

AUDITOR'S REPORT

HARRIS COUNTY TAX ASSESSOR & COLLECTOR'S OFFICE PROPERTY TAX COLLECTION THREE MONTHS ENDED NOVEMBER 30, 2014



December 4, 2015

**Barbara J. Schott, C.P.A.
Harris County Auditor**

Mike Post, C.P.A.
Chief Assistant County Auditor
Accounting Division

Mark Ledman, C.P.A., M.P.A.
Chief Assistant County Auditor
Audit Division



1001 Preston, Suite 800
Houston, Texas 77002-1817
(713) 755-6505

FAX (713) 755-8932
Help Line (713) 755-HELP

BARBARA J. SCHOTT, C.P.A.
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 November 30, 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:

- Using Computer Assisted Audit Techniques (CAATS) to selectively test transactions and determine whether they were properly recorded in the Appraisal & Collection Technologies (ACT) System.
- Using CAATS to selectively test transactions and determine that penalty, interest and attorney fees were properly assessed and collected.
- Using CAATS to selectively test transactions to determine accuracy and timeliness of deposit.

The work performed required our staff to exercise judgment in completing the scope objectives. As the procedures were not a detailed inspection of all transactions, there is a risk that error or fraud was not detected during this engagement. The official therefore, retains the responsibility for the accuracy and completeness of their financial records and ensuring sufficient controls are in place to detect and prevent fraud.

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.

Mr. Mike Sullivan
Harris County Tax Assessor & Collector

The issue entitled “Lockbox Payment Deposits” and “Penalties and Interest on Prior Year Taxes”, discussed in previously issued Audit Reports are recurring issues which do not appear to have immediate resolutions. However, we will continue to monitor the issues and remain in contact with Management concerning any developments in achieving a resolution.

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

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Background

Texas Constitution and Statutes Tax Code (Tax Code) Section 25.21, *Omitted Property (a)*, states, “if the chief appraiser discovers that real property was omitted from an appraisal roll in any one of the five preceding years or that personal property was omitted from an appraisal roll in one of the two preceding years, he shall appraise the property as of January 1 of each year that it was omitted and enter the property and its appraised value in the appraisal records”.

In the event real property was omitted from the records, in accordance with Tax Code Section 26.069, *Calculation of Tax (d)*, the property is assessed one percent back assessment interest for each month the property was omitted.

The Tax Office was previously using the same data field within ACT to notate both omitted property and installment payment agreements because the two situations would never occur simultaneously since omitted property is only associated with previous tax years. However, this is no longer the case due to process changes which now allow for payment agreements on previous tax years as well as the current tax year.

Issue

When a payment agreement for previous tax years was established and input into the shared data field within ACT, the payment agreement terms would override any omitted property terms previously established. As a result, taxpayers having accounts associated with omitted property were not charged the appropriate interest in accordance with the Tax Code.

Not maintaining accurate records could result in underpayment of property taxes and loss of County Revenue.

Subsequent to procedures performed Management informed us that the ACT system was updated in February 2015, to correct the handling of omitted property. Management Informed us they have been working to:

- Identify and notify taxpayers impacted by revisions made to their tax account.
- Collect underpayment of taxes resulting from the corrections.

Recommendation

Tax Office Management should continue to work to:

- Notify and identify taxpayers impacted by revisions made to their tax account.
- Collect underpayment of taxes resulting from the corrections.

Management Response

We agree with the Auditor's comments, and the following actions will continue to be taken to improve the omitted interest and installment payment plan processes. As noted, the ACT system was updated earlier this year. The Tax Assessor-Collector's office will continue to identify and notify taxpayers impacted by revisions made to their accounts. We will continue to collect any underpayment of taxes resulting from the corrections