

AUDITOR'S REPORT

HARRIS COUNTY TAX ASSESSOR AND COLLECTOR'S OFFICE PROPERTY TAX COLLECTION THREE MONTHS ENDED FEBRUARY 28, 2014



December 4, 2015

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HARRIS COUNTY AUDITOR

December 4, 2015

Mr. Mike Sullivan
Harris County Tax Assessor & Collector
1001 Preston, 1st Floor
Houston, Texas 77002

RE: Procedures applicable to the various Tax Assessor & Collector property tax collections for the three months ended February 28, 2014

As required by Local Government Code §115.002 and §115.0035, the Compliance Audit Department examined the daily and monthly reports presenting the property tax collections submitted by the Tax Assessor and Collector's Office (Tax Office). The procedures performed included:

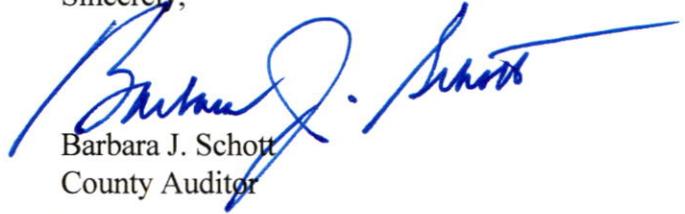
- Selectively testing property tax transactions through the Appraisal & Collection Technologies (ACT) System to evaluate whether the payment was accurately recorded.
- Evaluating whether the penalty, interest and attorney fees were properly assessed and collected on the tax transactions sampled.
- Evaluating whether the tax transactions sampled were deposited timely.

The enclosed Auditor's Report presents the significant issues identified during our procedures, recommendations developed in conjunction with your staff, and any actions you have taken to implement the recommendations. Less significant issues and recommendations have been verbally communicated to your staff.

Mike Sullivan
Harris County Tax Assessor & Collector

We appreciate the time and attention provided by you and your staff during our procedures.

Sincerely,



Barbara J. Schott
County Auditor

cc: District Judges
County Judge Ed Emmett
Commissioners:
 R. Jack Cagle
 El Franco Lee
 Jack Morman
 Steve Radack
Devon Anderson
Vince Ryan
William J. Jackson

TABLE OF CONTENTS

ISSUES AND RECOMMENDATIONS	4
 Lockbox Payment Deposits.....	4
 Balancing End of Day Reports.....	5

ISSUES AND RECOMMENDATIONS

Lockbox Payment Deposits

Background

The Tax Office is contracted with Amegy Bank of Texas (Amegy) to provide lockbox services for property tax payments. A private courier agent of Amegy picks up all lockbox mail received at P.O. Box 4622 at the downtown Post Office and delivers it to Amegy Remittance Processing Department. Harris County Procedure A.1 states, *a county officer who receives funds shall deposit the funds with the county treasurer on or before the next regular business day after the date on which the funds are received. If this deadline is not met, the officer must deposit the funds, without exception, on or before the fifth business day after the day on which the funds are received.*

Issue

Amegy does not record the actual date each lockbox payment is received by the Remittance Processing Department. Without a date received, analysis cannot be performed to establish when Amegy had possession of the lockbox payments and if funds are being deposited in a timely manner. Delays in processing payments could increase the potential for errors and the loss of funds.

This issue was discussed with Tax Office Management during the previous engagement. Tax Office Management informed us they would contact Amegy representatives to see if they can supply the date received for each payment.

Recommendation

Tax Office Management should continue discussions with Amegy to determine if the date received can be documented for each individual payment received. If Amegy is unable to supply the date received, Tax Office Management in conjunction with Financial Services Management should evaluate the existing contract with Amegy to determine if it requires Amegy to document a date received on each individual payment processed through the lockbox. If the contract does not require documentation of a date received on each individual payment, consideration should be given to amending the contract to include such language.

Management Response

We agree with the auditors' comments, and the following actions will be taken to improve the lockbox payment process. We are currently working with Amegy Bank of Texas to implement a methodology to track the date received of the mail that is delivered and processed through the lockbox. We will work with the appropriate departments to evaluate the existing contract and ensure that this tracking process will be a requirement within the bid process for the lockbox portion of the bank contract, moving forward.

ISSUES AND RECOMMENDATIONS

Balancing End of Day Reports

Background

As discussed in Harris County Accounting Procedure A.1, *Cashing Handling Guidelines*, the clerk should balance the cash drawer at least daily against receipts issued and report any overages or shortages to their supervisor in accordance with internal procedures.

Issue

Of the 28 credit card payments selected for testing, 2 payments (7%) were deposited for the correct amount, but were incorrectly recorded in the cashiering system. The following chart provides detailed information for this issue.

Branch Office	Collection Report Date	Customer's Receipt and Collection Report Credit Card Amount	Credit Card Total Recorded in ACT and Amegy	Discrepancy Amount
Cypresswood	12/12/13	\$1,946.31	\$3,331.01	\$1,384.70
Mickey Leland	02/13/14	\$3,115.77	\$3,138.83	\$23.06

The errors were not identified by the branch offices during the daily closeout procedures. As a result, the amounts presented on the branch offices' collection reports do not agree with total deposits or the ACT system for the corresponding days. In addition, the amounts reflected on the customers' receipt were understated.

Branch offices not maintaining accurate records increase the possibility of misappropriation of funds going undetected without management's knowledge. This issue was discussed with Tax Office Management during the review. Management informed us they would forward this issue to the proper personnel.

Recommendation

Tax Office Management should re-emphasize the importance of clerks balancing their collections on a daily basis to their receipts in accordance with Harris County Accounting Procedure A.1. Tax Office Management should also develop a three-way reconciliation procedure between the cashiering system, bank deposits and the ACT system to confirm Tax Office records contain accurate information.

Management Response

We agree with the Auditor's comments, and the following actions have been taken to improve the balancing of end of day reports. Our management has re-emphasized the importance of clerks balancing their collections on a daily basis to their receipts in a standardized manner. We agree that the development of a three-way reconciliation procedure will improve the balancing of end of day reports and will work through the many logistical and programming challenges toward that end.