2017

Travis County Tax Office Property Foreclosures

Travis County Auditor's Office

Risk Evaluation & Consulting Division

July 25, 2017

TRAVIS COUNTY
AUDITOR'S OFFICE

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From: Nicki Riley, CPA
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Date: July 25, 2017

Subject: Tax Office Property Foreclosures Review #17-10

Scheduled as part of our statutory requirements, the Risk Evaluation and Consulting (REC) Division of the Travis County Auditor's Office has completed an examination of the Travis County Tax Assessor-Collector's Property Foreclosure function. We conducted our review in accordance with the applicable statutes governing the County Auditor's Office and those relating to County financial and accounting protocols. As a result of our examination, we are providing this report on our findings and recommendations.

BACKGROUND

The mission of the Travis County Tax Assessor-Collector's Office is to assess, collect, and disburse property taxes; to register and issue titles for motor vehicles; to collect probated defendants' court fines and fees for County Courts at Law and Justice of the Peace Courts; and to register eligible citizens to vote.

The goals of the Property Tax Collections Division are to bill, collect, and process tax payments for Travis County and 118 taxing entities in accordance with the Texas Tax Code. This division also enforces laws related to delinquent taxes by monitoring and analyzing accounts to determine the appropriate legal action; as well as process disbursements related to the collection of taxes, court costs, and applicable fees.

EXAMINATION METHODOLOGY

Our work was based on applying sampling procedures to office records and on verbal and written representations from this division of the Tax Office. 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 and analytical models would not necessarily disclose all concerns in this division's records and controls that might be material weaknesses or misstatements. In regard to the written and verbal representations made by Tax Office personnel, 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.

OBJECTIVE AND SCOPE OF EXAMINATION

The primary objective of this examination was to verify the proper disposition of property foreclosures in accordance with Texas Tax Code guidelines and internal policies and procedures. Our examination included an assessment of the adequacy and effectiveness of the overall system of internal controls in place for this office's property foreclosures, covering the period October 1, 2016 to March 31, 2017.

During this examination period, five property foreclosure sales occurred during which 49 properties were made available for auction. Of these 49 property foreclosures, 23 properties were sold at auction, 14 properties were pulled by property owners, and 12 were properties struck off and placed on the resale list. Of the 12 properties placed on the resale list, one was later sold.

SUMMARY OF FINDINGS

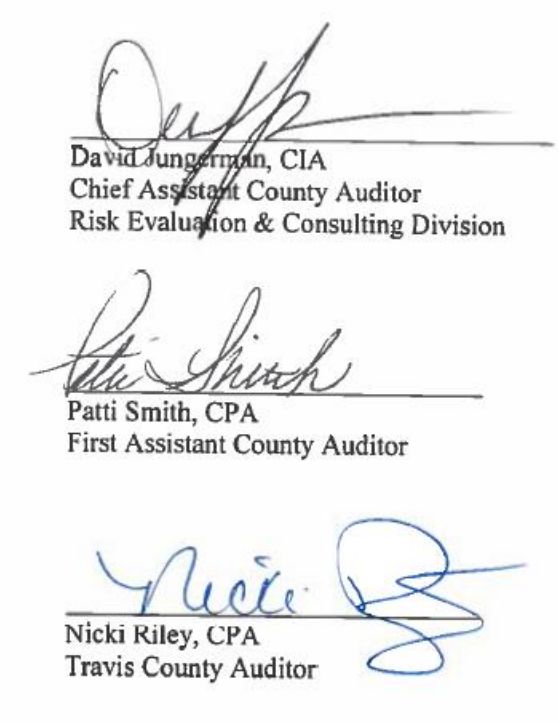
Based upon our examination, we found that property foreclosures were handled in accordance with statute and internal policies and procedures. We noted no material errors or internal control issues during our review.

EXAMINATION TEAM

Lisa Denton, CFE, Senior Auditor
Camille Cortez, Staff Auditor

CLOSING

This report is intended solely for the information and use of your office and the Commissioners Court. We greatly appreciate the cooperation and assistance received from the management and staff of the Travis County Tax Assessor-Collector's Office during this examination. Please contact us if you have any questions or concerns regarding this report.



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Managers, Travis County Auditor's Office
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Examination File

BACKGROUND

Property taxes are assessed on real and personal property based on the value of that property; owners are billed annually for the amount assessed. Real property includes land, buildings, and other immovable improvements to the land, such as an irrigation system on a farm. Personal property includes items that are movable, such as vehicles, livestock, and equipment.

Property taxes are levied by the governing authority of the jurisdiction in which the property is located, and multiple jurisdictions, also known as taxing entities (school districts, counties, cities, etc.), may tax the same property. The revenue generated from these taxes is used to help pay for local services like road maintenance, public schools, parks, police, and fire protection.

The Travis County Tax Assessor-Collector collects property taxes for Travis County as well as 118 other geographically contiguous taxing entities. The goals of the Property Tax Collections Division are to bill, collect, and process these tax payments in accordance with the Tax Code. The following table details the property tax billing timeline:

Date(s)	Event
October 1st (or soon after)	Tax bills are prepared and sent to property owners/taxpayers (Tax Code Section 31.01).
January 31st	Taxes are due to County Tax Assessor-Collector (property tax deadline).
February 1st	Unpaid taxes incur 7% penalty and interest (P&I each increase by 1% per month delinquent).
Mid-February	Delinquent tax bills are mailed (includes the balance with penalty and interest).
March	Demand letters are mailed and tax specialists begin researching and calling property owners/taxpayers.
July 1st	Penalty increases and remains at 12%. The interest is 6% and continues to accrue at the rate of 1% per month until taxes are paid in full.

The Property Tax Collections Division is also responsible for pursuing delinquent property taxes. Collecting delinquent property taxes involves mailing collection notices and delinquent tax bills, monitoring and analyzing past due accounts, establishing payment plans, skip tracing to locate property owners/taxpayers, and determining which properties require legal action. This division also processes disbursements related to the collection of court costs and other applicable fees.

When all other collection efforts fail, foreclosure is the final remedy to collect delinquent property taxes. The Property Tax Collections Division works closely with the Travis County Attorney's Office during this lawsuit process. Real property lawsuits are filed in the District Court while personal (business) property lawsuits are filed in the Justice of the Peace Court or District Court depending on the amount.

Many factors are considered when selecting properties for legal action, including the taxpayer's payment history, number of delinquent tax years, and the dollar amount of taxes due. Tax Office

Supervisors compile a list of potential properties to be pursued for legal action. The Division Director reviews these selected properties, and a final list of approved properties is sent to the County Attorney's Office. The County Attorney's Office researches these properties for any recent activity (property owner filed for bankruptcy, property owner is deceased, etc.). The County Attorney's Office removes properties from this list based on their research. For the remaining properties, the County Attorney's Office prepares the paperwork and files the delinquent tax lawsuit in the applicable court.

When the lawsuit is filed, court costs, constable service fees, and attorney fees are assessed on the property's parcel number in the EZ Tax System. A letter is sent to the taxpayer informing that he/she is being sued for delinquent property taxes, the lawsuit is pending judgment, and the property may be seized and auctioned. Receiving a judgment on this type of lawsuit typically takes from six to eighteen months. Once a judgment is received, the property is placed on the foreclosure sales list to await auction.

For each property placed on the monthly foreclosure sale list, a Tax Specialist notifies the taxpayer of the intended tax sale, verifies judgment information in the EZ Tax system and TCAD records, visits the property to obtain a physical description, assesses the applicable fees, and calculates a minimum bid. The minimum bid is used as the starting bid for the property being auctioned. This minimum bid includes total taxes, penalties, interest, court costs, and other applicable fees due for the property.

Tax Code Section 34.01 requires that for each property being auctioned, three public notices must occur prior to the foreclosure sale. Specifically, an advertisement must be published in a local newspaper, a notice must be posted at the door of the county's courthouse, and the Order of Sale must be issued. In Travis County, sale listings are posted at the courthouse and published in the newspaper at least 21 days before the potential sale date. Listings are also available online approximately 15 days before the potential date of sale.

Foreclosure sales are held the first Tuesday of the month at 10:00 a.m. on the west steps of the Travis County Courthouse. Representatives from the Property Tax Collections Division, County Attorney, and Constable, Precinct 5 Offices are present for the auction. A Constable, Precinct 5 Deputy conducts the auction. Potential buyers must obtain a "Bidder Registration Statement to Purchase Real Property at a Tax Sale" from the Tax Office five business days before the auction, which is valid for a year. This bidder statement helps verify that the applicant does not owe any delinquent taxes in Travis County.

On the morning of the auction, the Tax Specialist determines if any of the properties were pulled from the sale list and notifies the deputy constable responsible for the auction as needed. Properties are pulled when the owner pays their outstanding balance due prior to the foreclosure sale. During the bidding process, the Tax Specialist documents which properties were sold and which were struck off. Properties are struck off when a sufficient minimum bid is not received.

When properties are sold, payments are due at the time of the sale and are collected by the Tax Specialist at the end of the auction. A manual "Receipt of Funds" form is given to the winning bidder. Payments are entered into the EZ Tax system on the day of the sale, with the sale proceeds

being posted to the advertisement and attorney ad litem fees, court costs, commissions, taxes, penalties, interest, and any other expenses incurred for the sale. When a buyer pays more than the minimum bid, the overage amount is classified as excess proceeds which are sent to the District Clerk's Office. The Clerk accounts for these funds in accordance with Tax Code Sections 34.02-34.04. The Tax Specialists work with the Accounting Department to distribute the court costs, commissions, and fees to the agencies to whom these funds are due.