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Contact: diane.shinn@dc.gov, 202-727-8991

Auditor: 2015 Mismanagement of Vacant/Blighted Program Cost Close to \$1M
Although improvements have since been made, analysis of only 31 properties means financial impact could be much higher

WASHINGTON, Sept. 21, 2017—Mismanagement in 2015 of the District’s program that oversees vacant and blighted property—including improper granting of exemptions, not following legal requirements, errors in communication regarding property taxes, and weaknesses in processes related to occupied status—resulted in almost \$1 million in lost potential revenue in a small sample of properties, according to a report released today by the Office of the D.C. Auditor (ODCA).

“With anywhere from 1,000 to 3,000 vacant properties in the District of Columbia, and the fact that our sample was just 31 properties in one tax year, doing the math was troubling. The real fiscal impact is obviously far greater,” said D.C. Auditor Kathy Patterson. “We know that reforms have been instituted since 2015, and we have developed recommendations in this report that are intended to support program reforms and curtail any further lost revenue.”

The audit began after ODCA surveyed Advisory Neighborhood Commission members on which agencies and programs needed improvement. Commissioners cited vacant and blighted properties as a major concern, which has been echoed by D.C.’s elected officials.

In fact, the District’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. The audit 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 program’s impact on the community and revenue.

Two major examples of DCRA’s mismanagement and the associated lost revenue figures for the sample properties are:

Improper granting of exemptions = \$733,550. DCRA improperly granted exemptions in 12 out of 31 sample property owners, including exemptions for those who missed deadlines outlined in the D.C. code, were not in compliance with the legal criteria for an exemption, and those who exceeded the three-year limit on exemptions.

Not following legal requirements = \$148,442. DCRA did not follow D.C. Code, resulting in lost revenue and delays in returning properties to productive use, by improperly sending notices of infraction, failing to consistently send owners notices following inspections, and not referring any of the property owners in the study to the Office of the Attorney General for a \$1,000 penalty.

The Auditor recommends that DCRA:

- End the granting of special exemptions.
- Update/replace its management information system, along with its website and correspondence.

- Issue detailed regulations based on D.C. Code, and train staff accordingly.
- Address how tax appeals should be categorized for the purpose of exemption limits.

The Auditor recommends that OTR:

- Implement its internal auditor’s recommendation to ensure that periodic reconciliations of billing are conducted.
- Request only one set of bulk lists from DCRA for each billing cycle.
- Develop SOPs that identify timelines for referring properties to DCRA for inspection.

The Auditor also recommends that DCRA and OTR execute a written agreement that outlines the responsibilities and timelines of each agency related to the classification and billing of vacant and blighted properties. In addition, the report recommends that Mayor Muriel Bowser continue the administration’s efforts to strengthen DCRA’s management of the vacant and blighted property program.

In selecting the property sample for the audit, ODCA found that some properties suggested by Advisory Neighborhood Commissions were not on the DCRA list of vacant and blighted properties. The DCRA list of vacant and blighted properties was subsequently determined by ODCA to be unreliable.

In addition to the financial consequences of mismanagement of the vacant and blighted property program, there were significant negative consequences for neighborhoods: 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.

“It’s important for this program to run efficiently and follow its mission to investigate and classify vacant and blighted properties, communicate effectively with the property owners, and ensure that property taxes are billed accurately to prompt action and return properties to productive use,” Patterson said.

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