Travis County Tax Assessor-Collector
Property Tax Refunds 2nd Quarter
#16-03

June 13, 2016

TRAVIS COUNTY
AUDITOR'S OFFICE

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From: Nicki Riley, CPA
Travis County Auditor

Date: June 13, 2016

Subject: Examination of the Property Tax Refunds for the 2nd Quarter of FY 2016

Scheduled as part of our statutory requirements, the Risk Evaluation and Consulting Division of the Travis County Auditor's Office has completed an examination of the property tax refunds issued by the Travis County Tax Assessor-Collector's Office. We conducted our examination 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 Tax Office processes three different types of property tax refunds, each governed by different code sections. First are refunds created by duplicate payments. These refunds are covered by Tax Code Section 31.111 and are to be processed automatically by the Tax Office.

Refunds created by changes in tax value are governed by Tax Code Section 26.15(f) and Section 42.43. The former governs changes made by the Tax Appraiser's Office, while the later covers valuation appeals that are heard in the district courts. In both cases, the refund is to be processed automatically by the Tax Office.

Third are refunds created by erroneous payments on or overpayment of property taxes. These refunds are governed by Tax Code Section 31.11, which requires that these refunds be reviewed by the Auditor's Office. Our quarterly tax refunds reviews fulfill this requirement.

SCOPE OF EXAMINATION

The primary objective of this examination was to verify the proper disposition of property tax refunds in accordance with Texas Property Tax Code guidelines and internal policies and

procedures. We also assessed accounting and reconciliation procedures for the Tax Office bank accounts. Our examination included an assessment of the adequacy and effectiveness of the overall system of internal controls in place for this office's property tax refund procedures, covering the period January 1, 2016 through March 31, 2016.

EXAMINATION METHODOLOGY

Our work was based on applying sampling procedures to office records and on verbal and written representations from this 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 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. In regards to the written and verbal representations made by this office, 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.

SUMMARY OF FINDINGS & RECOMMENDATIONS

Based upon our examination, we found that there was proper segregation of duties and internal accounting controls over the procedures regarding the refunds of property tax. During the examination period, 2,522 checks were processed for a total of $8,255,765. Based on our testwork of these items, there were no exceptions noted on the refunds sampled.

OPINION OF INTERNAL CONTROL SYSTEM

Based upon our examination, we gave the overall system of financial controls for the property tax refunds a rating of "Good," indicating this area has well-established internal controls with few, if any, minor weaknesses noted. See Attachment A for a description for each of the ratings we use to describe the effectiveness of the internal controls environment for the functional area under review.

EXAMINATION TEAM

Lisa Denton, CFE, Senior Auditor
Jennifer Bodiker, Staff Auditor
Joshua Kubiak, 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.

David Jungerman, CIA
Chief Assistant County Auditor I – Risk Evaluation & Consulting Division

Patti Smith, CPA
First Assistant County Auditor

Nicki Riley, CPA
Travis County Auditor

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Managers, Travis County Auditor's Office
Examination File

ATTACHMENT A – INTERNAL CONTROLS RATING KEY

A good internal control system reduces the risk of errors, defalcations, and misappropriations of funds. Weak internal control systems provide an environment in which errors, defalcations, and misappropriations of funds can go undetected. The following details the various grades we assign to internal control systems:

RATING	RATING DESCRIPTION
Good	Well-established internal controls with few, if any, minor weaknesses noted
Adequate	The overall solid system of internal controls is sufficient to outweigh noted weaknesses
Requires Improvement	Internal control weaknesses exist that moderately impact the overall system of internal controls
Requires Significant Improvement	Significant internal control weaknesses exist that negatively impact the overall system of internal controls
Inadequate	The existing system of internal controls is materially ineffective