



**CITY OF RICHMOND**  
**City Auditor's Office**

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**DATE:** December 5, 2023

**TO:** Lincoln Saunders  
Chief Administrative Officer

**FROM:** W. Bret Lewis *WBL*  
Interim City Auditor

**SUBJECT:** Finance – Individual Motor Vehicle Personal Property Tax  
Assessment and Collections Audit

The City Auditor's Office has completed the Individual Motor Vehicle Personal Property Tax Assessment and Collections audit and the final report is attached.

We would like to thank the Finance staff for their cooperation and assistance during this audit.

Attachment

cc: The Richmond Audit Committee  
The Richmond City Council  
Sabrina Joy-Hogg, DCAO of Finance & Administration  
Sheila White, Director of Finance

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City of  
**RICHMOND**  
Office of the City Auditor

Audit Report# 2024-06  
**Department of Finance**  
**Individual Motor Vehicle Personal Property Tax Assessment and Collections**  
December 5, 2023



**Audit Report Staff**

Bret Lewis, Interim City Auditor  
Lou Lassiter, City Auditor (*retired*)  
Jennifer Harvell, Senior Auditor  
Andrew Ramos, Auditor  
Rochelle Carter, Management Analyst

Executive Summary.....i  
Background, Objective, Scope, Methodology.....1  
Findings and Recommendations.....7  
Management Responses.....Appendix A

## Highlights

*Audit Report to the Audit Committee, City Council, and the Administration.*

### Why We Did This Audit

The Office of the City Auditor conducted this audit as part of the FY2024 audit plan approved by the Audit Committee. The objectives for this audit were to 1) evaluate if personal property assessments are conducted timely, accurately, and effectively in accordance with applicable laws and 2) evaluate if the collection process is adequate to ensure funds due to the City are collected and posted timely and accurately.

### What We Recommend:

#### The Director of the Finance Department:

- *Fully utilize appropriate collection methods and reinstate those suspended due to COVID-19 for delinquent personal property taxes.*
- *We recommend the Director of Finance explore the feasibility of differentiating vehicle attributes for the assessment of vehicle values in the revenue system.*
- *Develop and implement a quality assurance process to reduce the likelihood of assessment errors in the future.*
- *Refund erroneously assessed (by the system) interests on individual personal property tax bills from 6/7/2022 to 8/7/2022.*
- *Review individual personal property tax accounts with a penalty assessed before the due date (8/5) to verify the penalty was appropriate and make corrections.*

*Other recommendations are in the body of the report.*



## Individual Motor Vehicle Personal Property Tax Assessment and Collections

### Background

Personal property taxes are the second largest (behind real estate) local revenue source for the City. Personal property taxes generate approximately **12%** of the City's revenue. Personal property includes motor vehicles, farming equipment, boats, motorcycles, recreational vehicles, campers, and trailers. Tangible personal property becomes taxable in the City when the item that is subject to taxation becomes located (acquires situs) within the City limits on or after January 1<sup>st</sup>. The tangible personal property tax rate is **\$3.70 per \$100** of assessed value (**\$2.30 per \$100** for trucks and other vehicles of 10,000 lbs. and more) and is due on **June 5<sup>th</sup>** or within 60 days of the date of purchase or moving into the City, whichever is later. The 2022 due date was amended to **August 5<sup>th</sup>**.

### What Works Well

The tax rate of **\$3.70 / \$100** of the assessed value and the tax relief rate were accurately calculated. The Finance Department has processes in place to ensure that entities classified as businesses and vehicles registered to individuals with gross weights exceeding 10,000 lbs. do not receive tax relief. The Department offers a variety of ways for taxpayers to pay bills in full and/or enter into payment agreements (in-person, online, drop box, or mail). Vehicle Registration Withheld (VRW) removals were found to be removed appropriately and timely. Delinquent balances greater than five years old, without a judgment, are properly written-off.

### Needs Improvement

#### *Finding #1 – Delinquent Collections*

The outstanding delinquent balance for individual personal property taxes as of April 2023 totaled **\$19.5 million**. As of October 5, 2022, approximately **55,000** individual annual personal property tax bills for 2022 were delinquent. A sample of 50 annual delinquent individual personal property tax bills (25 with no payments & 25 with some payments) was reviewed to determine collection efforts during CY2022. Of those, nine were abated, two were paid prior to 1<sup>st</sup> letter, and one was in bankruptcy leaving a sample population of 38. Collection activity results: **95%** received a **1<sup>st</sup> letter**, **0%** received a **2<sup>nd</sup> letter**, **0%** had a **VRW hold applied** and **100%** had a **Debt Set Off (DSO)**

#### *Finding #2 – Assessments*

During 2022 approximately **13,132** vehicles were incorrectly assessed. Some of the J.D. Power (NADA) assessed values were overridden by the COST assessment method within the City's Revenue System (MUNIS), therefore generating inaccurate bills. For the remaining COST assessments (**21,582**) a high-level review of the age of the vehicle in 2022 showed that **5,230** vehicles greater than 20 years old were identified. The Significantly Older Vehicle (SIG) assessment method is generally used for vehicles aged 20 years or more. A sample of **13** vehicles was reviewed and it was found that **11 out of 13 (85%)** were assessed using the incorrect method. Due to the age of these vehicles, the SIG method should have been used. Based on the exception testing, the auditors noted 5,922 potential assessment exceptions which represents 3% of the total population (220,805) and 11% of the population using exceptions testing (55,403).

#### *Finding #3 – Penalty & Interest*

The due date for personal property taxes was amended from June 5, 2022 to August 5, 2022. Some of the penalties and interest paid by the taxpayers were calculated erroneously. A sample of **41** delinquent accounts found that the penalty was calculated accurately in all but one. A review of all personal property tax payments made in 2022 from the due date of (6/5) through the amended due date (8/5) noted that **444** bills included a penalty. A review of a sample of **10** found that **6** accounts had a penalty applied in error. The auditors tested **5** delinquent accounts paid in full and noted the interest was calculated back to the original due date (6/5) if not paid on time. A review by Finance noted that **66,057** bills for individuals and business personal property had incorrect interest calculation as the interest should only be assessed from the amended due date (8/5).

### *Additional Findings*

Additional findings within the report relate to Billings, License Fees, PPTR, Supplemental data inclusion, RVA311 Service Requests, and policies and procedures.

Management concurred with **7 of 9** recommendations. We appreciate the cooperation received from management and staff while conducting this audit.

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**Richmond City Auditor’s Report #2024-06**

*Individual Motor Vehicle Personal Property Tax Assessment and Collections  
December 5, 2023*

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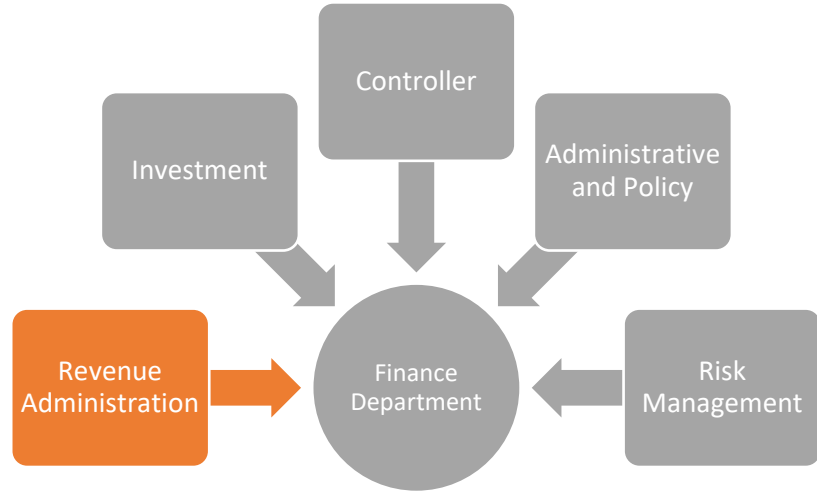
**BACKGROUND, OBJECTIVES, SCOPE, METHODOLOGY,  
MANAGEMENT RESPONSIBILITY and INTERNAL CONTROLS**

This audit was conducted in accordance with the Generally Accepted Government Auditing Standards promulgated by the Comptroller General of the United States. 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 the audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objective.

**BACKGROUND**

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The Director of Finance is charged by State law with the duties mandated for the constitutional offices of the Treasurer and Commissioner of Revenue. The Finance Department is organized into Bureaus and Divisions as follows, with the Revenue Administration being the focus of this audit:

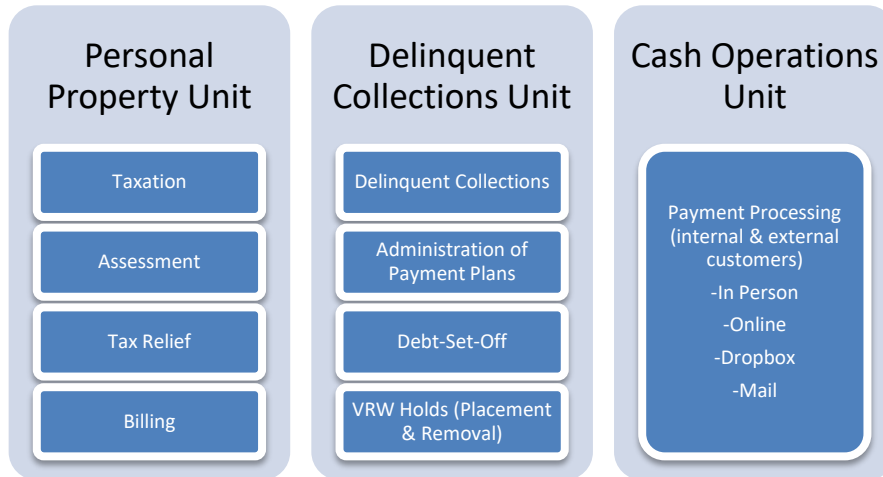


*Source: Prepared by Auditor*

Each Division has sub-units that perform duties applicable to the mission of the unit. Personal property taxes are under the purview of the Revenue Administration Division, which consists of the following units that perform duties related to personal property taxes:

# Richmond City Auditor's Report #2024-06

Individual Motor Vehicle Personal Property Tax Assessment and Collections  
December 5, 2023



Source: Prepared by Auditor

Personal property taxes are the second largest (behind real estate) local revenue source for the City generating approximately **12%** of the City's revenue. Personal property includes motor vehicles, farming equipment, boats, motorcycles, recreational vehicles, campers, and trailers. Personal property taxes are assessed as of the first day of January of each year and are due on **June 5<sup>th</sup>** or within **60 days** of the date of purchase or moving into the City, whichever is later. The 2022 personal property tax due date was amended to **August 5<sup>th</sup>**. The tangible personal property rate is \$3.70 per \$100 of the assessed value for qualifying vehicles under 10,000 lbs. The rate for qualifying vehicles 10,000 lbs. or more is \$2.30 per \$100.

## Tax Relief

The Personal Property Tax Relief Act of 1998 (PPTR) created a state-wide program to provide relief for owners of personal-use motor vehicles. The City of Richmond received \$16.7 million to be applied in 2022 as follows:

Value of Vehicle (X)	% Relief granted
X ≤ \$1,000	100%
\$1,000 < X ≤ \$20,000	50.4%
X > \$20,000	50.4% applied to first \$20,000

Source: Prepared by Auditor

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## ***Richmond City Auditor's Report #2024-06***

### *Individual Motor Vehicle Personal Property Tax Assessment and Collections*

*December 5, 2023*

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#### **Payments**

Personal property taxes can be paid in person, drop box, online, or via mail. Payments are processed as of the date of the postmark. If the postmark falls after the due date the taxpayer is subject to penalty and interest as of that date. Payments are credited to the most delinquent local bill first unless the taxpayer has entered into a bona fide payment agreement. If the due date falls on a weekend, the taxes become due on the following business day.

#### **Assessments**

The City uses the following assessment methods to calculate the value of personal property:

##### **J.D. Power (NADA)**

- Costing Guide Update Annually
- Clean Trade-In Value

##### **COST**

- Value is not available in the J.D. Power Guide
- Value is calculated using date of purchase & purchase price imported from the DMV (value is depreciated)
- Boats & Motorcycles

##### **SIG**

- SIG-Significantly Older Vehicle (20 years old or older) absent a J.D. Power Clean Trade-In
- Value is calculated using the last known J.D. Power Guide value depreciated by \$100 each year to a minimum dollar threshold of \$100

*Source: Prepared by Auditor*

#### **Billing**

The annual billing process begins when information in the revenue system (MUNIS) rolls over vehicles subject to taxation in the City at the end of December. In order to create and process annual and supplemental billings the Revenue Administration Division uses the DMV files. The DMV files have move-in (add) and move-out (delete) information for each vehicle as it pertains to each locality. The City sends out the annual billing and multiple supplemental bills throughout the year.

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## ***Richmond City Auditor's Report #2024-06***

*Individual Motor Vehicle Personal Property Tax Assessment and Collections*

*December 5, 2023*

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### **Bill Proration**

Proration is the period of time for each tax year provided by ordinance for the levy and collection of personal property tax on applicable personal property (vehicles, Boats, and Trailers) that has acquired situs within that locality after the tax date for the balance of the tax year. Pursuant to the Code of VA § 58.1-3516 proration is permitted as: a period of more than one-half of a month shall be counted as a full month and a period of less than one-half of a month shall not be counted. Vehicles that acquire situs in the City after the annual billing cycle shall receive a prorated bill through the supplemental billing process.

### **License Fees**

License fees are included in the personal property tax bills. Vehicle license fees are for a calendar year period. However, vehicles that were garaged or parked within the City limits at any time from January 1 through June 30 of each calendar year shall be billed the full amount of the fee and vehicles garaged or parked any time after June 30 of each calendar year shall be billed one-half of the appropriate fee. City Code Sec 26-977 outlines the following vehicle license fees by vehicle type, rates, and effective dates:

Vehicle Type	Effective July 1, 2018
Motorcycle	\$28.74
Passenger <= 4,000 lbs.	\$40.74
Passenger > 4,000 lbs.	\$45.74

*Source: Prepared by Auditor*

### **Delinquent Collections**

A tax is delinquent when it is not paid by the due date. Except for bankruptcy accounts, appeals status, pending litigation, and accounts that have a minimum balance of less than \$5.00. Accounts can move between collection statuses. The following diagram outlines some of the delinquent collections process, applicable codes, policies, fees, penalties, and interest amounts.



# Richmond City Auditor's Report #2024-06

Individual Motor Vehicle Personal Property Tax Assessment and Collections  
December 5, 2023

<b>Delinquent Collections</b>	
<b>Activity</b>	
<p style="text-align: center;"><b>June 5th (Due Date)</b></p> <p>CY2022 the due date was amended to August 5th.</p>	<p style="text-align: center;"><b>June 6th (Day After Due Date)</b></p> <p>Taxpayer is assessed <b>10% penalty or \$10</b> whichever is greater. Interest accrual begins at <b>10% annually</b>.</p> <p><b>\$30 Internal Collection Administrative Fee</b> City Code Sec.26-430 &amp; 431 penalty of 10% or \$10 whichever is greater shall be added to the delinquent account balance. Interest at a rate of 10% annually.</p> <p>VA Code §58.1-3916 Interest on unpaid taxes shall be charged annually at the rate of 10% from the day following the due date.</p>
<p style="text-align: center;"><b>Collection Action Pending Notice</b></p> <p><b>-30 days after due date</b>, taxpayers that do not submit payment are mailed a notice. Pursuant to VA Code §58.1-3919, prior to referring the delinquent account to collection the locality shall provide written notice.</p>	<p style="text-align: center;"><b>Final Collection Action Pending Notice</b></p> <p><b>-45 days after due date</b>, taxpayers that do not submit payment are mailed a final notice giving them 15 days to enter into a payment arrangement or pay in full.</p>
<p style="text-align: center;"><b>Vehicle Registration Hold (VRW)</b></p> <p><b>-60 days after the due date</b>, placed on all accounts that have a delinquent tax balance. VA Code §46.2-752 the locality may enter into an agreement with the department (DMV) to refuse to issue or renew any vehicle registration of any applicant who owes any local vehicle delinquent tangible personal property tax or parking citations.</p> <p><i>City Policy-VRW Holds must be submitted to the DMV for all accounts that are delinquent more than 60 days.</i></p> <p>Taxpayer is assessed a <b>\$25</b> fee collected by the City on behalf of the DMV.</p>	<p style="text-align: center;"><b>Debt Set-Off (DSO)</b></p> <p><b>-60 days after the due date</b>, the City places a debt set-off claim to intercept income tax refunds/lottery winnings to be applied to the delinquent tax balance.</p> <p>VA Code §58.1-520-523 -Article 21 Setoff Debt Collection Act, county, city, or town governments may utilize the provisions of this article to collect all delinquent debts they are owed.</p> <p><i>City Policy-Debt Set-Off File Submission provides guidance for submitting the debt set-off file to the Department of Taxation.</i></p> <p>Taxpayer is assessed <b>\$25</b> fee paid to the City and the State of VA keeps <b>4%</b> of the funds for administrative costs.</p>
<p style="text-align: center;"><b>Wage/Bank Liens</b></p> <p><b>(Last Step of Internal Collections)</b> If the delinquent tax balance has not been satisfied the City places bank and/or employer liens for <b>100%</b> for 30 days.</p> <p><i>City Policy - Processing Tax Liens, issue liens for delinquent tax balances.</i></p>	<p style="text-align: center;"><b>Third-Party Collections (TACS)</b></p> <p><b>-6 months</b> All internal collection efforts have been exhausted, the City sends delinquent personal property tax accounts to a third-party collection firm.</p> <p>Charge a fee of <b>20%</b> of the delinquent taxes, penalty, interest and fees. The 20% fee is charged as a collection fee and is not paid to the City.</p> <p>VA Code §58.1-3934 - Outsourced Collection Efforts after 6 months delinquent.</p>

- > Blue indicates fees associated with each collection action.
- > Red outlines actions that are normal in the process, however, were not in effect in CY2022.
- > Italics outlines VA or City Code.
- > Purple represents City policy.

Source: Prepared by Auditor

Of note, some collection activities are not applicable to certain personal property tax accounts.

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## ***Richmond City Auditor's Report #2024-06***

*Individual Motor Vehicle Personal Property Tax Assessment and Collections*

*December 5, 2023*

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### **Statute of Limitations & Write-Offs**

Pursuant to VA Code § 58.1-3940 collection of local taxes shall be enforceable for five years following December 31<sup>st</sup> of the year for which such taxes were assessed. Pursuant to § 8.01-251 collection efforts may be extended when a judgment has been placed, which then extends collections for up to 10 years. However, when warranted a second extension of the judgment may be placed, therefore providing a 20-year period to collect.

### **OBJECTIVES**

- Evaluate if the personal property assessments are conducted timely, accurately, and effectively in accordance with relevant laws and established procedures.
- Evaluate if the current collection process is adequate to ensure funds due to the City are collected and posted timely and accurately.

### **SCOPE**

The scope of this audit was the 12 months ended December 31, 2022, and the current operating environment, excluding the review of mobile homes, business personal property, and personal property assessed by the State Corporation Commission (SCC).

### **METHODOLOGY**

The Auditors performed the following procedures to complete this audit:

- Interviewed staff to understand the processes and procedures related to the Personal Property Taxes.
- Conducted testing to determine if assessment method applications were accurate for the year of the vehicle.
- Conducted testing to determine if bills were calculated correctly, timely, and processed properly and in accordance with relevant laws and established procedures.
- Evaluated the collection process to evaluate if funds due to the City were collected and posted timely and accurately.
- Conducted other tests, as deemed necessary.

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## ***Richmond City Auditor's Report #2024-06***

*Individual Motor Vehicle Personal Property Tax Assessment and Collections*

*December 5, 2023*

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### **MANAGEMENT RESPONSIBILITY**

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City of Richmond management is responsible for ensuring resources are managed properly and used in compliance with laws and regulations; programs are achieving their objectives; and services are being provided efficiently, effectively, and economically.

### **INTERNAL CONTROLS**

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According to the Government Auditing Standards, internal control, in the broadest sense, encompasses the agency's plan, policies, procedures, methods, and processes adopted by management to meet its mission, goals, and objectives. Internal control includes the processes for planning, organizing, directing, and controlling program operations. It also includes systems for measuring, reporting, and monitoring program performance. An effective control structure is one that provides reasonable assurance regarding:

- Efficiency and effectiveness of operations;
- Accurate financial reporting; and
- Compliance with laws and regulations.

Based on the audit test work, the Auditors concluded that the Department of Finance controls need improvement. Details of these findings are discussed throughout the report.

## **FINDINGS and RECOMMENDATIONS**

### **What Works Well**

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- The Department of Finance has effective processes in place to ensure that the personal property tax rate (\$3.70/\$100) is calculated and applied properly and tax relief is not applied to vehicles weighing more than 10,000 lbs. and owned by businesses.
- The City also offers a variety of payment options for internal and external customers.
- Vehicle Registration Withholdings are removed timely.

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## ***Richmond City Auditor's Report #2024-06***

### *Individual Motor Vehicle Personal Property Tax Assessment and Collections*

*December 5, 2023*

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- Accounts exceeding the statute of limitations (5 years without judgment) are written off properly.

## **What Needs Improvement**

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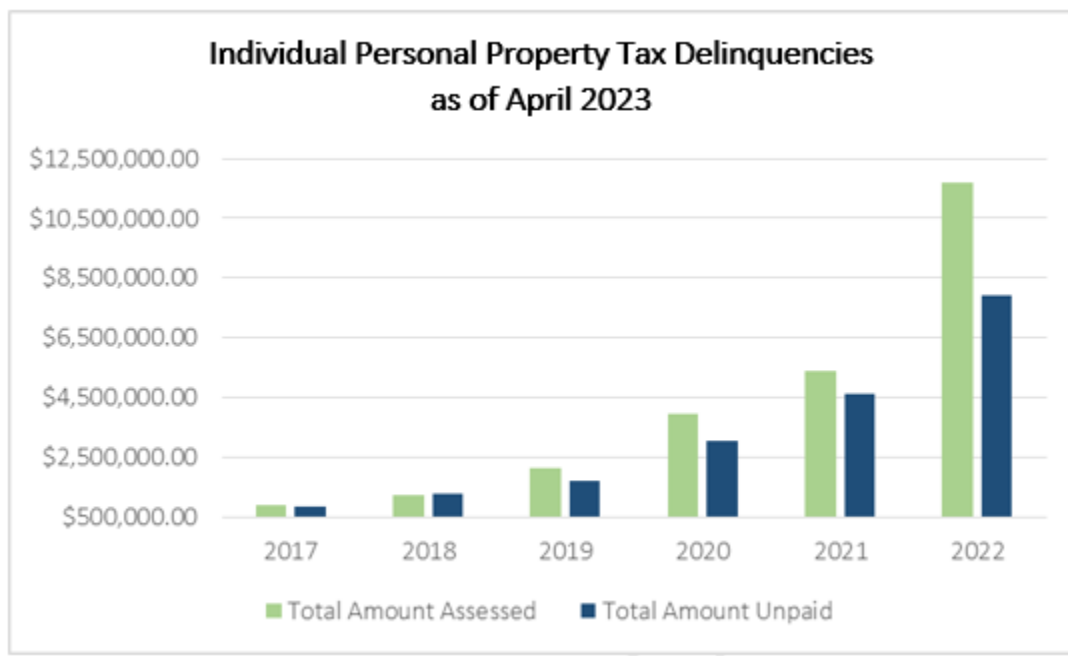
### *Finding #1 – Individual Personal Property Delinquent Collections*

#### **Condition:**

Personal property taxes are the second largest (behind real estate) local revenue source for the City and generate approximately 12% of the City's revenue.

#### All Delinquent Individual Personal Property Taxes

Below is the listing of all outstanding balances for individual personal property taxes delinquent for 2022 and prior as of April 2023 totaling approximately \$19.5 million. All readily identifiable businesses have been removed. The below figure includes license fees.



\*FY2020 had a 60-day accrual

\*\*CY2022 – The due date was moved back 60 days (6/5 to 8/5)

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## ***Richmond City Auditor's Report #2024-06***

### *Individual Motor Vehicle Personal Property Tax Assessment and Collections*

*December 5, 2023*

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#### 2022 Collection Actions on Prior Year Delinquencies

- 1) VRWs applied in 2022 for prior year (2017-2021) delinquencies. Of note, the auditor did not readily distinguish business personal property from individual personal property.

Tax Year	Number of VRW Holds Initiated in 2022
2017	4
2018	57
2019	76
2020	89
2021	802
<b>Total</b>	<b>1,028</b>

*Source: Auditor Prepared.*

- 2) In 2018, outsourcing of delinquent personal property accounts was stopped for any new accounts. The third-party collection agency continued collections on already received accounts and placed 2,629 liens during CY2022. These accounts include business and personal property accounts and are taxes from varying years.
- 3) During 2022, the Finance Department issued 343 collection action pending letters for delinquent prior year balances.
- 4) In November 2022, 81,379 taxpayers were sent to the State for DSO. The auditors did not verify which year the delinquent amounts related to nor if they were business or individual.

#### Delinquent Annual Individual Personal Property Taxes

The auditor reviewed the 2022 Tax Record and system payments and noted that as of October 5, 2022, approximately 55,000 individual annual personal property tax bills for 2022 were delinquent. The following other collection activities have been initiated in CY2022 for 2022 individual personal property tax bills.

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## ***Richmond City Auditor's Report #2024-06***

### *Individual Motor Vehicle Personal Property Tax Assessment and Collections*

*December 5, 2023*

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- 186 collection action pending letters were sent for delinquent accounts that included 2022 and prior years (not included in 343 above - #3)
- 235 VRW holds (applied through March 2023).

The auditor analyzed a random non-statistical sample of 50 annual delinquent individual personal property tax bills (25 with no payments and 25 with some payments) to test collection actions taken during CY2022. After removing nine that were abated and one that was in bankruptcy and two that paid prior to the 1<sup>st</sup> letter (leaving 38 for the sample), the collection activity results are as follows:

Collection Actions	*Count of the Action Taken	% Applied to the Delinquent Bills	Collection Action Timely in Accordance with Policy
1st Letter	36/38	95%	Yes
2nd Letter	0/36	0%	N/A
VRW Hold	0/34	0%	N/A
Debt Set Off (DSO)	31/31	100%	No

*\*Applicable sample counts decreased as bills were paid. (Ex: Two of the 40 bills were paid before 1<sup>st</sup> letter was applicable)*

- Of the 12 with DSO payments, one did not have a fee applied to the bill.

Although individual personal property taxes were not outsourced in 2022, the collection attorney continued collection activities on accounts received from prior years.

#### **Criteria:**

It is the policy of the City of Richmond to attempt to collect all delinquent taxes and fees owed to the City. The Finance Department may use all methodologies in accordance with the Code of Virginia to collect delinquencies, which include but are not limited to, collection letters, liens, and outsourcing accounts.

Department Collections Actions may include:

- Administrative fee for working account
- 2 delinquent letters (one at 30 days and one at 45 days)
- Liens

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## ***Richmond City Auditor's Report #2024-06***

### *Individual Motor Vehicle Personal Property Tax Assessment and Collections*

*December 5, 2023*

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- VRW holds at day 61
- Debt Set Off (DSO)
- Outsourcing to Collection Agency at 6 months

#### **Cause:**

The City is not fully utilizing all collection actions available for delinquent personal property taxes. Liens, administrative fees, and outsourcing of delinquencies were all suspended during COVID and were not started back in 2022.

Per the Department, due to staffing shortages, they have been unable to manage all delinquent personal property tax accounts. The Department indicated that accounts are worked from the highest dollar threshold to the lowest amount.

#### **Effect:**

The statute of limitations for personal property taxes is five years.

#### **Open Recommendation from Prior Audit:**

Auditors noted that there is an open recommendation from the previous delinquent collections and cash operations audit report on additional collection methods (i.e., plate reader, credit reporting, & publishing delinquent accounts) and will not issue new recommendations:

*Audit 2018-09 "Delinquent Collections & Cash Operations Units"*

- *The Director of Finance should implement **additional** collection methods that can enhance collections.*

#### **Recommendation:**

- 1) *We recommend the Department of Finance fully utilize appropriate collection methods and reinstate those suspended due to COVID for delinquent personal property taxes.*

# Richmond City Auditor's Report #2024-06

Individual Motor Vehicle Personal Property Tax Assessment and Collections  
December 5, 2023

## Finding #2: Individual Personal Property Assessments

### Condition:

The following is an overview of the different vehicle assessment methods used by the City:

<b>J.D. Power (NADA)</b> <ul style="list-style-type: none"><li>•Costing Guide Update Annually</li><li>•Clean Trade-In Value</li></ul>
<b>COST</b> <ul style="list-style-type: none"><li>•Value is not available in the J.D. Power Guide</li><li>•Value is calculated using date of purchase &amp; purchase price imported from the DMV (value is depreciated)</li><li>•Boats, Motorcycles, &amp; trailers</li></ul>
<b>SIG</b> <ul style="list-style-type: none"><li>•SIG-Significantly Older Vehicle (20 years old or older) absent a J.D. Power Clean Trade-In</li><li>•Value is calculated using the last known J.D. Power Guide value depreciated by \$100 each year to a minimum dollar threshold of \$100</li></ul>

The following table is a breakdown of the entire population of individual personal property assessments in 2022.

Assessment Method	Number of Assessments Using that Method
JD Power (NADA)	153,656
COST	33,288
Assessed \$0.00	657
Significantly Older Vehicles (SIG)	33,164
Mobile Homes *	40
Total	220,805

\*Excluded from testing

### 1 - JD Power – 153,656

For the main assessment method of JD Power, the auditors gained an understanding of the overall process and controls and subsequently tested a random non-statistical sample of 50 vehicles. No exceptions were noted.

The following special testing to identify exceptions was done on Cost, Assessed \$0, and SIG vehicles.



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## ***Richmond City Auditor's Report #2024-06***

### *Individual Motor Vehicle Personal Property Tax Assessment and Collections*

*December 5, 2023*

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## **2 - COST Method – 33,288 Vehicles**

A breakdown of the cost assessments for Individual Personal Property taxes are as follows:

<b>COST Method</b>	<b>Number of Assessments</b>
Included in the 2022 Assessment Error	11,706
Population for Review	21,582

During the 2022 annual personal property assessment process, 13,132<sup>1</sup> J.D. Power assessed values were overridden by the COST assessment method within the revenue system (MUNIS), therefore generating an inaccurate personal property tax bill. The system error was detected by Finance upon review of taxpayers' inquiries about the increase in their personal property tax bill in 2023. The Department of Finance sent a letter to affected taxpayers they identified.

The auditors selected a non-statistical random sample of 25 of these vehicles to review the accounts back to 2017 and see if the error predated the 2022 tax year. As noted in the following table, all of the other years (2017-2021) were assessed properly for the sample of 25.

<b>Assessments by Year</b>						
<b>Years</b>	2017	2018	2019	2020	2021	2022
<b># of New Vehicles</b>	3	3	2	7	0	0
<b>NADA Assessments</b>	10	13	16	18	25	0
<b>Cost Assessments</b>	3	3	2	7	0	25
<i>The number of new vehicles equated to the number of cost assessments in the system, which aligns with the process outlined by the department.</i>						

The non-statistical random sample of 25 did not reveal errors prior to 2022. However, the results cannot be projected to the population as a whole.

For the remaining COST assessments (**21,582**), the auditors reviewed the age of each vehicle as it would have been in CY2022 and noted 5,230 vehicles greater than 20 years old (SIG is usually applied at this time although exceptions may apply).

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<sup>1</sup> Includes Personal Property for businesses not covered in this audit.

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## ***Richmond City Auditor's Report #2024-06***

### *Individual Motor Vehicle Personal Property Tax Assessment and Collections*

*December 5, 2023*

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Next the auditors focused on two class codes (automobile & pickup truck) and noted 848 in which the SIG assessment method would have been applicable. Of the 13 individual vehicles randomly sampled (of 848), the following is a breakdown of the results:

- **11** out of **13** vehicles were assessed using the incorrect method. Due to the age of the vehicles in 2022, they should have been assessed using the SIG method.
- **2** out of **13** vehicles changed ownership in 2022 and the assessments for the year were assessed part of the year incorrectly as COST and the other SIG.

### **3 - Assessed \$0 – 657 Vehicles**

Five VINS were noted as having multiple assessments of \$0. Out of **10** assessments, the correct assessment method was used **4** times and the correct assessment amount was calculated **1** out of 10 times.

A random sample of 6 (of 10) vehicles identified as DMV Deletes was reviewed and the following was noted:

- Five had no tax liability, therefore no assessment method to evaluate.
  - Three out of five were charged vehicle licensing fees (1 prorated & 2-full year), which should have been abated.
- One was assigned SIG and should have been assessed.

A population of vehicles billed \$0.00, not on the DMV delete file, in the City at least half a year, and should have had an assessment method (i.e., auto or panel/pickup truck) were identified (**141**). A sample of 7 noted:

- All 7 had abatements removing the tax liability.
- All 7 were charged license fees in error
  - 6 were charged a full-year vehicle licensing fee
  - 1 was charged a partial-year vehicle licensing fee.

### **4 - SIG Method - 33,164 Vehicles**

The auditors reviewed vehicles assessed using the SIG method. In order to perform an anomaly review, the age of the vehicles was calculated as it would have been in CY2022 and found 35 (only

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## ***Richmond City Auditor's Report #2024-06***

### *Individual Motor Vehicle Personal Property Tax Assessment and Collections*

*December 5, 2023*

---

a tenth of one percent) vehicles less than 20 years old were identified as having been assessed using the SIG method. Based on a sample of 10 identified anomalies, the results are as follows:

- 0 out of 10 assessments were correct for 2022.
  - 5 changed to NADA in 2023.
  - 1 stayed as SIG in 2023, the age of the vehicle in 2023 would have been 20 years old.
  - 2 moved out of the City in 2023 therefore the assessment methods were not available.
  - 2 were assessed using the COST method in 2023.

#### **Criteria:**

- Per VA Code § 58.1-3503 (A) (3) *“Automobiles, except those described in subdivisions 7, 8, and 9 of this subsection and in subdivision A 8 of § 58.1-3504, which shall be valued by means of a recognized pricing guide or if the model and year of the individual automobile are not listed in the recognized pricing guide, the individual vehicle may be valued on the basis of percentage or percentages of original cost. In using a recognized pricing guide, the commissioner shall use either of the following two methods. The commissioner may use all applicable adjustments in such guide to determine the value of each individual automobile, or alternatively, if the commissioner does not utilize all applicable adjustments in valuing each automobile, he shall use the base value specified in such guide which may be either average retail, wholesale, or loan value, so long as uniformly applied within classifications of property. If the model and year of the individual automobile are not listed in the recognized pricing guide, the taxpayer may present to the commissioner proof of the original cost, and the basis of the tax for purposes of the motor vehicle sales and use tax as described in § 58.1-2405 shall constitute proof of original cost. If such percentage or percentages of original cost do not accurately reflect fair market value, or if the taxpayer does not supply proof of original cost, then the commissioner may select another method which establishes fair market value.”*
- Per Department of Finance Policy *“Annual Personal Property Tax Billing”* value – the fair market value determined by the method prescribed in the Code of Virginia (noted above) e.g. recognized pricing guide (N.A.D.A Clean Trade-In Value), percentage(s) of original cost or city SIG (Significant Identification) file for vehicles no longer in the N.A.D.A Guide.
- Vehicles are to be assessed using J.D. Power values unless they are not available. Newer vehicles are assessed using the COST method until a J.D. Power (N.A.D.A) value becomes

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## ***Richmond City Auditor's Report #2024-06***

### *Individual Motor Vehicle Personal Property Tax Assessment and Collections*

*December 5, 2023*

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available. If a vehicle is 20 years old or older, the City uses the "SIG" method which assigns the last known J.D. Power value minus \$100 per year down to a minimum dollar threshold of \$100.

#### **Cause:**

In relation to the COST/NADA errors, the Finance Department identified the system issue. Additionally, the Finance Department does not have:

- A process to capture variations in the assessment methods from year-to-year. For example, if a vehicle was J.D. Power one year and the next year it pulled in as COST there is not a process to capture the change,
- A Quality Assurance review process for assessments made by staff,
- Review process for VIN histories,
- A control in place to review if/when the assessment of a vehicle is overridden by personnel in the tax office.

#### **Effect:**

Taxpayers may be billed incorrectly leading to lost tax revenue for the City. Based on the exception testing, the auditors noted 5,922 potential assessment exceptions which represents 3% of the total population (220,805) and 11% of the population using exceptions testing (55,403).

*See Finding #5, Recommendation #5 (a).*

### ***Finding #3: Penalty & Interest***

#### **Condition:**

In 2022, the due date for personal property taxes was amended from June 5, 2022, to August 5, 2022. The Auditors noted some of the penalties and interest paid by the taxpayers for individual personal property were calculated erroneously. A random non-statistical sample of 41 delinquent accounts was reviewed and it was found that the penalty was calculated accurately in all but one. For the one, a portion of the tax was abated, but the penalty was not adjusted to the new amount when the taxpayer paid the bill.

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## ***Richmond City Auditor's Report #2024-06***

### *Individual Motor Vehicle Personal Property Tax Assessment and Collections*

*December 5, 2023*

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In addition, the auditor individually reviewed personal property tax payments made in 2022 from the original due date (6/5) through the amended due date (8/5) and noted 444 bills included a penalty. Upon testing a random sample of 10 (of 444), 6 were noted to have errors as a penalty should not have been applied.

The auditors tested 5 delinquent accounts paid in full and noted the interest was calculated back to the original due date if not paid on time. The department confirmed the interest was set to calculate back to the original due date for all annual delinquent individual personal property bills.

***\*Non-Statistical samples cannot be extrapolated to the population as a whole.***

#### **Criteria:**

- Ordinance No. 2022-156 updated the due date for Personal Property Tax to August 5, 2022 for CY2022.
- City Code Section 26-431 (b) states *“Interest on such unpaid taxes shall be charged annually at the rate of ten percent from the day following the due date of the year or month in which the taxes become due and payable.”*

#### **Cause:**

Due to the timing of the due date change, personal property bills were already mailed to taxpayers as required by Virginia code. Within the revenue system (MUNIS), the waiver to remove penalty and interest was not effective for all accounts.

#### **Effect:**

The Department of Finance was made aware of the penalty and interest issue and provided the following information:

Category	Number of Tax Bills	Percent of the Population
Population of Bills Needing Corrections	24,581	16.89%
Population Corrected by Background Mass Date Change	41,476	28.50%
Total	66,057	45.39%

*Auditor Prepared*

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## ***Richmond City Auditor's Report #2024-06***

*Individual Motor Vehicle Personal Property Tax Assessment and Collections*

*December 5, 2023*

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***Note: This includes business personal property.***

Additionally, \$16,024 in penalties on 444 bills were applied prior to the due date.

***Recommendations:***

- 2) We recommend the Director of Finance refund erroneously assessed (by the system) interests on individual personal property tax bills from 6/7/2022 to 8/7/2022.*
- 3) We recommend the Director of Finance review individual personal property tax accounts with a penalty assessed before the due date (8/5) to verify the penalty was appropriate and make corrections.*

### ***Finding #4: Billing Taxes & License Fees***

**Condition:**

During the audit, a total of 220,805 vehicles totaling approximately \$56.6 million (pre-PPTR) were billed for personal property taxes to individuals. The auditors noted supplemental bills were not timely (within 60 days of situs or June 5<sup>th</sup> whichever is later) as the last ones were not issued until March 2023. The table below shows the billings for 2022.

<b>Bill Statement Date:</b>	<b>Due Dates:</b>	<b>Period Covered</b>
<b>5/10/2022</b>	6/5/2022	Annual M/V Property Bills
<b>5/17/2022</b>	6/5/2022	Annual Lease M/V Personal Property Bills
<b>7/29/2022</b>	8/29/2022	Supplemental M/V Bills (January-May)
<b>9/1/2022</b>	10/14/2022	Supplemental M/V Bills (June-July)
<b>11/9/2022</b>	12/27/2022	Supplemental Lease M/V Bills (January-July)
<b>2/14/2023</b>	3/31/2023	Supplemental M/V Bills (August-October)
<b>2/24/2023</b>	4/10/2023	Supplemental Lease M/V Bills (August-December)
<b>3/20/2023</b>	4/21/2023	Supplemental Bills M/V (November-December)

*Source: Prepared by Auditor*

The following table demonstrates a breakdown of how the 220,805 vehicles belonging to individuals were billed:

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## ***Richmond City Auditor's Report #2024-06***

*Individual Motor Vehicle Personal Property Tax Assessment and Collections  
December 5, 2023*

---

Bill Type	# of Vehicles	Total Tax Pre PPTR
Billed \$0	18,563	\$ -
Billed all 12 Months	140,339	\$ 44,161,391
Billed for Partial Months	61,903	\$ 12,472,632
<b>TOTAL</b>	<b>220,805</b>	<b>\$ 56,634,023</b>

Source: Prepared by Auditor

### The following special testing to identify exceptions was done on Billing.

A review of the billings resulted in the following<sup>2</sup>:

#### **Billed all 12 Months**

- The application of the billing process was accurate in 140,286 of 140,300<sup>3</sup> individual vehicles billed for the entire year.
- A small number of 14 Vehicles were erroneously billed even though they were exempt due to a class code error.

#### **Billed \$0**

The auditor analyzed the population of 18,563 individual personal property tax bills billed \$0 and determined that 18,329 could be readily justified, with 234 outliers or potential exceptions. The table below notes the breakdown.

Reason for Justification	# of Vehicles	% of Population
Assessed \$0	552	3%
Less than half a month	17,306	93%
Tax Exempt	471	3%
Potential Exceptions (sampled)	234	1%
<b>Total:</b>	<b>18,563</b>	<b>100%</b>

Source: Prepared by Auditor

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<sup>2</sup> This testing was of the billing process itself, not the assessment process.

<sup>3</sup> 39 Mobile homes were removed from population.

## ***Richmond City Auditor's Report #2024-06***

### *Individual Motor Vehicle Personal Property Tax Assessment and Collections*

*December 5, 2023*

The auditors reviewed a random sample of 15 listed as tax-exempt (471 to verify exemptions (5 antiques, 5 disabled veterans, 5 exempt status) and 10 from the potential exceptions (234) to understand why they were not billed. The tables below note the observations.

Accurately Billed \$0	Number	Explanations
Yes	2	1 had situs less than half a month 1 vehicle was a church vehicle
No	4	3 class code errors 1 proration error
CNC	4	The auditor did not receive support for these as of 9/7/23

*Source: Prepared by Auditor*

Justified as exempt	Number	Explanations
Yes	5	5 justified as antique vehicles
No	1	1 granted tax-exempt status in error
CNC	9	The auditor could not conclude as the department unable to provide documentation as of 9/7/23

*Source: Prepared by Auditor*

### **Partial Year**

The auditors analyzed the entire population of individuals billed for a portion of CY2022 (61,903). The auditors noted no additional findings outside the proration issue identified in the prior audit and two vehicles that did not receive the correct tax amount due to a manual entry error.

Taxes	# of Vehicles	% of Population	Amount not charged to Taxpayer
Tax Correct	60,489	98%	-
Tax Off due to Proration	1,411	2%	\$55,796 (not including applicable PPTR Reductions)
Removed as N/A	1	0%	-
Potential Exceptions (Sample Picked)	2	0%	-

*Source: Prepared by Auditor*

### **Duplicates**

The auditors reviewed all of the individual personal property tax bills and identified 12 vehicles billed twice for the same periods based on VINs and title numbers.



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## ***Richmond City Auditor's Report #2024-06***

### *Individual Motor Vehicle Personal Property Tax Assessment and Collections*

*December 5, 2023*

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- 4 of 12 were erroneously assessed twice (confirmed by the Department)
- 2 of 12 had duplicate accounts manually added in error (confirmed by the Department)
- 6 of 12 no information was provided to the auditor to explain the reason for the duplicate as of 9/7/2023.

#### **License Fees**

The auditor tested to determine if license fees were correct and accurate in a random non-statistical sample of 30. Only 1 fee was incorrectly charged due to inaccurate proration which is an open recommendation. No new issues were noted. Results of this test cannot be extrapolated to the entire population.

License Fee Type	Fee Amount	# of Correct Fees Charged
Motorcycle	\$28.74	1/1
Passenger Veh. <= 4,000 lbs.	\$40.74	22/23
Passenger Veh. > 4,000 lbs.	\$45.74	6/6

*Source: Prepared by Auditor*

#### **Criteria:**

According to City Code Sec. 26-459 (F)(2), "taxes shall be due within 60 days of the property achieving situs in the City or June 5 of the tax year, whichever is later".

Pursuant to the Code of VA § 58.1-3516 a taxpayer is billed the whole month if they are present for at least half the month. Therefore, vehicles that moved into the City prior to January 15 of each tax year are billed for the full 12 months of the tax year, and Vehicles that acquire situs in the City after the annual billing cycle shall receive a prorated bill through the supplemental billing process. Per the Department's policy, the 15<sup>th</sup> is used as the proration for personal property taxes.

Pursuant to City Code Sec. 26-977, any vehicle present prior to July 1 will be charged 100% of the license fee. Anyone arriving after July 1 will be charged 50% of the applicable license fee.

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## ***Richmond City Auditor's Report #2024-06***

*Individual Motor Vehicle Personal Property Tax Assessment and Collections*

*December 5, 2023*

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### **Cause:**

Proration is a system issue still being worked on as it was a finding from a prior audit. Quality assurance review processes need enhancements to identify outliers or review bills once the bills are generated and worked.

### **Effect:**

Supplemental bills were not sent to the taxpayers monthly. Not sending bills timely can lead to increased amounts due to the city.

### ***Open Recommendation from Prior Audit:***

Auditors noted that there is an open recommendation from the previous billings and collections audit report on proration noted below therefore the auditors will not issue new recommendations:

### ***Audit 2018-12 "Vehicle Personal Property Unit"***

- *The Director of Finance needs to ensure that the setup and application of the revenue system reflects the City Code and Code of Virginia regarding the proration of taxes (15<sup>th</sup> of the month).*
- *The Director of Finance needs to ensure compliance with the City Code and Code of Virginia in regard to the proration of vehicle license fees.*

### ***Recommendations:***

- 4) We recommend the Director of Finance ensure supplemental personal property tax bills are issued timely.*

*For recommendation on \$0 Bills and Duplicate Vin and Title review process, see Finding #5, Recommendation #5 (b).*

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## ***Richmond City Auditor’s Report #2024-06***

*Individual Motor Vehicle Personal Property Tax Assessment and Collections*

*December 5, 2023*

---

### Finding #5: Personal Property Tax Relief (PPTR)

#### Condition:

#### Businesses/More than 10,000lbs

PPTR is designated for individual personal property, weighing up to 10,000 lbs., not businesses. The auditors reviewed the population of 37,662 non-leased vehicles added through DMV data in 2022.

The auditor compared vehicles weighing over 10,000 lbs. to the 2022 tax record to determine if the taxpayer received PPTR. Only one issue was noted and that was due to inaccurate DMV data. In 2022, the population of 15,668 vehicles were noted as a business in the tax record. The auditors reviewed the population to see if they were given PPTR. Upon review, 79 were given PPTR and the auditors selected a random sample of 10. After reviewing, the auditors noted:

- Three were classified as “Business Owner Type” in 2022 Tax Record, however, upon further review they were individuals.
- Seven indicate that the “owner” of the vehicle is either a leasing company, bank, or trust. The department was able to show DMV established the vehicle as eligible for PPTR.

#### Individuals

#### **Billed All 12 Months**

The auditors reviewed vehicle class codes for 140,300 individual vehicles billed for the entire year to look for potential exceptions in the application of PPTR. The following table notes the auditor’s observations:

PPTR Category	# of Vehicles	% of Population
Correctly Applied	132,712	94%
Potential exceptions (sampled)	913	1%
N/A – Didn’t Qualify	6,675	5%
<b>Total</b>	<b>140,300</b>	<b>100%</b>

*Source: Prepared by Auditor*

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## ***Richmond City Auditor's Report #2024-06***

### *Individual Motor Vehicle Personal Property Tax Assessment and Collections*

*December 5, 2023*

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Only 1% were flagged as potential exceptions. The auditor analyzed a random sample of 14 of the 913 potential exceptions. Of the 14, 4 were given PPTR and 10 did not receive PPTR. The observations were as follows:

- Four that received PPTR:
  - Three trailers were given PPTR in error when the motor vehicle record was created.
  - Exempt Vehicle that was billed and given PPTR due to incorrect class code selection.
- Ten that didn't receive PPTR:
  - Eight vehicles were not given PPTR in error.
  - Two vehicles did not qualify for PPTR due to weight exceeding 10,000 lbs.

#### **Partial Year**

The auditors reviewed vehicle class codes for 61,903 individual vehicles billed for a partial year to look for potential exceptions in the application of PPTR. The following table notes the auditor's observations:

<b>PPTR</b>	<b># of Vehicles</b>	<b>% of Population</b>	<b>PPTR not applied to Customer</b>
<b>PPTR Received Correctly</b>	58,630	95%	-
<b>PPTR Incorrect Due to Proration</b>	1,362	2%	\$21,206
<b>PPTR Not Applicable</b>	1,316	2%	-
<b>Potential Exceptions (Sampled)</b>	595	1%	-
<b>Total</b>	61,903	100%	-

*Source: Prepared by Auditor*

The auditors tested a random sample of 13 of the 595 potential exceptions.

- Two had incorrect PPTR as the original tax was calculated incorrectly.
- Eight were erroneously not given PPTR.
- Three did not receive PPTR due to the imported weight from DMV being incorrect.

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## ***Richmond City Auditor's Report #2024-06***

*Individual Motor Vehicle Personal Property Tax Assessment and Collections*

*December 5, 2023*

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### **Criteria:**

Pursuant to VA Code § 58.1-3523 qualifying PPTR vehicles include the following:

- Passenger cars
- Motorcycles
- Autocycles
- Pickup (Panel) trucks<sup>4</sup>

Additionally, vehicles must be privately owned, leased pursuant to a contract requiring the lessee to pay the tangible personal property tax, or held in a private trust for non-business purposes. In determining if a vehicle qualifies for such relief, the locality must rely on the registration of such vehicle with the Department of Motor Vehicles (DMV), unless there is evidence that the information provided is incomplete or incorrect.

### **Cause:**

The City, like other local governments in Virginia, relies on DMV data. This data is not always accurate and can cause subsequent billing errors. The current revenue system (MUNIS) is not capable of flagging the anomalies noted in this finding.

The Department is aware of the proration issue from a prior audit.

### **Effect:**

Less than one percent of taxpayers could be receiving an inaccurate application of PPTR as ineligible taxpayers could be receiving the relief while taxpayers that qualify are not receiving it.

### **Open Recommendation:**

As noted in the Billing Finding, a recommendation is open in regard to proration.

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<sup>4</sup> Defined as used for the transportation of property having a registered gross weight of 7,500 lbs. or less or for personal use, designed to transport property as having a gross weight not in excess of 10,000 lbs.

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## **Richmond City Auditor’s Report #2024-06**

*Individual Motor Vehicle Personal Property Tax Assessment and Collections*

*December 5, 2023*

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### **Recommendation:**

- 5) *We recommend the Director of Finance develop and implement a quality assurance process to:*
- a. reduce the likelihood of assessment errors in the future.*
  - b. review \$0 Bills and duplicate VIN and titles prior to sending them out to taxpayers, and*
  - c. detect errors with the new system for PPTR applications.*

### **Finding #6: Supplemental Data for Individual Personal Property Tax Inclusion**

#### **Condition:**

The DMV add (move-in) file imported using the “Import Utility” does not always capture accurate locations of addresses inside or outside of the City Limits. In 2022 there were 35,998 individuals on the DMV add (move-in) file. Of those, 2,586 (7%) addresses were identified as the City of Richmond by DMV, however, were located outside of the City Limits (as seen in the following map). The auditors noted the net tax due for the addresses located outside the City limits and found that **890** had a net tax of more than \$0 and totaled approximately **\$78,000** of net taxes.

The Auditor reviewed a sample of 10 with the highest net tax amount assessed and noted the following results:

Address	Outside City Limits	Net Tax	2023 Tax Bill
1	Yes	\$1,322.57	No
2	Yes	\$764.98	No
3	Yes	\$865.49	No
4	Yes	\$913.89	No
5	Yes	\$1,384.69	No
6	Yes	\$1,308.57	No
7	Yes	\$782.29	No
8	Yes	\$5,794.20	No
9	Yes	\$1,474.01	No
10	Yes	\$913.72	No
<b>Total</b>		<b>\$15,524.41</b>	

Source: Prepared by Auditor

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## ***Richmond City Auditor's Report #2024-06***

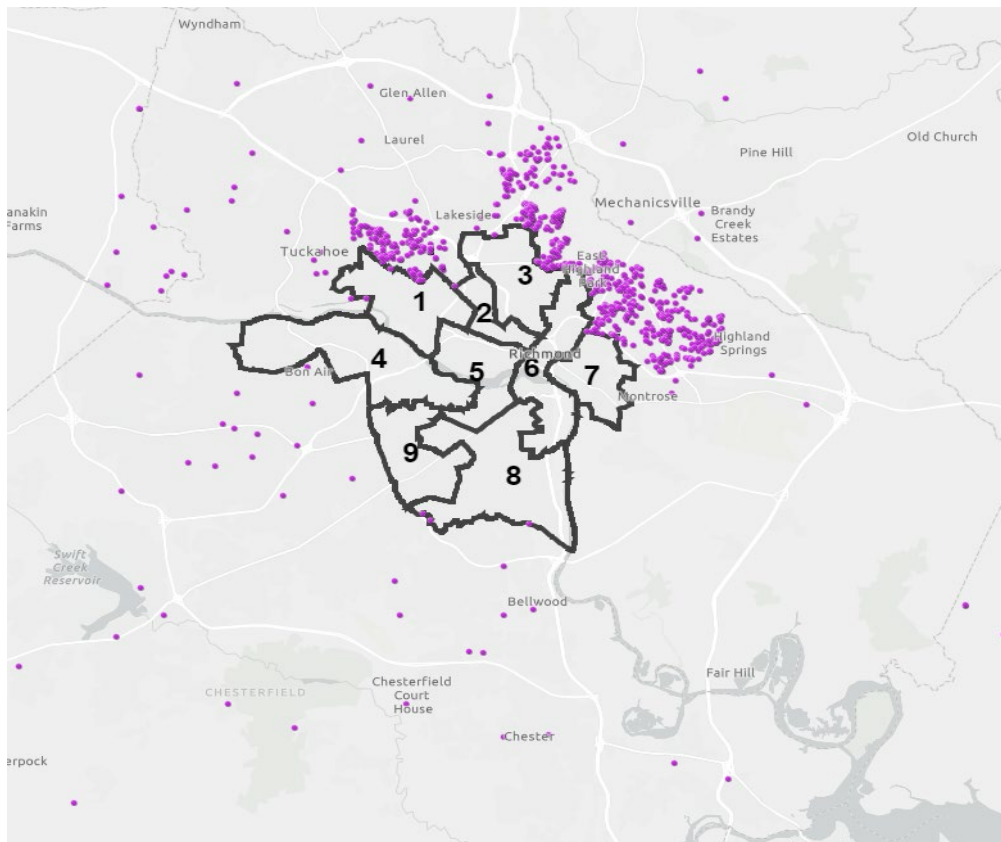
### *Individual Motor Vehicle Personal Property Tax Assessment and Collections*

*December 5, 2023*

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A review of these accounts in the revenue system prior to 9/7/2023 indicated that some of them still had a delinquent amount due, some had been sent to collections and some were paid in full.

#### **Located Outside of the City Limits**



Source: Prepared by Auditor

#### **Criteria:**

According to the Code of Virginia § 58.1-3511 “the situs for the assessment and taxation of tangible personal property, merchants’ capital machinery and tools shall in all cases be the county, district, town or city in which such property may be physically located on the tax day. However, the situs for purposes of assessment of motor vehicles, travel trailers, boats, and airplanes as personal property shall be the county, district, town, or city where the vehicle is normally garaged, docked, or parked; except, (i) the situs for vehicles with a weight of 10,000 pounds or less registered in Virginia but normally garaged, docked or parked in another state shall be the locality in Virginia where registered; and (ii) if the owner of a business files a return pursuant to § 58.1-3518 for any vehicle with a weight of 10,000 pounds or less registered in Virginia and used in the business with the locality from which the use of such vehicle is directed or controlled and in which the owner's business has a definite place of business, as defined in § 58.1-3700.1, the situs for

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## ***Richmond City Auditor's Report #2024-06***

### *Individual Motor Vehicle Personal Property Tax Assessment and Collections*

*December 5, 2023*

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*such vehicles shall be such locality, provided such owner has sufficient evidence that he has paid the personal property tax on the business vehicles to such locality. Any person domiciled in another state, whose motor vehicle is principally garaged or parked in this Commonwealth during the tax year, shall not be subject to a personal property tax on such vehicle upon a showing of sufficient evidence that such person has paid a personal property tax on the vehicle in the state in which he is domiciled. In the event it cannot be determined where such personal property, described herein, is normally garaged, stored, or parked, the situs shall be the domicile of the owner of such personal property. However, in the event that a motor vehicle is used by a full-time student attending an institution of higher education, and such use establishes that the motor vehicle is normally garaged at the location of the institution of higher education, the situs shall be the domicile of the owner of the motor vehicle, provided the owner presents sufficient evidence that he has paid a personal property tax on the motor vehicle in his domicile, upon request of the locality of the institution of higher education."*

#### **Cause:**

DMV data is not always accurate and contains the wrong garage jurisdiction. Some mailing addresses in the Richmond region have Richmond in the City name but are actually located outside City boundaries. The Finance Department uses an Import Utility to import addresses into the City's revenue system for personal property tax billing. During 2022, there was no automated process in place to ensure that addresses provided by the DMV were actually within the confines of the City Limits.

#### **Effect:**

Taxpayers assessed individual personal property taxes who do not live in the City, but the DMV data list the garage jurisdiction as the City of Richmond. The City may collect money that may belong to another locality and other localities may also have this situation occur.

#### ***Recommendation:***

- 6) We recommend the Director of Finance periodically review those accounts where the owner's address is outside of the City limits but the vehicle is listed as garaged within the City.*



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## ***Richmond City Auditor's Report #2024-06***

*Individual Motor Vehicle Personal Property Tax Assessment and Collections*

*December 5, 2023*

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### ***Finding #7: RVA311 Service Request Timelines***

#### **Condition:**

Service requests are submitted through RVA311 when a City Department must take action. The Finance Department does not complete service requests timely. In CY2022 RVA311 received approximately 9,952 service requests pertaining to personal property taxes. The average time it took from initiating service requests to the closure of the service was **118 days** with a monthly average ranging from **60 days** to **198 days**.

Month	# of Service Request	Average Duration (days)
Jan	395	94
Feb	313	177
Mar	299	138
Apr	461	109
May	2,493	198
Jun	1,623	167
Jul	598	126
Aug	878	105
Sep	1,328	101
Oct	935	73
Nov	328	60
Dec	301	70
Total	9,952	118

*Source: Prepared by Auditor*

RVA311 empowers citizens to get non-emergency services needs met. Taxpayers can submit requests for information or assistance/services by submitting requests via telephone, online, or mobile. Service requests are worked on and closed out by the respective City Department.

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## ***Richmond City Auditor’s Report #2024-06***

### *Individual Motor Vehicle Personal Property Tax Assessment and Collections*

*December 5, 2023*

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#### **Criteria:**

One of the Department of Finance’s strategic goals for 2022 was to “Be the departmental model for external and internal customer satisfaction in the City of Richmond” with the objective of reducing external customer confusion by “enhancing responsiveness at all levels of government”. Additionally, the Department of Finance has standardized performance metrics depicted below:

Customer Service	Target to Complete (calendar days)
Vehicle Personal Property	60

#### **Cause:**

Staffing shortages contribute to daily workload management and prioritization.

#### **Effect:**

Residents who contact the City through RVA311 are not getting service requests for personal property tax resolved timely. This can result in dissatisfied taxpayers and increased workloads due to multiple requests.

#### **Recommendation:**

- 7) We recommend the Director of Finance address service requests in line with performance measures.*

#### **Other Findings:**

##### ***Personal Property & Delinquent Collections Related Policies & Procedures***

Policies and procedures should be updated to ensure compliance with statutes and internal controls. Within Finance, a review and update occur when certain codes and laws change. The auditors reviewed 34 personal property tax and delinquent collections-related SOPs and noted variances from current procedures. Personal Property policies and procedures were not

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## ***Richmond City Auditor's Report #2024-06***

*Individual Motor Vehicle Personal Property Tax Assessment and Collections*

*December 5, 2023*

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reviewed and updated, as per Finance's standard. Updated policies and procedures ensure compliance with statutes and internal controls, however, if not updated timely, inconsistencies may occur in work output. Details of those variances have been shared with the Finance Department.

### ***Vehicle Attributes***

The current assessment process does not include add-on features as the system does not have the capability to perform these assessments. Using vehicle attributes tied to the Vehicle Identification Numbers (VIN) assists in getting the most accurate assessments for personal property. With the current process, the City could be losing out on revenue from assessments. Finance staff indicated they are looking to add an Application Programming Interface (API) in the new system which ties to VINs.

#### ***Recommendations:***

- 8) We recommend that the Director of Finance update personal property and delinquent collections policies and procedures regularly to ensure they align with current processes.***
- 9) We recommend the Director of Finance explore the feasibility of differentiating vehicle attributes for the assessment of vehicle values in the revenue system.***

**APPENDIX A: MANAGEMENT RESPONSE FORM**

**2024-06 Finance - Individual Motor Vehicle Personal Property Tax Assessment and Collections audit**

#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
1	We recommend the Department of Finance fully utilize all appropriate collection methods and reinstate those suspended due to COVID for delinquent personal property taxes.	<b>N</b>	<p>Certain collection methods were suspended during the pandemic from March of 2020 until July of 2020. When the Finance Department employees returned to work in July of 2020 collection activities resumed.</p> <p>From Tax Year 2022 - 2023 Personal Property Tax collections have increased by 18.6% which represents an Eleven Million Dollar increase in delinquent tax collections. As a percentage of total tax bills, collections for tax year 2023 stands at 107.8%</p> <p>The Finance Department will continue in accordance with the Code of Virginia and the guidelines outlined by the Treasurers Association of Virginia, by selecting the most appropriate method for collection.</p>
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
			N/A
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
2	We recommend the Director of Finance refund erroneously assessed (by the system) interests on individual personal property tax bills from 6/7/2022 to 8/7/2022.	<b>Y</b>	The Finance Director agrees with the recommendation and has completed the plan for the remediation.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director of Finance		31-Mar-24
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
3	We recommend the Director of Finance review individual personal property tax accounts with a penalty assessed before the due date (8/5) to verify the penalty was appropriate and make corrections.	<b>Y</b>	The Finance Director agrees with the recommendation and has completed the plan for the remediation.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director of Finance		31-Mar-24
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
4	We recommend the Director of Finance ensure supplemental personal property tax bills are issued timely.	<b>Y</b>	The Finance Department is in compliance with the Code of Virginia and the local ordinance governing assessment of supplemental and billing of personal property taxes.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director of Finance		Fiscal Year 2025
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION

**APPENDIX A: MANAGEMENT RESPONSE FORM**

**2024-06 Finance - Individual Motor Vehicle Personal Property Tax Assessment and Collections audit**

#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
5	We recommend the Director of Finance develop and implement a quality assurance process to:  a.reduce the likelihood of assessment errors in the future. b.review \$0 Bills and duplicate VIN and titles prior to sending them out to taxpayers, and c.detect errors with the new system for PPTR applications.	<b>Y</b>	The Finance Department has a process for reviewing bills prior to mailing. However, please note over 220,000 bills are produced and the review was a very manual process which left a large margin for error. This process has now been automated with the implementation of RVAPay. The revisions, improvements, and automation are included in the system's requirement document shared with the auditor.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director of Finance		Completed
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
6	We recommend the Director of Finance periodically review those accounts where the owner's address is outside of the City limits but the vehicle is listed as garaged within the City.	<b>Y</b>	The Finance Department is in compliance with the Code of Virginia and the local ordinance governing the determination of situs.  The Finance Department will incorporate the enhancement to the current process by sending a tangible personal property filing form to all citizens prior to the annual personal property billing. (Form PP-xx Return of Tangible Personal Property)
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director of Finance		Fiscal Year 2025
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
7	We recommend the Director of Finance address service requests in line with performance measures.	<b>N</b>	Since, 2021 the Director has met regularly with the leadership team to address the departments key performance measures. Where staffing has been identified as a root cause, staffing plan(s) have been developed and executed to address: (1) staff retention and (2) augmentation. Other customer service enhancements such as RVA Pay have rolled out to improve the customer experience. Additionally, customer service metrics have improved year over year. The department looks forward to continually improving in the area of customer service.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director of Finance		N/A
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
8	We recommend that the Director of Finance update personal property and delinquent collections policies and procedures regularly to ensure they align with current processes.	<b>Y</b>	The Director of Finance agrees with the recommendation.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director of Finance		30-Jun-24
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION

**APPENDIX A: MANAGEMENT RESPONSE FORM**

**2024-06 Finance - Individual Motor Vehicle Personal Property Tax Assessment and Collections audit**

#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
9	We recommend the Director of Finance explore the feasibility of differentiating vehicle attributes for the assessment of vehicle values in the revenue system.	Y	The Finance Department has already programed the new revenue administration system (RVAPay) to receive a file that contains vehicle attributes. A cost benefit analysis will be performed to determine whether using a vehicle attribute file will produce enough revenue to justify the recurring costs associated with acquiring the file each time a billing is done.
	<b>TITLE OF RESPONSIBLE PERSON</b>		<b>TARGET DATE</b>
	Director of Finance		30-Jun-24
	<b>IF IN PROGRESS, EXPLAIN ANY DELAYS</b>		<b>IF IMPLEMENTED, DETAILS OF IMPLEMENTATION</b>