

**Travis County Tax Assessor-Collector
Property Tax Refunds 4th Quarter
Report of Findings and Recommendations
(Limited Scope)
#13-06**

**Report Date: November 1, 2013
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TRAVIS COUNTY
AUDITOR'S OFFICE

NICKI RILEY, CPA
COUNTY AUDITOR



TRAVIS COUNTY
700 LAVACA
P.O. BOX 1748
AUSTIN, TX 78767
(512) 854-9125
FAX: (512) 854-9164

November 1, 2013
Travis County Tax Assessor-Collector
4th Quarter Property Tax Refunds
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Report of Findings and Recommendations (Limited Scope)

The Honorable Bruce Elfant
Travis County Tax Assessor-Collector

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.

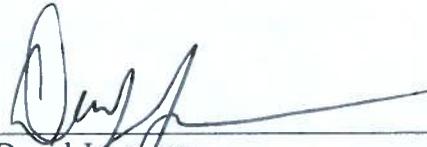
The primary objective of this examination was to verify the proper disposition of property tax refunds in accordance with Texas Property Tax Code guidelines and internal policies and procedures. We also assessed accounting and reconciliation procedures for the Tax Office bank accounts. Our examination 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 July 1, 2013 through September 30, 2013.

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 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.

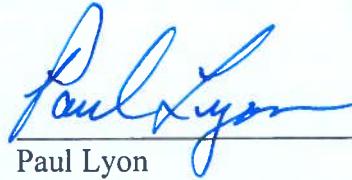
Based upon our examination, we found that there was proper segregation of duties and internal accounting controls over the procedures regarding the refunds of property tax. During the examination period, 1,606 checks were processed for a total of \$2,480,764. Based on our testwork of these items, there were no exceptions noted on the refunds sampled; therefore, we gave the system of internal controls for this functional area a rating of "Good." This rating

indicates that the property tax refunds area has well established internal controls with few, if any, minor exceptions. See Attachment A for an explanation of our grading system for the overall control environment.

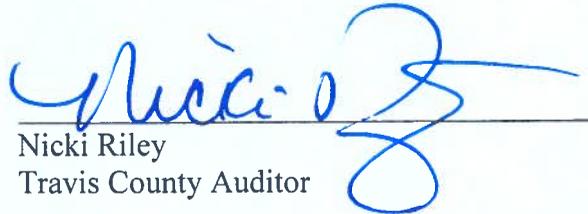
These findings and recommendations are intended solely for the information and use of management and the Commissioners' Court. We greatly appreciate the cooperation and assistance received from the management and staff of the Travis County Tax Assessor-Collector's Office during this examination. Please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



David Jangerman
Manager – Risk Evaluation and Consulting
Division



Paul Lyon
First Assistant County Auditor



Nicki Riley
Travis County Auditor

Examination Team
Lisa Denton, Senior
Kemi Allimi
Josh Kubiak

cc: Report Distribution

The Honorable Lora Livingston, Judge, 261st Judicial District
The Honorable Julie Kocurek, Judge, 390th Judicial District
The Honorable Brenda Kennedy, Judge, 403rd Judicial District
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The Honorable Margaret Gomez, Commissioner, Precinct 4
Jessica Rio, Director, Planning and Budget Office
Leslie Browder, County Executive, Planning and Budget Office
Joe Marshall, Financial Manager, Tax Office
Managers, County Auditor's Office
Examination File

Executive Summary

Functional Area:

The Accounting Division of the Tax Office is responsible for producing the property tax refund checks upon receiving instructions, in the form of a Quicken file and supporting documents, from the Mortgage and Research Division. In addition, Tax Office personnel approve and transfer funds to the Property Tax Disbursements bank account prior to issuance of the refund checks. Tax Office accounting personnel are responsible for reconciling this bank account.

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.

Prior Examination Exceptions (3rd Quarter #13-06, Dated October 3, 2013):

None.

Objectives of Current Examination (Period – July 1, 2013 to September 30, 2013):

The scope of this examination included a review of accounting and reconciliation procedures for the Tax Office property tax bank accounts to verify compliance with statutes and internal policies and procedures. In addition, we evaluated controls over internal functions responsible for disposition of tax refund checks.

Current Examination - Significant Findings:

None.

Overall Opinion (See Transmittal Letter for Specifics):

The overall system of internal controls in place for this functional area received a rating of "Good".

Internal Controls Rating Key

Rating Designation	Rating Description
Good	Well established internal controls with few, if any, minor exceptions
Adequate	Overall solid system of internal controls outweighs the relative number of minor or more serious findings
Requires Improvement	Weaknesses exist that negatively impact the overall system of internal controls
Requires Significant Improvement	Significant number of weaknesses that negatively impact the overall system of internal controls
Inadequate	Existing overall system of internal control is ineffective

Note: 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.