



COMMISSIONERS COURT
COMMUNICATION

REFERENCE NUMBER CO#117300

PAGE 1 OF 5

DATE: 3/18/2014

SUBJECT: **RECEIVE AND FILE THE AUDITOR'S REPORT OF TAX OFFICE AD VALOREM REFUNDS FOR THREE MONTHS ENDING DECEMBER 31, 2013**

***** CONSENT AGENDA *****

COMMISSIONERS COURT ACTION REQUESTED:

It is requested that the Commissioners Court receive and file the Auditor's report of Tax Office ad valorem refunds for three months ending December 31, 2013.

BACKGROUND:

In accordance with Texas Property Tax Code, the Auditor's Office is required to review and approve ad valorem refunds owed to taxpayers. This audit report describes observations made during the period of October 1, 2013 through December 31, 2013.

FISCAL IMPACT:

There is no direct fiscal impact associated with this item.

SUBMITTED BY: Auditors

PREPARED BY: S. Renee Tidwell
APPROVED BY:



TARRANT COUNTY

TARRANT COUNTY ADMINISTRATION BUILDING - ROOM 506

100 E. WEATHERFORD

FORT WORTH, TEXAS 76196-0103

817/884-1205

Fax 817/884-1104

S. RENEE TIDWELL, CPA
COUNTY AUDITOR
rtidwell@tarrantcounty.com

CRAIG MAXWELL
FIRST ASSISTANT COUNTY AUDITOR
cmaxwell@tarrantcounty.com

February 21, 2014

The Honorable Ron Wright, Tax Assessor-Collector
The Honorable District Judges
The Honorable Commissioners Court

Re: Auditor's Report – Ad Valorem Refunds for Three Months Ending December 31, 2013

SUMMARY

In accordance with Texas Property Tax Code, the Auditor's Office is required to review and approve ad valorem refunds owed to taxpayers. This audit report describes observations made during the period of October 1 through December 31, 2013. Our review was limited in scope in that it excludes refunds not approved by the Auditor's Office and security of the *Tax Client* and *Refund Trac*, the applications used by the Tax Office. Furthermore, our review did not include procedures to test the recording of the refunds into the Tax Office general ledger or the actual disbursement of the refund.

During the three-month review period, the Tax Office issued 3,240 refund checks totaling \$2,569,621. The Auditor's Office reviewed and approved 269 refunds totaling \$1,302,724, or 51% of the total refunds sent to taxpayers during the same period. During our review, we observed the following:

1. *One refund did not include penalty and interest assessed and paid by the taxpayer.*
The recalculation refund resulted from deleted values on personal property.¹ This error would have resulted in an underpayment of \$426 to the taxpayer. The Tax Office corrected the amount of the refund before sending payment to the taxpayer.

Recommendation

Tax Office management should work with Spindlemedia and IT staff for any possible programming changes that should be made to ensure that penalties and interest are refunded for deleted values. Until these programming changes are made, staff should consider other procedures to verify the accuracy of these types of refunds.

¹ Reference Texas Property Tax Code, Section 26.15

2. One refund related to a delinquent account was not assessed penalties.

The refund was a result of an overpayment made on a delinquent account. We observed that the interest was assessed on the delinquent account, but no penalty was assessed. Per statutes², delinquent accounts are assessed penalty *and* interest. Then after 150 days of delinquency, or July 1, attorney fees are also assessed. Payment was electronically posted through the Rapid Payment System (RPS). Upon communicating this issue, staff reversed and reapplied the original payment. When re-posted, *Tax Client* assessed the penalty pursuant to statute. This appears to be a system-related issue that would have resulted in an overpayment to the taxpayer amounting to \$1,948.

Recommendation

We recommend that the Tax Office work with IT to research possible reasons that this delinquent account was not assessed penalty upon receipt of payment through RPS. Furthermore, the Tax Office should research any other accounts that may have been affected.

BACKGROUND

The Texas Property Tax Code governs the process of refunds, including both the role of the auditor and Tax Assessor-Collector. The responsibility of the Auditor's Office is defined by Section 31.11 of the Texas Property Tax Code, Refunds of Overpayments or Erroneous Payments, as follows:

"If a taxpayer applies to the tax collector of a taxing unit for a refund of an overpayment or erroneous payment of taxes, the collector for the unit determines that the payment was erroneous or excessive, and the auditor of the unit agrees with the collector's determination, the collector shall refund the amount of the excessive or erroneous payment."


Because of the sheer volume of refunds, the Tax Office and the Auditor's Office agreed that the Auditor's Office would review refunds related to overpayments and erroneous payments for amounts over \$500. The statutes are silent regarding the auditor's review of refunds resulting from recalculations and court-ordered agreed judgments. Due to the complexity of these refunds, the Tax Office and the Auditor's Office also agreed that the auditor would review recalculation refunds greater than \$5,000 and court-ordered agreed judgments greater than \$1,000.

² Reference Texas Property Tax Code, Sections 33.01(a) and 33.07

CLOSING REMARKS

We appreciate the responsiveness and cooperation of Tax Office staff during our review. Please call me if you have any questions regarding the contents of this report.

Sincerely,



S. Renee Tidwell, CPA
County Auditor

Attachment:
Management's response

Team:
Kim Trussell, Audit Manager
Sarah Prado, Internal Auditor

Distribution:
Thomas Spencer, Tax Office Chief Deputy
James Pritchard, Associate Chief Deputy, Ad Valorem
Christine Smith, Refund Manager



TARRANT COUNTY TAX OFFICE

100 E. Weatherford, Room 105 • Fort Worth, Texas 76196-0301 • 817-884-1100
taxoffice@tarrantcounty.com

RON WRIGHT
Tax Assessor-Collector

March 6, 2014

Rene Tidwell, County Auditor
The Honorable District Judges
The Honorable Commissioner's Court


Subject: Tax Office Response to Auditor's Report – Ad Valorem Refunds for
Three Months Ending December 31, 2013

The Tax Office appreciates the effort of the Auditors to provide review and recommendations on Tax Office operations.

The refund issues identified in the subject audit related to failures to assess penalty and interest. The failures were traced to the tax office software vendor module.

I will follow up with the Spindlemedia software firm for corrective action. In the meantime, I will ask the staff to provide additional review and oversight.

Should you have any questions, please don't hesitate to contact me.


Ron Wright
Tax Assessor Collector