercising its limited authority to incentivize the owners to bring properties into productive use. However, DCRA can neither control the owner's use of property nor require any particular use of an owner's property. Thus, DCRA believes that the Report's conclusion is not entirely correct. The purpose of the VBE is to ensure that all vacant/blighted properties are properly registered and taxed at the appropriate tax rate. The purpose of determining which vacant property is blighted is to take protective measures and correct the unsafe, insanitary, or threatening the health and safety conditions created by blighted vacant buildings. DCRA is not authorized to interpret the "productive use" term, which is not defined in D.C. Code. DCRA's role is to enforce D.C. Code. Without the grant of specific authority, DCRA is unable to force a property owner to bring the property into productive use.

DCRA acknowledges that during FY 15 VBE did not enforce all of the D.C. Code provisions consistently. However, the sampling did prove that DCRA did, in fact, survey and re-inspect properties, issue Vacant Property Delinquency Notices and fine the owners for failing to register. As soon as DCRA recognized that Accela had required fields in place which were not utilized by staff, management developed and implemented revised SOPs mandating the owners of non-compliant properties to be properly and timely cited for failure to comply with D.C. Code.

DCRA also acknowledges that during FY 15 Notices of Infraction (NOIs) were not issued timely in accordance with D.C. Code §42-3131.06(a). DCRA is in the process of implementing further changes to Accela, which include a workflow enhancement that will address the issues identified in the Report. The changes in Accela will provide automatic "triggers" to generate the preparation of an NOI.

3. <u>In ODCA's sample DCRA improperly granted exemptions, resulting in more than $734,000 in lost revenue and further delay in returning properties to productive use.</u>

DCRA disagrees with the Report's conclusion that VBE's mismanagement led to a stated loss in District revenue. DCRA acknowledges that some exemptions were granted without sufficient supporting documentation. However, as DCRA indicated above, failure to maintain supporting documentation resulted from lack of management' overview and employee performance, outdated SOPs, and underutilized Accela workflows.

The newly implemented SOP requires written documentation to sustain any request for exemption. Additionally, the SOP provides guidance to the staff that the number of exemptions granted to any property under the same ownership cannot exceed the required three-year limit, per D.C. Code §42-3131.06 (f) (1). VBE staff is trained to deny any request for exemption when the allowable number of exemptions is exceeded.

4. DCRA granted exemptions to several owners who had exceeded the three-year limit of exemptions.

DCRA acknowledges that during FY15 DCRA was inconsistent with the application of the three-year limit on exemptions. The newly implemented SOP provides clear guidance to VBE staff to ensure that the law is enforced consistently.

5. DCRA granted exemptions to properties that did not comply with its own documentation requirements.

DCRA acknowledges that in FY15 it did not consistently follow its procedures and require submission of supporting documentation. During the audit, DCRA implemented SOPs which require written documentation to sustain any request for exemption. The SOP provides sample documentation and clear guidance on the proper procedure in accordance with D.C. Code.

6. DCRA referred to a "special exemption," which was not established in the D.C. Code.

DCRA acknowledges this finding wherein DCRA used the "special exemption" term incorrectly. However, DCRA staff used the "special exemption" term in reference to the "economic hardship" exemption established in D.C Code § 42-3131.06 (b) (5), which is based on the showing of "substantial undue economic hardship" and "extraordinary circumstances." DCRA recognizes that staff could use "vernacular," which may not precisely mirror the Code language. However, the procedure for reviewing the "special exemption/economic hardship" exemption requests does reflect the required law and procedure. To wit, DCRA has implemented a new SOP which requires written documentation to sustain a request for any exemption, including the "economic hardship" exemption.

7. DCRA did not make use of other District government information to verify owner exemption documentation.

DCRA disagrees with this finding. D.C. Official Code does not require DCRA to verify and/or collect additional data in the granting or denial of an exemption request. The burden is on the owner to provide the information which warrants a grant of exemption. Since exemptions are clearly defined in D.C. Official Code § 42-3131.06, a requirement to search all District government repositories of data to verify the accuracy of provided documentation would create an undue burden on DCRA. DCRA relies upon the documentation provided by the requester because all documentation must be true and accurate when submitted. If there is indicia of inaccuracy in the documentation, DCRA will question the owner regarding the request. Furthermore, when a "construction exemption" is sought, the revised SOP now requires staff to review DCRA databases - Accela and File Net - to confirm the validity of the building permit.

8. <u>There is a lack of clarity as to whether a successful appeal to RPTAC qualifies as an exemption.</u>

After our closeout meeting with the Auditor, DCRA reviewed the concern raised at the meeting as to whether a successful appeal to the Real Property Tax Appeals Commission for the District of Columbia (RPTAC) qualifies as an exemption. After careful research of applicable law, DCRA determined that a successful appeal of an exemption request denial to RPTAC qualifies as an exemption and counts toward the legislatively required three-year limit on exemptions. According to D.C. Code § 47-825.01a (d-e) and RPTAC's webpage[5], RPTAC does not have specific authority to hear exemption denial appeals. The law allows for an appeal to go before RPTAC when considering a determination of whether a property is vacant, which leads to this property's reclassification. However, despite the absence of specific authority to hear exemption denial appeals, RPTAC is the proper venue for the exemption denials review. When DCRA denies an exemption request, it leads to reclassification of the property, which, in turn, makes appealing such denial to RPTAC proper. Consequently, since RPTAC is a proper venue to hear exemption request denials, successful appeals make property owners exempt from the legislative requirement to register their vacant property and pay the registration fee by virtue of overruling DCRA and granting them an exemption request. Therefore, a successful appeal of denial request must qualify as an exemption and, thus, must count toward the legislatively required three-year limit. Otherwise, owners of vacant property could be indefinitely exempt from the requirement to register their vacant property and pay the fee contrary to a clear legislative intent to cap the possible exemption period. Lastly, DCRA is also in the process of revising its SOPs to ensure that DCRA shall contact RPTAC to verify exemption information as an additional resource to confirm the status of appealed exemption decisions.

9. <u>DCRA did not properly communicate Class 3 or Class 4 statuses to OTR for some properties in our sample, resulting in more than $19,000 in property taxes not assessed, and inefficiently communicated all Class 3 or Class 4 statuses to OTR, resulting in wasted DCRA and OTR staff time.</u>

DCRA and OTR agree that our data systems are not compatible to automatically transfer data. Several meetings have been held between OTR and DCRA to discuss OTR's bi-annual "data dump"[6] of Class 3 and 4 properties. During those meetings, DCRA provided its recommendations on the timing of the submissions and has offered to partner with OTR to achieve this goal. Nevertheless, OTR responded by insisting that this is their process.

During FY 16 and FY 17, DCRA worked with OTR to improve its overall communication between the agencies to ensure accurate information is transmitted. DCRA meets quarterly with OTR to include directors, managers, and support staff to address any areas of concern. In addition, routine communication occurs between OTR and DCRA for clarification of specific issues. DCRA acknowledges that the transmittal of the vacant/blighted property

[5] https://rptac.dc.gov/service/basis-appeal, last visited on September 4, 2017 at 1:18 p.m.
[6] OTRs data dump reverts all vacant/blighted tax classifications back to Class 1 each tax period.

classification list(s) should be automated. OTR and DCRA should collaborate to ensure that submissions are timely and properties are classified correctly. Under current leadership, DCRA works with OTR to provide a more seamless transmission of information, which results in accurate information on OTR's and DCRA's websites regarding vacant/blighted properties.

Further, OTR opined that the Code update which incorporated reforms contained in the "Vacant Property Enforcement Amendment Act of 2016" passed by Council in February 2017 regarding property classification which requires the owner to prove occupancy does not affect OTR procedures. Thus, the current OTR procedure to automatically change every October all previously deemed vacant properties back to Class 1 and 2 places undue burden on DCRA. Importantly, this automatic reclassification back to Class 1 and 2 creates great confusion for the property owners, title companies, and other interested parties as they access OTR's website and discover that a property class has changed without any particular reason. DCRA remains committed to improving its processes to ensure that its transmissions are accurate and will continue to work with OTR to determine if there are any fixes available in the current technology.

10. <u>DCRA incorrectly included and excluded sample properties from the bulk lists submitted to OTR.</u>

In FY 15, DCRA acknowledges that the bulk lists provided to OTR did not accurately reflect the status of vacant/blighted properties. The revised SOPs, improved Accela workflows and thorough supervision addressed this issue.

11. <u>DCRA listed sample properties as both blighted and vacant on the bulk lists.</u>

DCRA acknowledges this finding and will review its SOPs to determine if any changes are necessary to provide clearer guidelines.

12. <u>DCRA failed to submit both bulk lists by the OTR deadline.</u>

DCRA acknowledges that in FY 15 DCRA's submissions of the bulk lists were untimely. Following DCRA's management and personnel changes in 2016, DCRA has not missed a submission deadline.

13. <u>DCRA weekly change requests to OTR were largely unnecessary and required significant OTR work.</u>

DCRA disagrees with this finding. A property's vacant/blighted status has implications on the property and neighboring community. Failure to provide accurate updates on the status of a property can impact both the property owner and surrounding community. Nevertheless, DCRA acknowledges that a change in the weekly classification process should be improved. Therefore, DCRA will review its SOPs to determine if any changes are necessary to provide clearer guidelines.

14. In general, DCRA did not use the weekly change request process to report Class 3 or Class 4 statuses to OTR.

Similarly, DCRA disagrees with this finding. A property's vacant/blighted status has implications on the property and neighboring community. Failure to provide accurate updates on the status of a property can impact both the property owner and surrounding community. Nevertheless, DCRA acknowledges that the weekly classification process should be improved. Therefore, DCRA will review its SOPs to determine if any changes are necessary to provide clearer guidelines.

15. DCRA actions that are incomplete.

DCRA acknowledges that Accela did not accurately reflect the record and demonstrated deficiencies in its workflows. As previously indicated, DCRA has implemented the following to ensure that records are collected, compiled, and stored accurately:

1. Adopted revised SOPs;
2. Upgraded Accela to include new and improved workflows;
3. Rigorous staff training;
4. Implemented tracking of complaints and tip sources;
5. Improved Accela workflows; and
6. Implemented revised SOPs requiring VBE staff to attend RPTAC hearings.

16. DCRA actions that are inconsistent.

Even though there is nothing in the Code, that requires a second inspection of the property once it was deemed vacant/blighted, DCRA acknowledges that during FY 15 it did not follow its own internal procedure and conduct second inspections of the properties.

17. Occupied status criteria varied, was not frequently followed, and mistakenly, referred to as an exemption.

DCRA acknowledges that in FY 15 Accela did not allow for a proper designation based on either occupied status or exempt status. Therefore, the property was classified inaccurately, which, in its turn, resulted in conflicting data. As previously stated, Accela workflows have been revised to allow the exemption designation.

DCRA'S RESPONSE TO THE REPORT RECOMMENDATIONS[7]:

1. DCRA should issue detailed regulations based on the Code for the vacant and blighted property program.

[7] The Report references the Mayor's FY 2018 Budget proposal. However, the budget proposed by the Mayor was changed significantly by the Council. As such, the final budget does not include any additional full time employees for VBE.

DCRA acknowledges that additional regulations are needed to ensure that the Code is properly interpreted. The regulations would assist DCRA in carrying out the purpose of D.C. Code § 42-3131.06. In FY 18, DCRA will begin drafting regulations.

2. <u>DCRA should adopt and train staff on Standard Operating Procedures (SOPs) based on D.C. Code and regulations.</u>

As previously indicated, DCRA has implemented revised SOPs and is constantly looking for opportunities to improve its processes and Accela workflows. Additionally, the VBE Manager meets with his team monthly to discuss changes in the law, new processes that will be implemented, and training opportunities. Any remaining SOP revisions based on the Report and DCRA response herein will be implemented in FY 18.

3. <u>DCRA should update its website, correspondence, and forms to properly inform owners.</u>

DCRA has updated its VBE website with timely and accurate information. When visiting the VBE website, users can track abatements, inspections, and vacant property information by Ward. DCRA also added a Frequently Asked Questions for its web users.

Additionally, VBE has revised most of its standard forms and correspondence templates to ensure that the Code citations are accurate and the language used is clear and concise. DCRA is currently working on creating new fillable documents for property owners to register property or apply for an exemption. DCRA expects to finalize all updates in FY 18.

4. <u>DCRA should end the granting of Special Exemptions.</u>

As previously indicated, DCRA does not grant "special exemptions." This term was used in reference to the "economic hardship" exemption described in D.C. Code § 42-3131.06 (b) (5) (A). As a result of the audit, DCRA is revising its SOPs, correspondence templates and standard forms to ensure that the proper terminology is used and applied and that staff is trained to ensure that the proper process is followed. DCRA expects to have all revised SOPs, correspondence templates and standard forms finalized in FY 18.

5. <u>DCRA should ensure its management information system properly reports on the vacant and blighted property program, integrates with other relevant systems used, and includes automated notifications to staff for important deadlines (i.e. sending of vacant notices, NOIs, responding timely to appeals), possibly by updating or replacing its information management system.</u>

As previously indicated, DCRA has updated its Accela workflows. The workflows are currently in the testing phase to create individual notification and reports to staff. Automatic calendar scheduling and notifications are also being implemented and alerts are

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being added to show when tasks have not been completed timely. DCRA expects to have all updates finalized in FY 18.

6. DCRA should address how RPTAC appeals should be categorized for the purpose of exemption limits.

As previously indicated, DCRA reviewed the concern raised at the meeting as to whether a successful appeal to the RPTAC qualifies as an exemption. After careful research of the applicable law, DCRA determined that a successful appeal of an exemption request denial to RPTAC qualifies as an exemption and counts toward the legislatively required three-year limit on exemptions. According to D.C. Code § 47-825.01a (d-e) and RPTAC's webpage[8], RPTAC does not have specific authority to hear exemption denial appeals. The law allows for an appeal to go before RPTAC when considering a determination of whether a property is vacant, which leads to this property's reclassification. However, despite the absence of specific authority to hear exemption denial appeals, RPTAC is the proper venue for the exemption denials review. When DCRA denies an exemption request, it leads to reclassification of the property, which, in turn, makes appealing such denial to RPTAC proper. Consequently, since RPTAC is a proper venue to hear exemption request denials, successful appeals make property owners exempt from the legislative requirement to register their vacant property and pay the registration fee by virtue of overruling DCRA and granting them an exemption request. Therefore, a successful appeal of denial requests must qualify as an exemption and, thus, must count toward the legislatively required three-year limit. Otherwise, owners of the vacant property could be indefinitely exempt from the requirement to register their vacant property and pay the fee contrary to a clear legislative intent to cap the possible exemption period. Lastly, DCRA is also in the process of revising its SOPs to ensure that DCRA shall contact RPTAC to verify exemption information as an additional resource to confirm the status of appealed exemption decisions. DCRA anticipates SOP and correspondence templates update in FY 18.

7. DCRA staff should regularly produce vacant property program performance reports that supervisors examine for completeness and accuracy.

DCRA has implemented a daily tracking system for each team member's performance. The data gathered provides individual as well as team production and performance. The data also allows the manager and DCRA leadership to determine what areas of production are either successful or need more support. A dedicated data analyst also tabulates this information and provides weekly updates.

8. In order to better achieve the vacant property program objectives, DCRA should conduct a formal, structured risk assessment of the program and, for all significant risks identified, should select and implement appropriate risk responses, including, when appropriate, internal controls.

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[8] https://rptac.dc.gov/service/basis-appeal, last visited on September 4, 2017 at 1:18 p.m.

Under the current leadership, DCRA continues to look at ways to improve its programs and overall performance. As previously indicated, DCRA has made significant changes in the overall structure and management of the program. Specifically, the VBE Manager is required to conduct ongoing assessments of the efficiency and accuracy of program.

9. <u>DCRA should conduct regular monitoring to ensure internal controls are properly functioning to meet program goals.</u>

   Similarly, as previously indicated, DCRA has implemented a daily tracking system for each team member's performance. The data gathered provides individual as well as team production and performance. The data also allows the manager and DCRA leadership to determine what areas of production are either successful or need more support. A dedicated data analyst also tabulates this information and provides weekly updates. Under the current leadership, DCRA continues to look at ways to improve its programs and overall performance. DCRA has made significant changes in the overall structure and management of the program. Specifically, the VBE Manager is required to conduct ongoing assessments of the efficiency and accuracy of the program.

10. <u>DCRA and OTR should execute a written agreement that outlines the responsibilities and timeliness of each agency related to the classification and billing of vacant and blighted properties, as well as shared reports used for reconciliations.</u>

    DCRA looks forward to collaborating with OTR to develop and implement an MOU and/or written procedures that outline responsibilities and duties, along with timelines and reporting requirements, to ensure that accuracy and efficiency may be brought to the program. DCRA leadership will reach out to OTR to schedule a meeting in FY 18.

11. <u>OTR should provide training to DCRA staff on the relevant processes related to Class 3 and Class 4 billing, and updates when needed based on staffing and process changes.</u>

    No response required since this recommendation pertains to OTR.

12. <u>OTR should implement its internal auditor's recommendation to ensure that periodic reconciliations are conducted of Class 3 and Class 4 billing, especially properties that are technically complex (i.e. mixed rate).</u>

    No response required since this recommendation pertains to OTR.

13. <u>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.)</u>

    No response required since this recommendation pertains to OTR.

14. <u>OTR should request only one set of bulk lists from DCRA for each billing cycle and adjust the deadlines so that the bills follow the regular billing cycle.</u>

No response required since this recommendation pertains to OTR.

15. <u>OTR should develop SOPs that identify when it is appropriate to refer potentially vacant or blighted properties to DCRA for inspection.</u>

No response required since this recommendation pertains to OTR.

16. <u>The Mayor should continue efforts to strengthen DCRA's management of the vacant and blighted property program.</u>

The DCRA's Director, as appointed by the Mayor, is committed to improving the management of the VBE. This is indicated by multiple changes already made to the program, as previously indicated. To recap, DCRA has done the following:

1. Hired a new VBE Manager;
2. Replaced poor performing staff;
3. Upgraded Accela and improved workflows;
4. Implemented revised SOPs;
5. Trained staff on the revised SOPs;
6. Mandated two (2) training courses with the Department of Human Resources annually;
7. Implemented new performance plans for each employee focusing on performance and productivity;
8. Implemented Daily Work Logs used to calculate productivity monthly;
9. Updated correspondence templates and standard forms; and
10. Updated the VBE website.

Sincerely,

Melinda Bolling

Melinda Bolling
Director

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF FINANCIAL OFFICER

Jeffrey S. DeWitt
Chief Financial Officer

August 23, 2017

Ms. Kathleen Patterson
District of Columbia Auditor
717 14th Street, N.W., Suite 900
Washington, DC 20005

Re: Draft Report on Comprehensive Audit of DCRA's Management of the Vacant and Blighted Program

Dear Ms. Patterson:

Thank you for the draft report issued by the Office of the District of Columbia Auditor (ODCA) on August 3, 2017 entitled, ***Significant Improvements Needed in DCRA Management of Vacant and Blighted Property Program***. The responses of the Office of the Chief Financial Officer (OCFO) to the recommendations cited in the draft report are below.

RECOMMENDATION 10: 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, as well as shared reports used for reconciliations.

RESPONSE: OTR looks forward to collaborating with DCRA to develop and implement an MOU and/or written procedures that outline responsibilities and duties, along with timelines and reporting requirements, to ensure that accuracy and efficiency may be brought to the program. OTR management will reach out to DCRA to schedule an introductory meeting with key staff by September 30, 2017.

RECOMMENDATION 11: OTR should provide training to DCRA staff on the relevant processes related to Class 3 and Class 4 billing, and updates when needed based on staffing and process changes.

RESPONSE: We concur with this recommendation and look forward to the opportunity to work collaboratively with DCRA to streamline and improve the exchange of information between the agencies. This training should be conducted semi-annually prior to each billing cycle, and based on the frequency of turn-over in personnel within both agencies. OTR management will reach out to DCRA to schedule an introductory meeting with key staff by September 30, 2017. ODCA may be aware that OTR invited and met with the DCRA Vacant Building Enforcement Program Manager in August 2016 to fully explain the law and procedures.

RECOMMENDATION 12: OTR should implement its internal auditor's recommendation to ensure that periodic reconciliations are conducted of Class 3 and Class 4 billing, especially properties that are technically complex (i.e. mixed rate).

RESPONSE: When DCRA's semiannual Class 3-4 list is presented to OTR and uploaded into our billing system, some files fail to process and are referenced internally as "kick-outs." A report is then produced listing the specific properties that failed to be uploaded. OTR will enhance its periodic reconciliations procedures to ensure that kick-out reports are reviewed and resolved by the supervisor of the Standards & Exemptions unit within the Real Property Tax Administration.

RECOMMENDATION 13: 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).

RESPONSE: OTR will provide DCRA reports showing which class 3-4 properties were billed shortly after each semi-annual billing cycle, beginning with the March 2018 billing for the first half of Tax Year 2018 billing. OTR will provide copies of OTR class change reports on a monthly basis, to appropriate OTR and DCRA staff, beginning October 1, 2017. The specific reporting requirements will be provided to our Technical Support Group in order for this report to become an automatic recurrence. If there is an issue with a particular property and its bill, OTR will respond to a DCRA request on an ad-hoc basis.

RECOMMENDATION 14: 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.

RESPONSE: The occasion cited in the report was done as an accommodation to DCRA when it became evident that DCRA staff 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 3-4 list with revised billings. It was not OTR's desire to work in this manner on a regular basis and it will be avoided in the future. OTR management has been working closely with DCRA to clearly outline the specific deadlines that are critical to be met in order to accurately bill all class 3-4 properties.

RECOMMENDATION 15: OTR should develop SOPs that identify when it is appropriate to refer potentially vacant or blighted properties to DCRA for inspection.

RESPONSE: OTR has consistently given instructions to its staff to report apparent vacant property to DCRA. Additionally, information on DCRA's vacant/blighted properties program is included in OTR's annual *Customer Service Initiative Handbook* that is distributed to OTR staff.

OTR disagrees with the audit's conclusion that OTR did not timely change the billing status of a specific vacant or blighted property. On March 8, 2016, OTR changed the billing status from exempt to taxable as of February 29, 2016, based on a U.S. Department of State certification dated March 2, 2016.

The Tax Year 2015 and Tax Year 2017 assessment notices were correct as issued, and provided for $6,003,200 and $5,816,930 assessments respectively. The taxable assessment data fields in the assessment notices reflected $0 entries because the property was commercially use coded and exempt at the time (a property owner appeals the actual assessment amount, not the taxable assessment). Additionally, the taxable assessment data fields only apply to residential properties receiving the homestead deduction; this feature is fully explained in the notices themselves.

If you have any questions or require additional information, please contact Timothy Barry, Executive Director for the OCFO Office of Integrity and Oversight, at 442-6433.

Sincerely,

Jeffrey S. DeWitt

Jeffrey S. DeWitt

cc: Keith Richardson, Deputy CFO, Office of Tax and Revenue
Eva Liggins, Director of Operations, Office of Tax and Revenue
Timothy Barry, Executive Director, Office of Integrity and Oversight

ODCA Response to Agency Comments

We greatly appreciate the responses provided by the Office of Tax and Revenue (OTR) and the Department of Consumer and Regulatory Affairs (DCRA). Based on new information in OTR's comments, we made minimal changes to the draft language about its handling of the 2201 R Street change in billing status. Based on DCRA's comments, we also changed the description of the week that Mayor Bowser spent at DCRA in 2016. We thank DCRA for their comprehensive response to the draft report. As indicated throughout the report itself, the Bowser Administration has made reforms at DCRA and in the vacant and blighted property program a priority and we commend the administration for the actions taken in the nearly two years that have elapsed between the end of our audit's scope and today. In the Appendix B that provides a snapshot of each of the 31 sample properties we note those instances where the department took action, subsequent to our inquiries about several properties, since the end of FY 2015.

In its comments on the draft report, DCRA requests that ODCA remove statements that ODCA cannot rule out the possibility of fraud or instances of gross negligence because we did not present evidence of either. In making this request DCRA seeks to impose a legal standard that is not relevant for a GAGAS audit. The professional rules for auditors are distinct from the rules that apply in a court of law.

Under GAGAS, auditors are required to stipulate when we find evidence that there is a risk of fraud or gross negligence and the absence of internal controls that provide a bulwark against the occurrence of fraud and gross negligence. "Whether an act is, in fact, fraud is a determination to be made through the judicial or other adjudicative system and is beyond auditors' professional responsibility," according to GAGAS, Section 6.30.

Rather, "auditors should gather and assess information to identify risks of fraud that are significant within the scope of the audit objectives" and should "determine the susceptibility of the program to fraud, the status of internal controls the audited entity has established to prevent and detect fraud, or the risk that officials of the audited entity could override internal control." We are also under the GAGAS injunction to maintain "an attitude of professional skepticism in assessing these risks." In the section of the report where we note that we cannot rule out that there were either instances of fraud or gross negligence, we are reflecting this guidance from the Comptroller General of the United States in *Government Auditing Standards* by identifying the risks.

In its response DCRA cites the GAGAS requirement related to obtaining sufficient and appropriate evidence to provide a reasonable basis for findings and conclusions, yet the language in our report makes it clear that we do not have a finding or conclusion related to fraud.

The agency also takes exception with our sampling methodology, which we describe very carefully in the body of the report. We deliberately chose to look at examples given to us by District residents in order to illustrate those cases that have been most concerning. Our sample represented properties that were of the greatest concern to the community, which involved repeated calls and inquiries to DCRA. Thus, we would have expected to see DCRA handle these properties with particular care and timeliness. The fact that this was largely not the case leads to concerns that properties that did not benefit from public advocacy may have been managed even more ineffectively. In addition, our findings are careful to state that they can only be made about the properties in our sample. Furthermore, this method helped enable us to meet the relevance standard under GAGAS, Section 6.57. "The concept of sufficient, appropriate evidence is integral to an audit. Appropriateness is the measure of the quality of evidence that encompasses its relevance, validity and reliability in providing support for findings and conclusions." In assessing the sufficiency of evidence, the provision continues, "auditors should determine whether enough evidence has been obtained to persuade a knowledgeable person that the findings are reasonable." While GAGAS, Section 6.59 notes that auditors may use statistical methods to analyze and interpret evidence, we also are to employ "professional judgment [to assist] auditors in determining the sufficiency and appropriateness of evidence taken as a whole."

We were encouraged by both OTR and DCRA's response to our recommendations. Largely, they both report to be in the process of implementing the recommendations. It is our goal to craft recommendations that are workable for the agency to address the causes that underlie our findings.

Appendix A

Results of ODCA Testing of FY 2015

DCRA Vacant & Blighted

Program Management for 31 Properties

Appendix A: Results of ODCA Testing of FY 2015 DCRA Vacant & Blighted Program Management for 31 Properties														
#	Addresss	Days from Inspection to Vacant Notice	Days From Owner Response to DCRA Decision (30 Days Per D.C. Code)	Days From Inspection to DCRA Final Decision		Did Exemption Comply with D.C. Code?	Did Sales/ Listing Exemption Comply with DCRA?	Did Occupied Status Comply with DCRA?	If Granted, Did Owner Request within 15 Days of Notice?	Were >3 Exemptions Granted to Same Owner from 2011-2015?	1st Half: Class 3 or 4 Status Properly Reported to OTR?	2nd Half: Class 3 or 4 Status Properly Reported to OTR?	On DCRA Data Report?	Photos From Inspection?
1	2920 Ontario Road NW	17	75	358		no			no	no	yes	yes	yes	yes
2	729 Princeton Place NW	no notice sent								no	yes	yes	no	yes
3	3412 Connecticut Ave. NW	7	no owner response	7						no	yes	yes	no	yes
4	3401 Lowell Street NW	146	no owner response	146						no	no	yes	no	yes
5	116 Kennedy St. NW	17	50	89		yes				no	no	yes	yes	yes
6	1800 L Street NE	20	no owner response	20						no	yes	yes	no	yes
7	213 Bates Street NW	20	4	28		no			yes	no	no	yes	yes	yes
8	720 4th Street NE	153	no owner response	153						no	yes	no	yes	yes
9	1400 9th Street NW	8	91	154			no		no	yes	yes	yes	yes	yes
10	5505 5th Street NW[1]	98	160	457		no			no	no	yes	no	no	yes
11	1000 C Street NE[2]	no notice sent	14	15				yes	yes	no	yes	yes	yes	yes
12	4714 Meade St. NE	45	no owner response	45						no	yes	yes	yes	yes
13	1010 49th Street NE	no notice sent								no	yes	yes	yes	yes
14	2601 Martin Luther King Jr. Avenue SE	no inspection	1			no				no	yes	yes	yes	no inspection
15	4232 6th Street SE	no notice sent								no	yes	yes	no	yes
16	4236 6th Street SE	no notice sent								no	no	no	no	yes
17	4310 12th Place NE	3	no owner response	261		yes				yes	yes	yes	yes	yes
18	4720 Meade St. NE	no notice sent	66	203		yes				no	no	yes	yes	yes
19	600 Quackenbos St. NW	no notice sent				yes				no	no	yes	yes	yes
20	1350 A Street SE	no notice sent		269		yes				yes	no	yes	yes	yes
21	925 Shepherd St. NW	no notice sent	87	114				yes		no	yes	no	yes	yes
22	704 3rd Street NW	7	40	259		no	no		no	no	yes	yes	yes	yes
23	1618 14th Street NW	7	4	12		yes	no		yes	no	no	yes	yes	yes
24	20 K Street NW	10	20	62		yes	no		no	no	no	yes	yes	yes
25	4254 Brooks St. NE	no notice sent	13	84		yes	yes			no	no	yes	yes	yes

#	Addresss	Days from Inspection to Vacant Notice	Days From Owner Response to DCRA Decision (30 Days Per D.C. Code)	Days From Inspection to DCRA Final Decision		Did Exemption Comply with D.C. Code?	Did Sales/ Listing Exemption Comply with DCRA?	Did Occupied Status Comply with DCRA?	If Granted, Did Owner Request within 15 Days of Notice?	Were >3 Exemptions Granted to Same Owner from 2011-2015?	1st Half: Class 3 or 4 Status Properly Reported to OTR?	2nd Half: Class 3 or 4 Status Properly Reported to OTR?	On DCRA Data Report?	Photos From Inspection?
26	1364 Kalmia Road NW	inspection found occupied	59			yes	yes			no	yes	yes	yes	yes
27	317 Atlantic St. SE	14	no owner response	221		no			no	no	yes	yes	yes	yes
28	1212 Euclid St. NW	17	no owner response	335		no			no	yes	yes	yes	yes	yes
29	1257 K Street SE	31	85	452				no	no	yes	yes	yes	yes	yes
30	1458 Church St. NW[3]	25	28	283		no			yes	yes	no	no	yes	yes
31	1424 Wisconsin Ave. NW	144	no owner response	188		no			no	yes	no	yes	yes	yes
	Average	**42**	**50**	**176**	**Yes**	**9**	**2**	**2**	**4**	**7**	**19**	**26**	**24**	**30**
	Minimum	**3**	**1**	**7**	**No**	**9**	**4**	**1**	**9**	**24**	**12**	**5**	**7**	**0**
	Maximum	**153**	**160**	**457**	**Total**	**18**	**6**	**3**	**13**	**31**	**31**	**31**	**31**	**30**
	No Notice Sent/ # Greater Than 30 days	**10**	**9**		**% No**	**50%**	**67%**	**33%**	**69%**	**77%**	**39%**	**16%**	**23%**	**0%**
	% No Notice Sent	**34%**												

Notes

[1]5505 5th Street NW: DCRA properly denied a zoning exemption and then later improperly granted an economic hardship exemption, thus ODCA determined that DCRA's exemption decision did not comply with Code criteria.

[2]1000 C Street NE: DCRA improperly granted occupied status and then later revoked, thus ODCA determined that DCRA enforced its occupied status requirements.

[3]1458 Church Street NW: DCRA properly denied a zoning exemption request and then later improperly granted an economic hardship exemption, thus ODCA determined that DCRA's exemption decision did not comply with Code criteria.

Individual Summaries of Sample Properties

The following are case histories of the sample properties described in this report. We focused on the earliest inspections and the ones that generated, or failed to generate, DCRA actions, such as sending notices. We have included the updates DCRA provided to us on the actions it took while the audit was underway and after the scope of our audit.

In determining the Class 3 or Class 4 taxes paid by a property owner, ODCA relied on an OTR data report produced as of April 18, 2017, so our information does not reflect any payments or credits made by the owner since that date. In addition, that amount includes any penalties or interest associated with the tax year 2015 taxes paid by the owner.

In calculating the financial impact of DCRA failures in enforcement, when applicable, ODCA included these potential revenue sources:

- $250 annual vacant registration fee.
- $2,000 Notice of Infraction (NOI) for failing to proactively register.
- $1,000 penalty for failing to register following notice.
- Class 3 or Class 4 taxes unassessed, minus any Class 1 or Class 2 taxes assessed.

To identify additional costs, ODCA took note of inefficient uses of DCRA and OTR resources, such as unnecessary correspondence, two inspections conducted in one year, delinquency notices sent, and so forth.

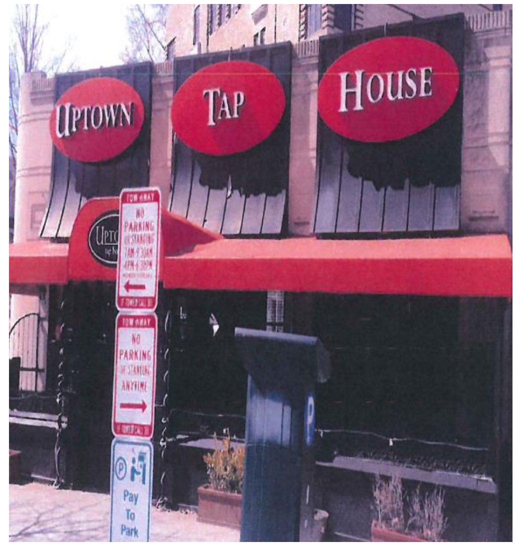
2920 Ontario Road NW

Date of inspection	December 22, 2014
Inspection deemed vacant or blighted?	Vacant
Date vacant notice sent to property owner	January 8, 2015
Date of property owner response	October 1, 2015
Nature of owner response	Request for construction exemption.
Date of DCRA decision	December 15, 2015
Nature of DCRA decision	Approval of exemption.
If exemption status granted, was proof sufficient?	No. The demolition permit had expired and there was no proof that DCRA verified the status of the building permit provided by the owner.
Based on its actions, did DCRA properly communicate Class 3 or 4 statuses to OTR?	Yes
Amount of Class 3 or 4 taxes assessed by OTR	$0
Did OTR follow DCRA instructions?	Yes
Class 3 or 4 taxes, penalties, and interest paid by property owner	$0
Additional notes on DCRA management of case	On April 27, 2015, DCRA issued the owner an NOI for $2,000, which DCRA then reduced to $1,000 and the owner paid on May 28, 2015. According to law and regulations, DCRA should have referred a penalty for failure to respond to a vacant notice to OAG in the place of this NOI, and that DCRA should have issued the NOI immediately following the December 22, 2014, inspection, as the owner did not proactively register the property.
Financial impact of DCRA failures in enforcement during TY 2015 (approximate)	$161,888
Days from inspection to DCRA decision	358

729 Princeton Place NW

Inspection date	March 23, 2015
Inspection deemed vacant or blighted?	Vacant
Date notice sent to property owner	No evidence DCRA sent notice.
Date of property owner response	n/a
Nature of owner response	n/a
Date of DCRA decision	n/a
Nature of DCRA response	n/a
If exemption/occupied status granted, was proof sufficient?	n/a
Based on its actions, did DCRA properly communicate Class 3 or 4 statuses to OTR?	Yes. DCRA was correct not to include the property on the bulk lists because DCRA did not provide the owner with a vacant notice.
Amount of Class 3 or 4 taxes assessed by OTR	$0
Did OTR follow DCRA instructions?	Yes
Class 3 or 4 taxes, penalties, and interest paid by property owner	$0
Financial impact of DCRA failures in enforcement during TY 2015 (approximate)	$18,628
Additional Costs & Inefficiencies	DCRA conducted two inspections in FY 2015, both of which found the property vacant; DCRA did not send vacant notices to the owner either time. Thus, the property was not included on the vacant list to OTR so that it could be billed as Class 3 for either the first or second-half tax year.
Days from inspection to DCRA decision	Unable to determine.

3412 Connecticut Avenue NW



Date of inspection	March 31, 2015
Inspection deemed vacant or blighted?	Vacant
Date notice sent to property owner	April 7, 2015
Date of property owner response	No owner response
Nature of owner response	No owner response
Date of DCRA decision	n/a
Nature of DCRA response	n/a
If exemption/occupied status granted, was proof sufficient?	n/a
Based on its actions, did DCRA properly communicate Class 3 or 4 statuses to OTR?	Yes
Amount of Class 3 or 4 taxes assessed by OTR	$33,293.22
Did OTR follow DCRA instructions?	Yes
Class 3 or 4 taxes, penalties, and interest paid by property owner	$39,588.67
DCRA status update	Outside of our scope, on August 11, 2016, DCRA issued a Delinquency Determination Notice for Failure to Register A Vacant Building to the owner and recorded the property as Vacant. DCRA conducted a re-inspection and cited violations. DCRA issued an NOI for Failure to Register the property as vacant.
Financial impact of DCRA failures in enforcement during TY 2015 (approximate)	$3,250
Additional Costs & Inefficiencies	DCRA mailed a delinquency notice that granted the owner 15 additional days to respond. DCRA conducted two inspections.
Days from inspection to DCRA final decision	7

3401 Lowell Street NW

Date of inspection	December 16, 2014
Inspection deemed vacant or blighted?	Vacant
Date notice sent to property owner	May 11, 2015
Date of property owner response	No owner response
Nature of owner response	No owner response
Date of DCRA decision	n/a
Nature of DCRA response	n/a
If exemption/occupied status granted, was proof sufficient?	n/a
Based on its actions, did DCRA properly communicate Class 3 or 4 statuses to OTR?	No & Yes. DCRA incorrectly included the property on the first-half bulk list, as it had not yet mailed the vacant notice to the owner. DCRA properly included the property on the second-half bulk list, as the owner's appeal rights had expired.
Amount of Class 3 or 4 taxes assessed by OTR	$71,267
Did OTR follow DCRA instructions?	Yes
Class 3 or 4 taxes, penalties, and interest paid by property owner	$71,267
DCRA status update	Outside of our scope, on July 13, 2016, DCRA issued a Vacant Building Exemption Approval Letter. The property was recorded as an Exemption Listing and DCRA deemed the property exempt for TYs 2014 & 2015.
Financial impact of DCRA failures in enforcement during TY 2015 (approximate)	$3,250
Days from inspection to DCRA final decision	146

116 Kennedy Street NW

Date of inspection	January 23, 2015
Inspection deemed vacant or blighted?	Blighted
Did DCRA follow its internal policy to re-inspect the blighted property in 30 days?	No
Date notice sent to property owner	February 9, 2015
Date of property owner response	March 3, 2015
Nature of owner response	Owner provided a demolition permit dated March 2, 2015, but did not indicate on the exemption form that it was a construction exemption request.
Date of DCRA decision	April 22, 2015
Nature of DCRA response	Denial of exemption request (based on blighted condition)
If exemption granted, was proof sufficient?	n/a – ODCA found DCRA's denial to be reasonable
Based on its actions, did DCRA properly communicate Class 3 or 4 statuses to OTR?	No. DCRA incorrectly included the property on the first-half list, as the owner's appeals rights had not yet expired. While DCRA properly included the property on the second-half list, it listed the property as both Class 3 and Class 4.
Amount of Class 3 or 4 taxes assessed by OTR	$43,490.06
Did OTR follow DCRA instructions?	Yes. Note: As a result of the conflicting billing rate instructions provided by DCRA, OTR billed as vacant, when DCRA inspection results found it blighted.
Class 3 or 4 taxes, penalties, and interest paid by property owner	$47,785.67
DCRA status update	On July 25, 2016, DCRA mailed a Delinquency Determination Notice For Failure to Register A Vacant Building to the owner. DCRA conducted a re-inspection and issued an NOI on September 2, 2016 for Failure to Register the property as vacant.
Financial impact of DCRA failures in enforcement during TY 2015 (approximate)	$17,964
Additional Costs & Inefficiencies	DCRA correspondence gave the owner 30 days to appeal (15 days granted by D.C. Code) and 45 days for DCRA to review (30 days granted by D.C. Code).
Days from inspection to DCRA final decision	89

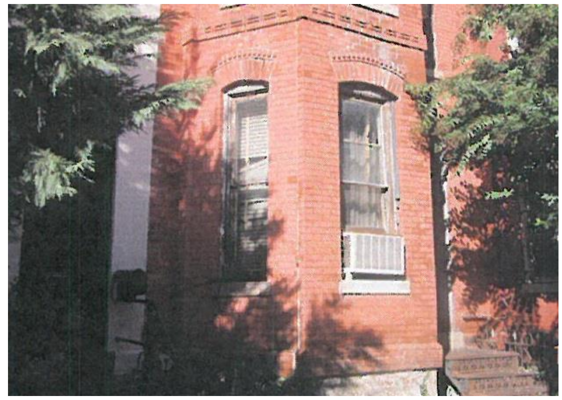
1800 L Street NE

Date of inspection	December 23, 2014
Inspection deemed vacant or blighted?	Vacant
Date notice sent to property owner	January 12, 2015
Date of property owner response	No owner response
Nature of owner response	No owner response
Date of DCRA decision	n/a
Nature of DCRA response	n/a
If exemption/occupied status granted, was proof sufficient?	n/a
Based on its actions, did DCRA properly communicate Class 3 or 4 statuses to OTR?	Yes
Amount of Class 3 or 4 taxes assessed by OTR	$10,600.50
Did OTR follow DCRA instructions?	Yes
Class 3 or 4 taxes, penalties, and interest paid by property owner	$0
DCRA status update	Outside of our scope, on May 3, 2016, DCRA mailed a Delinquency Determination Notice For Failure to Register A Vacant Building to the owner. DCRA issued an NOI for Failure to Register the property as vacant.
Financial impact of DCRA failures in enforcement during TY 2015 (approximate)	$3,250
Days from inspection to DCRA final decision	20

213 Bates Street NW

Date of inspection	December 23, 2014
Inspection deemed vacant or blighted?	Vacant
Date notice sent to property owner	January 12, 2015
Date of property owner response	January 16, 2015
Nature of owner response	Request for construction exemption
Date of DCRA decision	January 20, 2015
Nature of DCRA response	Approval of exemption request
If exemption status granted, was proof sufficient?	No. The owner only provided the permit number, not a copy of the permit to show its type and expiration date, and there was no proof in the case file that DCRA verified the permit number in Accela before approving the exemption.
Based on its actions, did DCRA properly communicate Class 3 or 4 statuses to OTR?	No & Yes. DCRA incorrectly included the property on the first-half list as it had already approved the exemption. Also, it took DCRA three months to inform OTR to change the Class Code from 3 to 1. DCRA properly did not include the property on the second-half list, as it had already approved the exemption.
Amount of Class 3 or 4 taxes assessed by OTR	$0
Did OTR follow DCRA instructions?	Yes
Class 3 or 4 taxes, penalties, and interest paid by property owner	$0
Financial impact of DCRA failures in enforcement during TY 2015 (approximate)	$19,586
Additional Costs & Inefficiencies	DCRA conducted two inspections.
Days from inspection to DCRA final decision	28

720 4th Street NE



Date of inspection	December 4, 2014
Inspection deemed vacant or blighted?	Vacant
Date notice sent to property owner	May 6, 2015
Date of property owner response	No owner response
Nature of owner response	No owner response
Date of DCRA decision	n/a
Nature of DCRA response	n/a
If exemption/occupied status granted, was proof sufficient?	n/a
Based on its actions, did DCRA properly communicate Class 3 or 4 statuses to OTR?	Yes & No. DCRA properly did not include the property on the first bulk list (but it could have if it had sent the notice timely). DCRA did not properly include the property on the second bulk list, as appeal rights had expired. On January 5, 2016, DCRA notified OTR via the weekly change list to bill as Class 3 for TY 2015.
Amount of Class 3 or 4 taxes assessed by OTR	$24,632
Did OTR follow DCRA instructions?	Yes
Class 3 or 4 taxes, penalties, and interest paid by property owner	$30,593.86
Additional notes on DCRA management of case	On February 5, 2016, (outside scope) DCRA sent a notice of revocation of vacant building exemption stating the occupied designation will be revoked because "the information submitted was insufficient to receive an approval." It is unclear why DCRA sent this notice when there was no evidence an exemption was requested.
DCRA status update	On July 25, 2016, (outside scope) DCRA sent a Notice of Vacant Building Response Letter and Vacant Property Registration package to the owner. DCRA learned that the property owner is deceased and is trying to identify the property owner or a representative of the estate.
Financial impact of DCRA failures in enforcement during TY 2015 (approximate)	$3,250
Days from inspection to DCRA final decision	153

1400 9th Street NW

Date of inspection	December 3, 2014
Inspection deemed vacant or blighted?	Vacant
Date notice sent to property owner	December 11, 2014
Date of property owner response	February 4, 2015
Nature of owner response	Request for sales/listing exemption
Date of DCRA decisions	March 23, 2015 & May 6, 2015
Nature of DCRA responses	Denial of Request & Approval of request
If exemption status granted, was proof sufficient?	No. In March, DCRA denied the exemption for exceeding the limit, but DCRA reversed the decision in May without additional documentation to justify the decision. Also, the owner had not provided the MRIS/MLS listing required by DCRA and the listing agreement provided did not contain a listing price or broker license number.
Based on its actions, did DCRA properly communicate Class 3 or 4 statuses to OTR?	Yes
Amount of Class 3 or 4 taxes assessed by OTR	$0
Did OTR follow DCRA instructions?	Yes
Class 3 or 4 taxes, penalties, and interest paid by property owner	$0
Financial impact of DCRA failures in enforcement during TY 2015 (approximate)	$17,518
Additional Costs & Inefficiencies	DCRA unnecessarily sent a Delinquency Notice, providing the owner 15 additional days to register. DCRA sent an exemption denial letter that gave the owner 30 days to appeal (15 days granted in D.C. Code) and 45 days for DCRA to approve (30 days granted in D.C. Code).
Days from inspection to DCRA final decision	154

5505 5th Street NW

Inspection deemed vacant or blighted?	Vacant
Date notice sent to property owner	May 7, 2015
Date of property owner responses	September 29, 2015 & April 14, 2016
Nature of owner responses	Request for zoning exemption & Request for appeal
Date of DCRA decisions	March 7, 2016 & April 30, 2016
Nature of DCRA responses	Denial of zoning exemption & Approval of economic hardship exemption
If exemption granted, was proof sufficient?	No. DCRA properly denied a zoning exemption on March 7, 2016, as the property owner submitted no pending zoning applications. In April 2016, DCRA improperly granted a hardship exemption, as ODCA did not find proof of economic hardship. (The owner submitted a letter to appeal the additional taxes stating the property was purchased to operate a homeless shelter for the Mayor's homeless strategy, and attached a zoning form and a lease signed with the District's Department of General Services to provide housing for homeless families).
Based on its actions, did DCRA properly communicate Class 3 or 4 statuses to OTR?	No. DCRA included the property on the second bulk list as blighted, which was not the result of the inspection. Also, DCRA notified OTR to change the class code from 4 to 1 on April 12, 2016, before a final determination was signed by DCRA.
Amount of Class 3 or 4 taxes assessed by OTR	$0
Did OTR follow DCRA instructions?	Yes
Class 3 or 4 taxes, penalties, and interest paid by property owner	$0
Financial impact of DCRA failures in enforcement during TY 2015 (approximate)	$50,560
Additional Costs & Inefficiencies	DCRA sent a vacant notice 98 days after the inspection even though the property had been sold on April 17, 2015, to a new owner. This appeared to contribute to the delay in receiving a response from the new owner.
Days from inspection to DCRA final decision	457

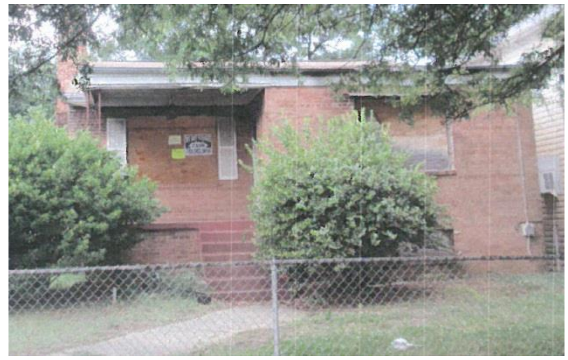
1000 C Street NE

Date of inspection	July 23, 2015
Inspection deemed vacant or blighted?	Vacant
Date notice sent to property owner	No evidence DCRA sent notice
Date of property owner response	July 24, 2015
Nature of owner response	Request for occupied status
Date of DCRA decisions	August 7, 2015 & March 10, 2016
Nature of DCRA responses	Approval of request & Revocation of status
If occupied status approved, was proof sufficient?	No & Yes. In August 2015, DCRA improperly approved the owner's request for occupied status, as the owner submitted only one utility bill and it showed low/no usage, out of compliance with DCRA requirements. In March 2016, DCRA properly revoked the status; no documentation was present in Accela to justify the decision. DCRA's revocation of exemption letter stated that the "information submitted was insufficient," which ODCA found confusing because DCRA had used that same information to previously approve the occupied status. Also, the letter did not instruct the owner to register the property and pay the $250 annual fee. It also incorrectly gave the owner 30 days to appeal (D.C. Code provides 15 days).
Based on its actions, did DCRA properly communicate Class 3 or 4 statuses to OTR?	Yes
Amount of Class 3 or 4 taxes assessed by OTR	$31,014.75
Did OTR follow DCRA instructions?	Yes
Class 3 or 4 taxes, penalties, and interest paid by property owner	$9,869.60
DCRA status update	On May 26, 2016, DCRA mailed a Revocation of Vacant Building Exemption Letter to the owner of record. DCRA determined the property to be vacant; re-inspected and issued an NOI on September 2, 2016.
Financial impact of DCRA failures in enforcement during TY 2015 (approximate)	$2,250
Additional Costs & Inefficiencies	DCRA approved occupied status without sufficient proof and later revoked occupied status several months later.
Days from inspection to DCRA final decisions	15 days to approve; 231 days to revocation

4714 Meade Street NE

Date of inspection	October 20, 2014
Inspection deemed vacant or blighted?	Vacant
Date notice sent to property owner	December 4, 2014
Date of property owner response	No owner response
Nature of owner response	No owner response
Date of DCRA decision	n/a
Nature of DCRA response	n/a
If exemption/occupied status granted, was proof sufficient?	n/a
Based on its actions, did DCRA properly communicate Class 3 or 4 statuses to OTR?	Yes
Amount of Class 3 or 4 taxes assessed by OTR	$15,169
Did OTR follow DCRA instructions?	Yes
Class 3 or 4 taxes, penalties, and interest paid by property owner	$15,169
Additional notes on DCRA management of case	On April 27, 2015, DCRA issued an NOI for $2,000, but it was dismissed by the Office of Administrative Hearings, as the owner did not own the property at the time and provided a bankruptcy order. A new owner (a bank) registered as vacant on January 7, 2016,nd paid registration fee of $250.
Financial impact of DCRA failures in enforcement during TY 2015 (approximate)	$1,000
Additional Costs & Inefficiencies	DCRA sent a delinquency notice, which granted the owner an additional 15 days to respond. DCRA conducted a second inspection on February 10, 2015 and found the property blighted, but did not send a blighted notice to the owner.
Days from inspection to DCRA final decision	45

1010 49th Street NE



Date of inspection	May 6, 2015. Additional inspections were conducted on June 15, 2015 (found vacant with one violation), and July 9, 2015 (notice of pending abatement actions posted).
Inspection deemed vacant or blighted?	Blighted and vacant
Did DCRA follow its internal policy to re-inspect the blighted property in 30 days?	No. While additional inspections were conducted, they did not take place within 30 days.
Date notice sent to property owner	None sent
Date of property owner response	n/a
Nature of owner response	n/a
Date of DCRA decision	n/a
Nature of DCRA response	n/a
If exemption/occupied status granted, was proof sufficient?	n/a
Based on its actions, did DCRA properly communicate Class 3 or 4 statuses to OTR?	Yes. DCRA notified OTR to bill the property as vacant for the first and second half. Note: ODCA could not determine if DCRA should have notified OTR to bill as blighted for the second half, as subsequent inspections did not classify the property as blighted, but DCRA did issue violations and abatement actions.
Amount of Class 3 or 4 taxes assessed by OTR	$9,468
Did OTR follow DCRA instructions?	Yes
Class 3 or 4 taxes, penalties, and interest paid by property owner	$9,468
Additional notes on case	The owner (a bank) proactively registered the property as vacant on October 3, 2014 and paid the registration fee.
Financial impact of DCRA failures in enforcement during TY 2015 (approximate)	Could not determine
Additional Costs & Inefficiencies	DCRA conducted an inspection and found the property to be blighted but did not send a blighted notice to the property owner or a blighted designation to OTR.
Days from inspection to DCRA final decision	n/a; owner proactively registered

2601 Martin Luther King Jr. Ave. SE

DCRA did not conduct an inspection of this property during the scope of this report; no photo available.

Date of inspection	Not conducted
Inspection deemed vacant or blighted?	n/a
Date notice sent to property owner	n/a
Date of property owner response	October 1, 2014
Nature of owner response	Request for probate exemption
Date of DCRA decision	October 2, 2014
Nature of DCRA response	Approval of request
If exemption granted, was proof sufficient?	No. Court documentation provided by the owner of probate proceedings exceeded the 24 month time limit specified in the D.C. Code. Also, DCRA did not conduct an inspection so DCRA could not ensure that the vacant property was maintained in compliance with D.C. Code requirements.
Based on its actions, did DCRA properly communicate Class 3 or 4 statuses to OTR?	Yes
Amount of Class 3 or 4 taxes assessed by OTR	$0
Did OTR follow DCRA instructions?	Yes
Class 3 or 4 taxes, penalties, and interest paid by property owner	$0
Additional notes on DCRA management of case	DCRA correspondence to approve the probate exemption confusingly advised the owner to notify a new buyer that the property was on the vacant list, which it was not, as DCRA granted an exemption.
Financial impact of DCRA failures in enforcement during FY 2015 (approximate)	$6,505
Days from inspection to DCRA final decision	Unable to determine

4232 6th Street SE

Date of inspection	April 10, 2015
Inspection deemed vacant or blighted?	Blighted
Did DCRA follow its internal policy to re-inspect the blighted property in 30 days?	Yes
Date notice sent to property owner	No evidence DCRA sent notice
Date of property owner response	n/a
Nature of owner response	n/a
Date of DCRA decision	n/a
Nature of DCRA response	n/a
If exemption/occupied status granted, was proof sufficient?	n/a
Based on its actions, did DCRA properly communicate Class 3 or 4 statuses to OTR?	Yes
Amount of Class 3 or 4 taxes assessed by OTR	$0
Did OTR follow DCRA instructions?	Yes
Class 3 or 4 taxes, penalties, and interest paid by property owner	$0
DCRA status update	On April 18, 2016, DCRA sent a Notice of Blighted Property Determination letter to the owner. DCRA did not bill the property as Blighted/Vacant in Fiscal Year 2015; however, DCRA deemed the property Blighted/Vacant in Fiscal Year 2016. DCRA mailed an NOI to the owner on September 2, 2016.
Financial impact of DCRA failures in enforcement during TY 2015 (approximate)	$15,499
Additional Costs & Inefficiencies	DCRA conducted two inspections and sent no notices of blighted status.
Days from inspection to DCRA final decision	Unable to determine

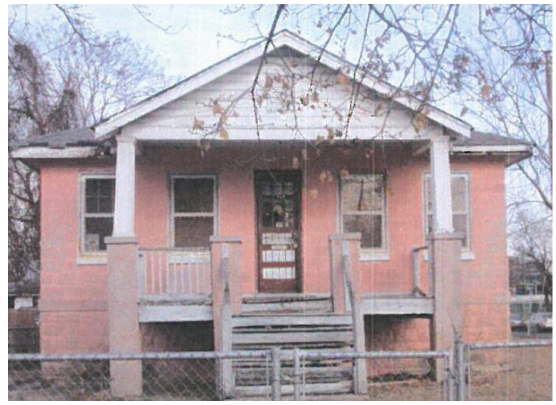
4236 6th Street SE

Date of inspection	December 19, 2014
Inspection deemed vacant or blighted?	Blighted
Did DCRA follow its internal policy to re-inspect the blighted property in 30 days?	No
Date notice sent to property owner	No evidence DCRA sent notice
Date of property owner response	n/a
Nature of owner response	n/a
Date of DCRA decision	n/a
Nature of DCRA response	n/a
If exemption/occupied status granted, was proof sufficient?	n/a
Based on its actions, did DCRA properly communicate Class 3 or 4 statuses to OTR?	No. DCRA incorrectly included the property on the first bulk list, as DCRA had sent no notice to the owner. Also, DCRA provided OTR with conflicting instructions to bill as both Class 3 vacant and Class 4 blighted (OTR billed as blighted). DCRA incorrectly included the property on the second bulk list as Class 3, as DCRA had sent no notice to the owner.
Amount of Class 3 or 4 taxes assessed by OTR	$21,720
Did OTR follow DCRA instructions?	Yes
Class 3 or 4 taxes, penalties, and interest paid by property owner	$31,385.40
DCRA status update	On July 25, 2016, DCRA mailed a Delinquency Determination Notice For Failure to Register A Vacant Building to the owner. DCRA conducted a re-inspection and issued an NOI for Failure to Register the Property on September 2, 2016. DCRA designated this property as Vacant for the 2015 & 2016 tax years.
Financial impact of DCRA failures in enforcement during FY 2015 (approximate)	$9,490
Additional Costs & Inefficiencies	DCRA conducted two inspections and sent no notices of blighted status.
Days from inspection to DCRA final decision	Unable to determine

4310 12th Place NE

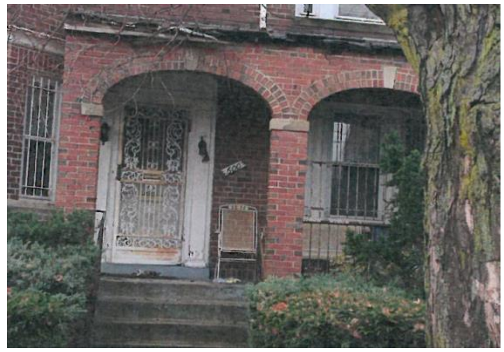
Date of inspection	December 15, 2014
Inspection deemed vacant or blighted?	Vacant
Date notice sent to property owner	December 18, 2014
Date of property owner response	Unknown
Nature of owner response	There was no owner response in Accela but appeared that the owner requested an exemption.
Date of DCRA decision	June 4, 2015
Nature of DCRA response	Denial of special exemption
Was there sufficient proof to support DCRA's response?	Yes. DCRA was correct to deny the owner's request for an exemption because the owner received five previous exemptions (2010-2014).
Based on its actions, did DCRA properly communicate Class 3 or 4 statuses to OTR?	Yes & No. DCRA properly included the property on both the first and second-half bulk lists to OTR, as the owner's appeal rights had expired by January 2, 2015. DCRA incorrectly notified OTR via weekly change list that RPTAC granted the owner's appeal to remove the vacant status, shifting from Class 3 to Class 1 <u>for the full year</u>, when RPTAC only granted the appeal for the first half.
Amount of Class 3 or 4 taxes assessed by OTR	$0
Did OTR follow DCRA instructions?	Yes
Class 3 or 4 taxes, penalties, and interest paid by property owner	$0
Additional notes on DCRA management of case	Accela did not contain the owner's request for an exemption. RPTAC granted the appeal for the first half of TY15, but DCRA did not send a representative to the RPTAC hearing. Based on our interview with RPTAC staff, DCRA representation can have an impact on the outcome of the case, but DCRA does normally send a representative.
Financial impact of DCRA failures in enforcement during FY 2015 (approximate)	$4,738
Additional Costs & Inefficiencies	DCRA sent a delinquency notice, which granted the owner an additional 15 days to respond.
Days from inspection to DCRA final decision	261

4720 Meade Street NE



Date of inspection	December 4, 2014
Inspection deemed vacant or blighted?	Vacant
Date notice sent to property owner	No evidence DCRA sent notice
Date of property owner response	April 20, 2015. While no notice appears to have been sent, there are other ways that the owner could have been informed about the vacant status, such as seeing the sticker on the property or receiving a vacant property tax bill from OTR.
Nature of owner response	Request for special exemption
Date of DCRA decision	June 25, 2015
Nature of DCRA response	Denial of request
Was there sufficient proof to support DCRA's response?	Yes. DCRA was correct to deny the owner's request for an exemption based on the owner receiving three previous exemptions from 2012-2014, and the owner submitting an expired permit.
Based on its actions, did DCRA properly communicate Class 3 or 4 statuses to OTR?	No. DCRA incorrectly included the property on the first bulk list, as there wasn't evidence in Accela of DCRA sending the vacant notice.
Amount of Class 3 or 4 taxes assessed by OTR	$7,075.50
Did OTR follow DCRA instructions?	Yes
Class 3 or 4 taxes, penalties, and interest paid by property owner	$6,620.48
Additional notes on DCRA management of case	The notice DCRA sent denying the exemption did not notify the owner that they could appeal to RPTAC.
Financial impact of DCRA failures in enforcement during FY 2015 (approximate)	$2,250
Additional Costs & Inefficiencies	DCRA conducted an inspection but did not send notice of vacant status.
Days from inspection to DCRA final decision	203

600 Quackenbos Street NW



Date of inspection	December 2, 2014
Inspection deemed vacant or blighted?	Vacant
Date notice sent to property owner	No evidence DCRA sent notice
Date of property owner response	No owner response
Nature of owner response	No owner response
Date of DCRA decision	n/a
Nature of DCRA response	n/a
If exemption/occupied status granted, was proof sufficient?	n/a
Based on its actions, did DCRA properly communicate Class 3 or 4 statuses to OTR?	No & Yes – DCRA incorrectly included the property on the first-half list, as DCRA had not sent a vacant notice. DCRA properly did not include the property on the second-half list.
Amount of Class 3 or 4 taxes assessed by OTR	$10,509.23
Did OTR follow DCRA instructions?	Yes
Class 3 or 4 taxes, penalties, and interest paid by property owner	$10,509.23
Financial impact of DCRA failures in enforcement during FY 2015 (approximate)	$9,705
Additional Costs & Inefficiencies	DCRA conducted an inspection but did not send a notice.
Days from inspection to DCRA final decision	Unable to determine

1350 A Street SE

Date of inspection	December 19, 2014
Inspection deemed vacant or blighted?	Vacant
Date notice sent to property owner	No evidence DCRA sent notice
Date of property owner response	Unknown
Nature of owner response	No owner response was contained in Accela but it appeared that the owner requested an exemption
Date of DCRA decision	September 14, 2015
Nature of DCRA response	Denial of special exemption
Was there sufficient proof to support DCRA's response?	There was no proof of the owner's request for an exemption, but ODCA found DCRA's justification for the denial to be sufficient (owner had four prior years of exemptions granted).
Based on its actions, did DCRA properly communicate Class 3 or 4 statuses to OTR?	No. DCRA incorrectly included the property on the first-half list, as we did not see proof in Accela that DCRA sent the vacant notice. DCRA did not properly include on the second-half list, as it would have had time to send the vacant notice to the owner.
Amount of Class 3 or 4 taxes assessed by OTR	$21,187.53
Did OTR follow DCRA instructions?	Yes
Class 3 or 4 taxes, penalties, and interest paid by property owner	$24,899.88
Financial impact of DCRA failures in enforcement during FY 2015 (approximate)	$17,280
Additional Costs & Inefficiencies	DCRA conducted an inspection but apparently did not send a notice.
Days from inspection to DCRA final decision	269

925 Shepherd Street NW

Date of inspection	March 24, 2015
Inspection deemed vacant or blighted?	Vacant
Date notice sent to property owner	No evidence DCRA sent notice
Date of property owner response	April 20, 2015
Nature of owner response	Request for occupied status
Date of DCRA decision	July 16, 2015
Nature of DCRA response	Denial of occupied status
Was there sufficient proof to support DCRA's response?	Yes. ODCA agreed with DCRA that the utility bills provided by the owner did not provide evidence of occupied status, as they showed no usage.
Based on its actions, did DCRA properly communicate Class 3 or 4 statuses to OTR?	No. DCRA did not properly include on second-half list after denying the exemption.
Amount of Class 3 or 4 taxes assessed by OTR	$0
Did OTR follow DCRA instructions?	Yes
Class 3 or 4 taxes, penalties, and interest paid by property owner	$0
Additional notes on DCRA management of case	The Vacant Building Exemption Request Denial Letter DCRA sent on July 16, 2015 mistakenly gave owner 30 days to appeal and stated DCRA would have 45 days to review the appeal. DCRA should not have sent an exemption denial letter, as the owner requested occupied status, which is not an exemption.
Financial impact of DCRA failures in enforcement during FY 2015 (approximate)	$23,089
Days from inspection to DCRA final decision	114

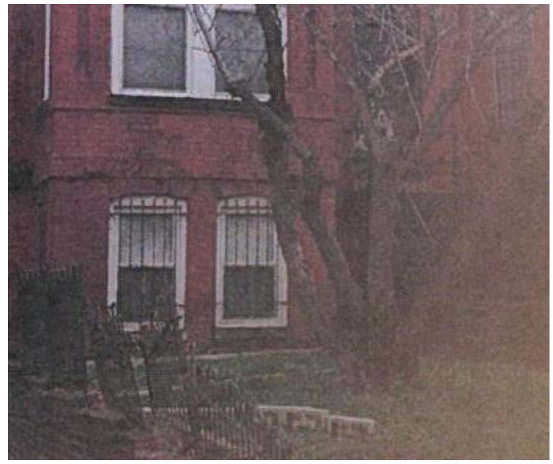
704 3rd Street NW

Date of inspection	October 8, 2014
Inspection deemed vacant or blighted?	Vacant
Date notice sent to property owner	October 15, 2014
Date of property owner response	May 15, 2015
Nature of owner response	Request for sales/listing exemption
Date of DCRA decision	June 24, 2015
Nature of DCRA response	Approval of request
If exemption granted, was proof sufficient?	No. Owner did not provide a copy of the MRIS/MLS listing, as required by DCRA. The terms of the sales listing agreement provided were 10/1/12 through 9/30/13 and an amendment of 9/22/14 through 9/30/15; this period exceeded the one year allowed for residential sales.
Based on its actions, did DCRA properly communicate Class 3 or 4 statuses to OTR?	Yes
Amount of Class 3 or 4 taxes assessed by OTR	$0
Did OTR follow DCRA instructions?	Yes
Class 3 or 4 taxes, penalties, and interest paid by property owner	$0
Financial impact of DCRA failures in enforcement during FY 2015 (approximate)	$362,687
Additional Costs & Inefficiencies	DCRA sent a failure to register notice on November 17, 2014, granting the owner an additional 15 days to respond.
Days from inspection to DCRA final decision	259

1618 14th Street NW

Date of inspection	October 8, 2014
Inspection deemed vacant or blighted?	Vacant
Date notice sent to property owner	October 15, 2014
Date of property owner response	October 16, 2014
Nature of owner response	Request for sales/listing exemption
Date of DCRA decision	October 20, 2014
Nature of DCRA response	Approval of request
If exemption granted, was proof sufficient?	No. Owner did not provide a MRIS/MLS listing, as required by DCRA. The listing agreement provided did not include a fee amount.
Based on its actions, did DCRA properly communicate Class 3 or 4 statuses to OTR?	No. DCRA incorrectly included on the first-half list, as it had already approved an exemption.
Amount of Class 3 or 4 taxes assessed by OTR	$0
Did OTR follow DCRA instructions?	No. Due to the fact that the property had a mixed property tax rate (Class 1/2), OTR's billing system was not able to properly load DCRA's instructions to bill at Class 3 for first half. OTR's manual review process did not identify the oversight and the property was not billed in the amount of $29,325.66. However, DCRA had mistakenly given OTR these instructions to bill Class 3, as DCRA had already approved an exemption, thus no revenue was lost as a result of OTR actions.
Class 3 or 4 taxes, penalties, and interest paid by property owner	$0
Financial impact of DCRA failures in enforcement during FY 2015 (approximate)	$19,433
Additional Costs & Inefficiencies	DCRA approved an exemption and then less than a month later mistakenly sent a delinquency notice to the owner.
Days from inspection to DCRA final decision	12

20 K Street NW



Date of inspection	November 6, 2014
Inspection deemed vacant or blighted?	Vacant
Date notice sent to property owner	November 16, 2014 (ODCA estimate as notice was dated October 16, 2014, which was before the inspection)
Date of property owner response	December 18, 2014
Nature of owner response	Request for sales listing exemption
Date of DCRA decision	January 7, 2015
Nature of DCRA response	Approval of exemption
If exemption granted, was proof sufficient?	No. The listing agreement was not signed by the real estate agent and an official MRIS/MLS listing was not provided. Additionally, the rent amount of $8,500 per month appeared excessive for a three bedroom, one bathroom, residential row house in D.C.'s Old City neighborhood.
Based on its actions, did DCRA properly communicate Class 3 or 4 statuses to OTR?	No. DCRA incorrectly included the property on the first-half list after granting an exemption and took three months to inform OTR of the error.
Amount of Class 3 or 4 taxes assessed by OTR	$0
Did OTR follow DCRA instructions?	Yes
Class 3 or 4 taxes, penalties, and interest paid by property owner	$0
Additional notes on DCRA management of case	There was an apparent error in the date of the vacant letter, which was dated a month prior to the inspection.
Financial impact of DCRA failures in enforcement during FY 2015 (approximate)	$21,581
Additional Costs & Inefficiencies	DCRA conducted a first inspection at the wrong location. DCRA sent a delinquency notice which granted the owner an additional 15 days to respond.
Days from inspection to DCRA final decision	62

4254 Brooks Street NE

Inspection date	October 8, 2014
Inspection deemed vacant or blighted?	Vacant
Date vacant notice sent to property owner	No evidence DCRA sent notice
Date of property owner response	December 18, 2014
Nature of owner response	Request for sales/listing exemption
Date of DCRA decision	December 31, 2014
Nature of DCRA decision	Approval of request
If exemption granted, was proof sufficient?	Yes
Based on its actions, did DCRA properly communicate Class 3 or 4 statuses to OTR?	No. DCRA incorrectly included the property on the first bulk list, as DCRA had already granted an exemption. DCRA did not properly inform OTR of its error. On March 28, 2016, DCRA informed OTR that the property was exempt, thus no Class 3 or 4 taxes were billed for FY 2015.
Amount of Class 3 or 4 taxes assessed by OTR	$0
Did OTR follow DCRA instructions?	Yes
Class 3 or 4 taxes, penalties, and interest paid by property owner	$0
Financial impact of DCRA failures in enforcement during FY 2015 (approximate)	$2,250
Days from inspection to DCRA final decision	84

1364 Kalmia Road NW

Date of inspection	October 9, 2014
Inspection deemed vacant or blighted?	No. Occupied
Date notice sent to property owner	n/a
Date of property owner response	December 11, 2015
Nature of owner response	Request for sales/listing exemption
Date of DCRA decision	February 8, 2016
Nature of DCRA response	Approval
If exemption granted, was proof sufficient?	Yes
Based on its actions, did DCRA properly communicate Class 3 or 4 statuses to OTR?	Yes
Amount of Class 3 or 4 taxes assessed by OTR	$0
Did OTR follow DCRA instructions?	Yes
Class 3 or 4 taxes, penalties, and interest paid by property owner	$0
Additional notes on DCRA management of case	The owner (a bank) proactively registered the property on August 31, 2015 and paid the $250 registration fee. The same owner then later applied for an exemption. DCRA correspondence to the owner approving the exemption confusingly stated that the owner should notify the new buyer that the property is on the vacant list, which it was not, as DCRA had granted an exemption.
Financial impact of DCRA failures in enforcement during FY 2015 (approximate)	$0
Additional Costs & Inefficiencies	DCRA unnecessarily informed OTR of Class Code change of 1 to 1.
Days from inspection to DCRA final decision	N/A as owner (a bank) proactively registered to seek exemption.

317 Atlantic Street SE

Date of inspection	October 10, 2014
Inspection deemed vacant or blighted?	Vacant
Date notice sent to property owner	October 24, 2014
Date of property owner response	No owner response contained in Accela
Nature of owner response	n/a
Date of DCRA decision	May 19, 2015
Nature of DCRA response	Granting of economic hardship exemption
If exemption granted, proof sufficient to ODCA?	No. There was not proof that owner requested a hardship exemption. There was also no support to show an economic hardship.
Based on its actions, did DCRA properly communicate Class 3 or 4 statuses to OTR?	Yes
Amount of Class 3 or 4 taxes assessed by OTR	$0
Did OTR follow DCRA instructions?	Yes
Class 3 or 4 taxes, penalties, and interest paid by property owner	$0
Additional notes on DCRA management of case	When informing OTR, DCRA identified the property as occupied, not as a hardship exemption.
Financial impact of DCRA mismanagement during FY 2015 (approximate)	$8,679
Additional Costs & Inefficiencies	DCRA sent a delinquency notice, which granted the owner an additional 15 days to respond.
Days from inspection to DCRA final decision	221

1212 Euclid Street NW

Date of inspection	October 14, 2014
Inspection deemed vacant or blighted?	Vacant
Date notice sent to property owner	October 31, 2014
Date of property owner response	No owner response contained in Accela
Nature of owner response	n/a
Date of DCRA decision	September 14, 2015
Nature of DCRA response	Granting of economic hardship exemption
If exemption granted, was proof sufficient?	No. There was not proof that owner requested a hardship exemption. There was also no support to show an economic hardship.
Based on its actions, did DCRA properly communicate Class 3 or 4 statuses to OTR?	Yes
Amount of Class 3 or 4 taxes assessed by OTR	$0
Did OTR follow DCRA instructions?	Yes
Class 3 or 4 taxes, penalties, and interest paid by property owner	$0
Additional notes on DCRA management of case	When informing OTR, DCRA identified the property as occupied, not as a hardship exemption.
Financial impact of DCRA failures in enforcement during FY 2015 (approximate)	$22,269
Additional Costs & Inefficiencies	DCRA reported twice to OTR that the property was occupied, including one time prior to DCRA issuing a final decision.
Days from inspection to DCRA final decision	335

1257 K Street SE

Date of inspection	December 4, 2014
Inspection deemed vacant or blighted?	Vacant
Date notice sent to property owner	January 4, 2015
Date of property owner response	April 22, 2015
Nature of owner response	Request for occupied status
Date of DCRA decisions	July 16, 2015 & February 29, 2016
Nature of DCRA responses	Denial of occupied status & Approval of occupied status
If occupied status approved, was proof sufficient?	No. Owner provided only one utility bill for one month, out of compliance with DCRA requirements. When DCRA later approved, there was no additional utility bills or supporting documentation to justify the change in decision.
Based on its actions, did DCRA properly communicate Class 3 or 4 statuses to OTR?	Yes. However, DCRA notified OTR on January 7, 2016, to change the Class Code from 3 to 2, though DCRA did not make its final decision until February 29, 2016.
Amount of Class 3 or 4 taxes assessed by OTR	$0
Did OTR follow DCRA instructions?	Yes
Class 3 or 4 taxes, penalties, and interest paid by property owner	$0
Additional notes on DCRA management of case	DCRA included this property on the hardship exemption list, but it should not have, as DCRA approved it as occupied; this points to data unreliability. DCRA's occupied status denial letter misstated that the owner had 30 days to appeal and DCRA had 45 days to review (D.C. Code states 15 and 30 days, respectively).
Financial impact of DCRA failures in enforcement during FY 2015 (approximate)	$21,268
Additional Costs & Inefficiencies	DCRA sent a delinquency notice, which granted the owner an additional 15 days to respond.
Days from inspection to DCRA final decisions	224 days to deny; 452 days to approve

1458 Church Street NW

Date of inspection	December 5, 2014
Inspection deemed vacant or blighted?	Vacant
Date notice sent to property owner	December 30, 2014
Date of property owner response	January 5, 2015
Nature of owner response	Request for zoning exemption
Date of DCRA decisions	February 2, 2015 & September 14, 2015
Nature of DCRA responses	Denial of zoning exemption & Approval of hardship exemption
If exemptions granted, was proof sufficient?	As owner's proof of zoning applications were expired, DCRA was correct to deny zoning exemption. Owner did not request a hardship exemption or provide support demonstrating economic hardship, thus there was insufficient support for DCRA's approval of a hardship exemption. Additionally, when ODCA conducted research into the owner, we found evidence that the owner was not suffering from economic hardship. For example, the sample property was purchased in 2012 for $732,000. The 2007 purchase price of the owner's mailing address property, which is a separate property, was $2.36 million. In addition, the owner appears to have owned up to 12 properties since 2002 according to deeds recorded with the D.C. Recorder of Deeds, including the sale of a property to the Principality of Monaco for $5.5 million in 2007.
Based on its actions, did DCRA properly communicate Class 3 or 4 statuses to OTR?	No. DCRA incorrectly included the property on the first bulk list, as owner appeal rights had not yet expired. DCRA improperly excluded the property from the second bulk list, as it had denied the zoning exemption and had not approved the hardship exemption by the OTR deadline.
Amount of Class 3 or 4 taxes assessed by OTR	$0
Did OTR follow DCRA instructions?	Yes
Class 3 or 4 taxes, penalties, and interest paid by property owner	$0
Additional notes on DCRA management of case	When informing OTR, DCRA identified the property as occupied, not as a hardship exemption. DCRA's

	correspondence to the owner denying the zoning exemption stated that the owner had 30 days to appeal and DCRA had 45 days to review the appeal, though D.C. Code states 15 and 30 days, respectively.
Financial impact of DCRA failures in enforcement during FY 2015 (approximate)	$22,478
Days from inspection to DCRA final decision	283

1424 Wisconsin Avenue NW

Date of inspection	December 19, 2014
Inspection deemed vacant or blighted?	Vacant
Date notice sent to property owner	May 12, 2015
Date of property owner response	No owner response contained in Accela
Nature of owner response	n/a
Date of DCRA decision	June 25, 2015
Nature of DCRA response	Granting of economic hardship exemption
If exemption granted, was proof sufficient?	No. There was not proof that the owner requested a hardship exemption. There was also no support to show an economic hardship.
Based on its actions, did DCRA properly communicate Class 3 or 4 statuses to OTR?	No. DCRA incorrectly included the property on the first half list, as DCRA had not yet sent notice to the owner.
Amount of Class 3 or 4 taxes assessed by OTR	$0
Did OTR follow DCRA instructions?	Yes
Class 3 or 4 taxes, penalties, and interest paid by property owner	$0
Additional notes on DCRA management of case	When informing OTR, DCRA identified the property as occupied, not as a hardship exemption.
Financial impact of DCRA failures in enforcement during FY 2015 (approximate)	$47,866
Days from inspection to DCRA final decision	188

Appendix C

Example of Errors on an Exemption Denial Letter

GOVERNMENT OF THE DISTRICT OF COLUMBIA

DEPARTMENT OF CONSUMER & REGULATORY AFFAIRS
Office of the Deputy Director
Enforcement and Legislative Affairs

VACANT BUILDING EXEMPTION REQUEST DENIAL LETTER

Title of letter is inaccurate as the letter is to deny occupied status, which is not an exemption type.

7/16/2015

[redacted]

Letter also incorrectly refers to an exemption, of which occupied status is not included.

RE: 925 Shepherd Street NW
Washington, DC 20011
2909 0043

Dear Sir/Madam:

This is in response to your request for an exemption from the Registration of Vacant Buildings Law. Based on your submission, the Vacant Building Enforcement unit has denied your request for an exemption for the tax year **2015** for the following reason:

D.C. Code provides owner 15 days to appeal, not 30 days as stated.

Occupied:
Utility bills submitted show insufficient usage therefore; your request cannot be approved.

You have 30 days after you receive this notice to appeal this decision.

To appeal this decision:
Fill out the back side of the original Response Form enclosed with this letter. Include the necessary documents listed on that Form and in this Letter.

You will receive a final determination letter from this office within 45 days of receiving your appeal.

For more information, please visit our website at *www.dcra.dc.gov*. If you have any questions, please call (202) 442-4332.

D.C. Code states that DCRA has 30 days to issue a final determination, not 45 days as stated.

Sincerely,

[redacted]

Program Manager
Vacant Building Enforcement

When occupied status is denied, DCRA should inform the owner that the D.C. Code requires vacant property owners to register their property and pay a $250 annual fee.

1100 4th Street SW 5th Floor
Washington, D.C. 20024
Phone: (202) 442-4332 Fax: (202) 442-9564

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