REVIEW OF TRAVIS COUNTY PROPERTY TAX PENALTIES AND INTEREST

NOVEMBER 25, 2019

Travis County Auditor's Office

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To: Bruce Elfant
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From: Patti Smith, CPA
Travis County Auditor

Date: November 25, 2019

Re: Review of Travis County Property Tax Penalties and Interest

The Risk Evaluation and Consulting (REC) Division of the Travis County Auditor's Office has completed a review of property tax penalties and interest (P&I) calculated by the Property Tax Division of the Tax Assessor/Collector's Office (Tax Office) during calendar years 2017 and 2018. We conducted this review in accordance with the applicable statutes governing the County Auditor's Office. This report contains resulting findings and recommendations.

OBJECTIVE AND SCOPE

The objective of this review was to assess the accuracy of property tax penalty and interest (P&I) and special interest calculations made by the Tax Office during the two-year period spanning January 1, 2017 through December 31, 2018 and to assess whether calculations, collections, and processes related to P&I complied with the Tax Code.

BACKGROUND

The Tax Office collected $207.5 million in taxes, $24.3 million in penalties and interest (P&I), and $2.7 million in special interest across 61,057 accounts with P&I implications between January 1, 2017 and December 31, 2018. The Office collected these amounts on behalf of 144 taxing jurisdictions including Independent School Districts (ISDs), Cities, Municipal Utility Districts (MUDs), Emergency Service Districts (ESDs), Public Improvement Districts (PIDs), among others. P&I and special interest calculations must comply with the Tax Code.

EXAMINATION METHODOLOGY

Our work was based on applying sampling procedures to office records and on verbal and written representations from Tax Office staff. Sampling relates to examining, on a test basis, evidence supporting the amounts and disclosures in the financial records and statements. The use of sampling techniques would not necessarily disclose all matters in the Tax Office's financial statements, financial records, and internal controls that might be material weaknesses or misstatements. Concerning the written and verbal representations made by Tax Office staff, unless otherwise noted in this report, office management maintains that the assertions we relied upon in the examination were correct to the best of their knowledge.

GENERAL SUMMARY OF FINDINGS AND RECOMMENDATIONS

During our review, we noted issues with the following:

1. Insufficient documentation for backdated transfers and payments.
2. Invalid pro-rata and resale adjustments.
3. Incomplete notices for alternative due dates.
4. Inadequately tracked/documented installment plans.
5. General internal control weaknesses.

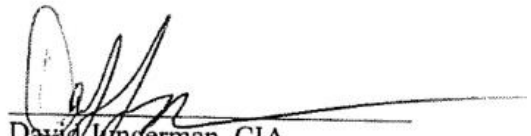
These issues are detailed in the Areas of Concern Section of this report.

CLOSING

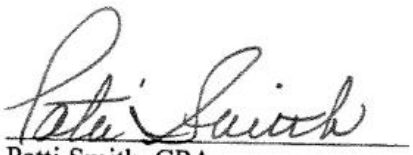
This report is solely for the information and use of the Tax Office and the Commissioners' Court. We greatly appreciate the cooperation and assistance received from the Tax Office during this review. Please contact us if you have any questions or concerns regarding this report.

REVIEW TEAM

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Examination File

Executive Summary

LIST OF FINDINGS				
Area	**Finding #**	**Page #**	**Title**	**Severity**
I. Backdates	1	6	The Tax Office's RPD Process Allowed for Backdated Payments that Do Not Appear to Comply with the Tax Code	Serious
	2	6	Some Backdates Used as a Means of P&I Reduction were not Adequately Documented	Serious
II. Adjustments	3	7	Updating Resale Property Reference Manual	Less Serious
	4	8	Some Proration Adjustments Did Not Comply with the Tax Code	Serious
III. Alternate Due Dates	5	10	The Tax Office Did Not Send Required Notices To Taxing Entities Regarding Delayed Due Dates	Less Serious
IV. Installment Plans	6	10	Some Quarterly Installment Plans were not Assessed P&I upon Missed Payment and Others Were Set Up Prior to Receipt of the Required Letter of Intent	Serious
	7	11	Some Fields Used to Calculate P&I on Accounts Participating in Homestead Payment Agreements (HPAs) Contained Manual Data Entry Errors	Serious
V. General Procedures	8	12	Some Transactions That Can Affect P&I Are Not Traceable	Serious
	9	13	System Access Levels Do Not Mitigate the Risks of Some Types of Improper Transactions	Serious
	10	13	P&I Calculations and Some Types of Transactions Affecting P&I Are Not Reviewed by Management	Less Serious
	11	14	The Policy and Procedure Documents that we Reviewed are Generally Adequate and can be Slightly Improved	Less Serious
	12	15	The Action Code Function in EZ Tax that Allows for Tracking and Monitoring is not Fully Utilized by the Tax Office due to the Inconsistent Entry of Action Codes.	Less Serious
VI. Additional Observation	13	15	P&I Accrues Monthly on Uncollectible Accounts	Serious

Areas of Concern

1. The Tax Office's RPD process allowed for backdated payments that do not appear to comply with the Tax Code (Serious)

For the period January 1, 2017 through December 31, 2018, we noted 130 instances in which the recorded payment date was backdated by more than 7 days prior to the date it was actually processed in the RPD system. In each instance, this led to a waiver of P&I. We evaluated all 130 of these instances by reviewing Tax Office data and documentation to determine whether the waivers were allowable under the Tax Code, noting the following:

- We were unable to determine whether 80 (62%) of the 130 evaluated transactions were allowable under the Tax Code due to lack of sufficient supporting documentation. These 80 transactions reduced assessed P&I by $5,120.70.
    - Typically, proof of timely payment is attached to an account upon backdate; however, envelopes with post marks justifying these backdates were not uploaded onto these 80 accounts. Per interviews with Tax Office personnel, the Tax Office does not save the physical envelopes onsite.
- Five (4%) of the 130 evaluated transactions incurred manual data entry errors that inappropriately reduced P&I by $272.02.

Significance
Backdating payments in order to eliminate/reduce P&I is allowable under certain circumstances. In order for outside parties and management to review these items for reasonableness, Tax Office personnel should maintain proper, sufficient supporting documentation.

Recommendation
We recommend the Tax Office require that employees upload appropriate documentation and enter appropriate notes supporting or explaining RPD payments backdated by more than 7 days. In addition, we recommend that Tax Office management review all waivers of P&I to ensure proper documentation and compliance with the Tax Code. The Tax Office should remit any P&I not collected due to inappropriate or erroneous payment backdates to the applicable taxing entities.

Management Response
The Tax Office agrees that our process for backdating payments needs to be formally documented. Batch dates are determined by postmark dates on envelopes. Scanning each envelope would add considerable time to the process. We will establish a way to validate the posting dates and update our process manual by the end of the FY 2020.

2. Some backdated payments utilized to reduce P&I were not fully documented (Serious)

Exclusive of the items noted in Finding #1, we reviewed all manual payment backdates of more than five days into a prior month. These transactions consisted of 39 backdates that reduced P&I

by $15,316.39 across 252 accounts. In this review, we noted the following:

- Nine (23%) backdates that reduced P&I by $2,627.21 across 150 accounts contained insufficient support to document their compliance with Section 33.011 of the Tax Code.

- Two (5%) backdates reducing P&I by $1,009.98 across 4 accounts contained documentation demonstrating compliance with the Tax Code; however, notes made on the accounts did not explain the reasoning behind the backdates.

In addition, we reviewed sets of account transfers that resulted in backdates reducing P&I by $42,262.59 across 32 accounts. Twelve (38%) of these accounts did not include backup sufficient to justify the reduction of $16,158.14 in P&I. Three of these twelve accounts, making up a net reduction of $4,011.97 of the $16,158.14 previously mentioned, also did not denote proper waiver action notes and thus they could not be tracked as efficiently as those with these notes.

Significance
Backdating payments in order to eliminate/reduce P&I is allowable under certain circumstances. In order for outside parties and management to review these items for reasonableness, Tax Office personnel should maintain proper, sufficient supporting documentation.

Recommendation
We recommend the Tax Office create and implement procedures requiring that all backdates resulting in waiver of P&I be supported by sufficient notes and documentation. In addition, we recommend the Tax Office develop an internal process by which all backdates resulting in reductions of P&I are reviewed to ensure their compliance with the Tax Code and internal policies and procedures. The Tax Office should clearly document these reviews as well. The Tax Office should remit any P&I not collected due to inappropriate or erroneous payment backdates to the applicable taxing entities.

Management Response
As mentioned in our response to Finding #1, the Tax Office has policies and procedures in place that determine the posting date for tax payments. For those payments received after month-end, but postmarked prior/on the last day of the prior month, we backdate to the prior month-end date. This backdating can result in a waiver of P&I. We will review and formally document our process and update our manual by the end of FY 2020. In addition, we will implement a periodic audit of this process as soon as we are able to redistribute personnel resources.

3. Updating the Resale Properties Reference Manual (Less Serious)

In the period, the County resold 29 seized properties for amounts insufficient to cover all taxes due at the time of resale. The accounts for these 29 properties required adjustments in order to accommodate these shortfalls, and these adjustments reduced P&I by $70,358.14. We reviewed all 29 accounts, noting no material issues. However, we did note that the Tax Office last updated the "Resale Properties Reference Manual", which details decision points and processes for employees related to this function, in 2012.

Significance/Recommendations
We recommend the Tax Office update the "Resale Properties Reference Manual," reintroducing the updated version to employees once completed to help ensure employee compliance with proper accounting and controls for these items. This update should include procedures ensuring proper maintenance of documentation demonstrating the associated taxing entities' approval.

Management Response
We agree that the updated reference manual should be reviewed and our employees should be apprised of any changes. In order to provide a sufficient audit trail, we will include procedures requiring that documentation supporting the acceptance of this type of resale bid by the relevant parties be maintained once it is received.

4. Some pro-ration adjustments did not comply with the Tax Code (Serious)

When a government entity acquires a privately owned property (often via condemnation), the title company involved in the transaction executes a lien transfer and remits a pro-rated amount of property taxes due for the applicable tax year to the Tax Office. The property taxes are pro-rated because the portion of the year that the property belongs to a government entity is not taxable. The amount due is pro-rated based on the percentage of the year the property was privately owned. Tax Code Section 26.11 requires the Tax Office to calculate the pro-rated taxes due by using the known taxes due for the year, or the prior year taxes due, times the percent of the year prior to acquisition.

The appraisal district updates the appraisal roll according to the lien transfer documents once they are available. These updates often change the amount of taxes due on the property after the title company has remitted the computed tax payment, resulting in a difference. Minor differences between the title company's payment and the final balance due are to be expected and many could be deemed de Minimis. Tax Code Section 26.11 allows for these differences to be eliminated via adjustments. Specifically, title companies paying pro-rata balances due that the Tax Office calculated according to Section 26.11 are considered to have made a good faith payment.

Currently, the Tax Office does not calculate the pro-rata balance due for the title companies as required by statute. Instead, the title companies calculate the balance due themselves, and the Tax Office accepts funds received as being in good faith, eliminating any overages or shortages via adjustment. The Tax Office does not re-calculate the amount tendered to ensure it complies with Section 26.11 of the Tax Code.

In the period, the Tax Office processed 828 government purchase pro-rata adjustments across 150 properties with a net $25,425.63 overage in property taxes received due to computational errors by title companies. This net overall overage of $25,425.63 composed of underpayments totaling ($69,727.21) and overages totaling $95,152.84. The average computational error per property totaled $1,099.20.

We contacted the Tax Offices for the six other largest Texas counties and inquired as to their pro-

rata procedures for title company payment errors. While some of these counties do accept amounts tendered that differ from the amount of prorated taxes determined to be due, they noted that this issue occurs rarely and that the amounts tend to be de Minimis. Generally, if these counties suspect a significant miscalculation (all six counties considered $100 as being "significant", some even smaller amounts), the cause of the difference is investigated prior to accepting the tender. Typically, this involves contacting the title company. If the title company cannot satisfactorily explain the difference, the tax payment is returned and the title company is responsible for resolving the issue.

The processes described by the six other comparable counties differs from Travis County's processes in two significant ways:

1. All amounts tendered are compared to an amount of prorated taxes determined to be due as provided by Section 26.11 prior to acceptance and;

2. All "significant" differences between the amount of prorated taxes determined to be due as provided by Section 26.11 and the amount tendered initiate a process by which the title company is contacted, or documentation is reviewed in depth, to determine whether the difference can reasonably be understood to either comply with this section or to document reasons for non-compliance. For the latter, the title companies are tasked with resolving significant differences.

The other counties also noted that they provide the title companies with the pro-rata per diem amounts to be utilized when calculating the amount to be tendered. Based on these discussions with other large county tax offices, it appears that the Travis County Tax Office is receiving larger property tax overages and shortages on these government purchases with a greater frequency. Some of this situation may be the result of lack of knowledge by and communication with the title companies.

Significance/Recommendation
A number of the overages and shortages in the pro-rata payments received and accepted by the Tax Office were deemed to be material in amount. Based on our conversations with other large counties, this situation appears to be unusual. We recommend that the Tax Office consult with these other large counties to determine if their processes are reasonable and if these processes could be utilized to reduce these significant overages and shortages.

Management Response
We agree that our procedures should be reviewed periodically and understand that all policies must comply with Statute. The County Attorney's interpretation of Tax Code Section 26.11 (c) is a walk away provision aimed at finalizing condemnation proceedings. This means also finalizing any tax issues on the condemned property. We do not believe there is an issue having title companies involved in this process as they usually act as agents to process tax payments until the taxes are sent to the Tax Collector.

We consider title companies to be the only practical actors who can handle what are sometimes complex land transactions that no less are part of a court proceeding. Our understanding is that

the statute was meant to protect title companies, actually absolve title companies, from liability if they collected the wrong amounts of the prorated taxes. Please note the statute's wording in 26.11: …"the collector SHALL accept the tender". In addition, to make their point much clearer, the Texas Legislature enacted within (c) subsections (1) and (2) that absolve both the transferor and taxing units of liability for the tax payment transaction. This is another way of saying that any remaining taxes up or down are both uncollectible and nonrefundable. The parties walk away.

Having said this, and based on the Auditor's recommendation, we will consult with the other large counties on this matter, implementing new policy improvements where appropriate to help alleviate this issue.

5. The Tax Office did not remit required notices to taxing entities regarding delayed due dates (Less Serious)

Tax Code Section 31.04(b) states the Tax Office must inform every affected taxing entity of any alternate due dates granted because a property was previously omitted from the tax roll. The Tax Office does not remit these notifications to the applicable jurisdictions.

Significance
Statutorily required communications with taxing entities should consistently occur.

Recommendation
We recommend the Tax Office send notifications compliant with Tax Code Section 31.04(b) to all applicable taxing entities when alternative due dates are utilized.

Management Response
The Tax Office agrees with the Auditor's recommendation and will send appropriate notifications to all applicable taxing entities when alternative due dates are utilized.

6. Some quarterly installment plans were not assessed P&I upon missed payment, and other plans were recorded prior to receipt of the required Letter of Intent (Serious)

According to Tax Code Section 31.031, a qualifying taxpayer must officially request a quarterly payment plan prior to their property tax due date. They must also remit one fourth of their balance due by that date in order to qualify. When the Tax Office receives a letter of intent from a Taxpayer attempting to obtain a payment plan, Tax Office personnel are to post the applicable action code in EZ Tax, documenting this receipt.

We reviewed 928 payments posted to quarterly payment plan accounts from the review period, for which no letter of intent action code was entered into EZ Tax or the letter of intent code was entered after the date required by Tax Code Section 31.031. In this review, we noted the following:

- Office personnel entered a letter of intent action code after the delinquency date for 478 (51%) payments (across 198 accounts). These payments reduced P&I by $16,124.31.

- For 450 (49%) of these payments (across 193 accounts), no letter of intent action code was present in the system. This condition does not necessarily indicate non-receipt of the required letters of intent; however, per Tax Office procedures, when letters of intents arrive, the employee setting up the payment plan is required to enter this action code. Unassessed P&I for these 193 accounts totaled $24,835.17.

In addition, we reviewed 251 transfers (across 118 accounts) initiated by Tax Office employees to allow a late payment to be posted as timely or to accommodate a change to the applicable due date. Of these transfers, 144 (57%, across 75 accounts) that reduced P&I by $26,283.79, were likely not allowed by statute.

Significance
Tax Office employees may only waive P&I on accounts with quarterly payment plans when the taxpayer meets all of their statutory responsibilities for the plan. In addition, payment transfers may only be utilized to reduce P&I under statutorily compliant conditions.

Recommendation
We recommend the Tax Office comply with the statutes requiring timely receipt of a letter of intent prior to setting up quarterly installment plans. We also recommend late payments on quarterly installment accounts be treated in accordance with Tax Code Section 31.031(b). The Tax Office should remit any P&I not collected due to these issues to the applicable taxing entities.

Management Response
The Tax Office has waived penalty and interest on senior and disabled taxpayers on quarterly payment plans for decades. We understand that the assessment of P&I is required if the taxpayer has not met all of the statutory responsibilities of the plan. The Tax Office will begin adhering to this statute, but we are requesting a three-month grace period to notify the affected taxpayers that P&I is enforceable before start assessing P&I.

7. Some system fields utilized to calculate P&I on accounts participating in Homestead Payment Agreements (HPAs) contained manual data entry errors (Serious)

The EZ Tax system calculates reductions in P&I that occur on statutory HPAs by referencing three fields populated by Tax Office employees. One field must be populated by the code "DQI" (Delinquent Installment Agreement) and the other two fields must be populated with the start and end dates of the signed, executed payment agreement.

We utilized data analytic software to confirm the accuracy of 4,962 payments made on HPAs and the corresponding $92,126.26 in P&I reductions for these HPAs in the period. Based on our review, EZ Tax calculated 4,900 (99%) payments and $90,971.73 in corresponding P&I reductions correctly. For the remaining payments and reductions, we noted the following:

- Twenty-eight (.5%) payments, with corresponding P&I reductions totaling $728.26, utilized information not entered into the system timely and/or correctly by Tax Office employees.

Specifically, taxpayers did not make timely installment payments on their agreements. However, for these 28 payments, Tax Office personnel did not utilize the late-payment date to terminate the agreement, which would have caused P&I to be assessed.

- For 34 (.5%) payments, $426.27 of P&I reductions occurred due to Tax Office personnel not posting the DQI code to the applicable accounts in a timely manner. In addition, Tax Office personnel did not electronically attach the signed installment agreements to the accounts associated with three of these 34 payments, as required by office procedures.

Significance
P&I should only be waived/reduced when allowed by statute.

Recommendation
We recommend the Tax Office develop a process for continually monitoring payments made on HPAs to ensure proper P&I assessment and collection. We also recommend the Tax Office periodically review HPA accounts to ensure proper documentation exists, to ensure the validity of the payment plan, and to verify the payment plan complies with the Tax Code. The Tax Office should also thoroughly document these reviews.

We further recommend the Tax Office implement system functionality to track HPAs more effectively. Until this function is implemented, Tax Office personnel should manually verify all HPAs monthly to ensure P&I accrues correctly. The Tax Office should remit any P&I not collected due to these issues to the applicable taxing entities.

Management Response
The Tax Office agrees with this recommendation and will develop a process to monitor payments and verify that there is appropriate documentation on HPA's. As indicated in the findings, coding the three fields related to HPA's is a manual process not easily subject to automated functionality. However, we will assign appropriate personnel to review and document adherence to the above process and will document the review.

8. A complete audit trail does not exist for some transactions that may affect P&I (Serious)

According to a memorandum submitted by the Tax Office to Commissioners' Court on November 8, 2018, a process referred to as "DFU" (Data File Utility) for correcting system errors does not maintain an adequate audit trail.

Significance
Utilizing this process, Tax Office personnel could enter untraceable entries resulting in lost or misappropriated funds or other conditions non-compliant with statute. To mitigate the risks associated with this process, only specific, qualified employees have access to perform this process. Other controls, such as data reconciliations performed by accounting personnel, could also help mitigate the risks associated with this situation. During our review, we were unable to test DFUs, since their nature prevents them from being identified for testing proposes.

Recommendation
We recommend the Tax Office eliminate the use of DFUs as soon as possible. Until this occurs, we recommend the Tax Office maintain a manual log of all DFUs, reviewing each to verify their reasonableness. The Tax Office should also eliminate any other processes that change EZ Tax data fields without creating an audit trail.

Management Response
The use of DFU's has been a necessary procedure in loading the tax roll, creating the tax levy for all jurisdictions, and correcting out of balance issues since the Tax Office began using EZ Tax. We do agree that we should eliminate processes that change EZ Tax without leaving an audit trail and that compensating controls and review procedures should be established until we can eliminate the use of DFU's. We will work on documenting a trail for audit purposes by the end of FY 2020.

9. System access levels do not mitigate the risks of some types of improper transactions (Serious)

All Property Tax Division employees have the ability to adjust both amount fields and other data fields, such as alternate due dates, that may influence the assessment of P&I.

Significance
Tax Office employees should only assess P&I as allowed by statute. Improper adjustments may result in the non-compliant over or under-assessment of P&I.

Recommendation
We recommend the Tax Office restrict the ability to enter adjustments to only those employees for whom adjustments are a necessary part of their job duties. The Tax Office should also regularly prepare a report of all adjustments performed in the prior period, reviewing this report for reasonableness and clearly documenting this review.

Management Response
The Tax Office agrees with this recommendation and will restrict the access to adjust values to Leads and Supervisors. Also, we will assign appropriate personnel to review all adjustments performed in a prior period for reasonableness and documenting the review.

10. P&I calculations and some types of transactions affecting P&I are not reviewed by management (Less Serious)

We evaluated processes designed by the Tax Office to detect and prevent miscalculations of P&I, noting the following (see next page):

- There is no process in place to monitor general P&I calculations.

- Processes created to monitor backdates are reasonably designed and diligently executed; however, the design should be improved to prevent the types of miscalculations stemming from

incorrect backdates, as shown in Finding #1 and Finding #2 above.

- There are adequately designed procedures that are consistently executed for specific types of adjustments and alternate due dates; however, there is no formal process for preventing or detecting incorrect or inappropriate adjustments and alternate due dates that may affect P&I.

- There are reasonably designed procedures for the monitoring of installment plans that affect P&I; however:

    - The design of these processes should be improved to detect incorrect P&I calculations for modification, and

    - The design and execution of the processes already in place do not sufficiently prevent and detect the types of incorrect P&I calculations mentioned in Finding #7 above.

Significance
Verification and review controls like the ones mentioned above help ensure that P&I is properly assessed and collected in a statutorily compliant manner.

Recommendation
The Tax Office should design and implement controls designed to periodically verify the accuracy of P&I calculated by the system and the reasonableness and validity of all backdates, general adjustments, alternate due dates, and installment plans.

Management Response
The Tax Office concurs with this recommendation and will assign appropriate personnel to perform periodic verifications of accuracy, reasonableness, and validity of all backdates, general adjustments, alternate due dates, and installment plans.

11. The policy and procedure documents we reviewed are generally adequate, but could be improved (Less Serious)

DQI (Delinquent Installment Agreement) Policies and Procedures (P&Ps) do not delineate the steps necessary to re-apply payments for retroactive changes that should occur in response to a missed or late payment. Upon discovery of a missed or late payment, the Tax Office should update the associated account end date to reflect the date of DQI termination due to late payments or remove the DQI code if no payment was made. Once the changes to the DQI code have been posted, payments made after the retroactive termination date should be reversed and re-applied, to ensure P&I not assessed under the original agreement is recouped via the updated termination date. Per the analyses performed throughout this audit, this scenario is common.

The P&Ps for transfers do not detail what situations might justify a transfer, nor do they provide a requirement for management review of transfers. Given that all Property Tax Division employees can transfer money between accounts, the Tax Office should take all possible steps to prevent the misapplication of funds among accounts, including having an adequate policy and procedure

document.

Significance
Policies and procedures are important tools to help ensure Tax Office personnel process and account for property tax transactions in a consistent, statutorily compliant manner.

Recommendation
We recommend the Tax Office update the DQI and transfer policy and procedure documents.

Management Response
The Tax Office agrees that the DQI and transfer policies and procedure documents should be updated. Although the process may take serval years, we will be updating policy and procedure documents for all of our departments.

12. The action code function in the EZ Tax system that allows for tracking and monitoring is not fully utilized by the Tax Office due to the inconsistent entry of action codes (Less Serious)

Currently, the Tax Office uses the action code module to enter event codes that serve as a brief history of relevant events on property tax accounts. Tax Office procedures require that employees and supervisors involved in processing waivers, AG rollbacks, "pro-ratas", resales, and installment plans (which all affect P&I) enter corresponding action codes for tracking purposes and document supervisory review where appropriate. During our review, we noted instances in which action codes pertaining to some of these transactions were missing.

Significance
Incomplete data entry reduces the functionality of the action code module for tracking purposes, as the data therein is incomplete and therefore unreliable. Complete and timely entry of action codes would ensure a reliable source for data analytics that would allow for more efficient event tracking.

Recommendation
We recommend the Tax Office consult with Hamer to determine if business rules requiring the entry of action codes are appropriate. We also recommend the Tax Office periodically verify proper action code entry for all applicable transaction types.

Management Response
The Tax Office currently uses action codes to explain events that happen on each account as a quick reference tool. The Tax Office agrees that consistent entry of action codes would enhance our ability to perform data analytics; however, it will require additional programming from our vendor.

13. P&I accrues monthly on uncollectible accounts (Serious)

As of July 2019, open property tax accounts receivable contain $57,783,139.71 in P&I accrued on

likely-to-be uncollectible personal property accounts and $8,067,198.40 in P&I accrued on likely-to-be uncollectible real property accounts. The Tax Office reports P&I balances receivable to the taxing jurisdictions irrespective of the outstanding amounts' collectability.

Significance

The taxing jurisdictions may rely on reported P&I balances for cash flow and budgeting purposes. In addition, Tax Code Section 33.05 states that taxes and associated P&I on personal property accounts without pending litigation that are delinquent for more than ten years are uncollectible. This section of the Tax Code also states that taxes and associated P&I on real property accounts without pending litigation that are delinquent for more than twenty years are uncollectible. Additionally, this section of the Tax Code states that the tax roll should not include these uncollectible accounts.

Recommendation

We recommend the Tax Office discuss the matter with appropriate parties to determine how best to account for and report these items in a manner compliant with the Tax Code.

Management Response

The Tax Office will work with the appropriate parties to determine how best to account for and report these uncollectible balances. The Tax Office has already written off the appropriate delinquent account prior to 1980 and will begin researching and writing off personal property accounts delinquent more than 10 years and real property accounts delinquent more than 20 years as provided by statute.