Travis County Auditor's Office Review of the Travis County Tax Assessor-Collector's Office 3rd Quarter Property Tax Refunds #17-01

November 28, 2017

TRAVIS COUNTY
AUDITOR'S OFFICE

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From: Nicki Riley, CPA
Travis County Auditor

Date: November 28, 2017

Subject: Examination of the Property Tax Refunds for the 3rd Quarter of FY17

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 in the 3rd Quarter of FY17. 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 Section 31.11 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 tax refund procedures for overpayments, covering the period April 1, 2017 through June 30, 2017.

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. In regards to the written and verbal representations made by staff in 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

During the examination period, 3,086 checks were processed for a total of $17,850,293.15, including 85 overpayments totaling $496,376.07. In accordance with Tax Code Section 31.11, our office reviewed all 85 property tax overpayments noting there were proper segregation of duties and internal accounting controls over the procedures regarding these refunds. No exceptions were noted.

OPINION OF INTERNAL CONTROL SYSTEM

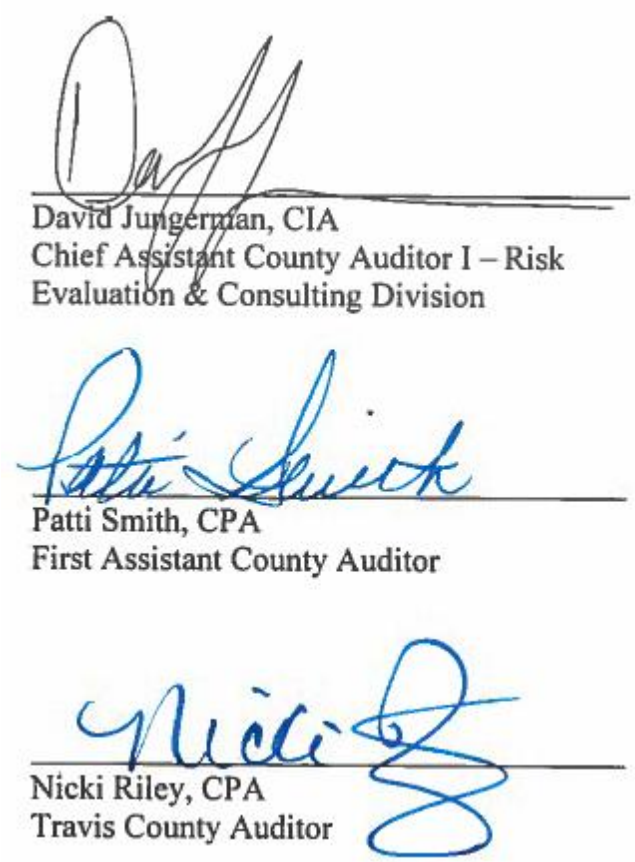
Based upon our examination, we gave the overall system of financial controls for the property tax refunds a rating of "Satisfactory," indicating this area has well-established internal controls with no material weaknesses noted. See Attachment A for a description for each of the ratings we use to describe the effectiveness of the internal controls environment for the functional area under review.

EXAMINATION TEAM

Lisa Denton, CFE, Financial Auditor VI
Camille Cortez, Financial Auditor I

CLOSING

This report is intended solely for the information and use of the Tax 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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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
Satisfactory	Well-established internal controls with no material weaknesses noted.
Satisfactory, with findings noted	A solid overall system of internal controls is in place; however, some material weaknesses were noted.
Inadequate	The existing system of internal controls is materially ineffective.