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MICHAEL POST, C.P.A., M.B.A.
HARRIS COUNTY AUDITOR

November 13, 2020

Ms. Ann Harris Bennett
Harris County Tax Assessor-Collector & Voter Registrar
1001 Preston Street, Suite 101
Houston, Texas 77002

Dear Ms. Bennett:

The Harris County Auditor's Office - Compliance Audit Department (Compliance Audit Department) has completed an audit of the monthly property tax refunds processed by the Harris County (County) Tax Assessor-Collector & Voter Registrar (Tax Office) for the three months ended February 29, 2020. The results of our audit are included in the attached report.

We appreciate the time and attention provided by you and your staff during this engagement. If you have any questions, please contact me or Errika Perkins, Chief Assistant, at 713-274-5673.

Sincerely,

A handwritten signature in blue ink that reads "Michael Post".

Michael Post
County Auditor

Attachment

cc: District Judges
County Judge Lina Hidalgo
Commissioners:
R. Jack Cagle
Rodney Ellis
Adrian Garcia
Steve Radack
Vince Ryan

AUDIT REPORT
QUARTERLY REVIEW OF MONTHLY PROPERTY TAX REFUNDS
**HARRIS COUNTY TAX ASSESSOR-COLLECTOR & VOTER
REGISTRAR**
NOVEMBER 13, 2020

Executive Summary

OVERALL CONCLUSION

Based on the procedures performed, the controls over the processing of property tax refunds at the Tax Office appear to be appropriately designed. However, enhancements are needed to ensure that all refunds are processed in compliance with Texas Tax Code §31.11, *Refunds of Overpayments or Erroneous Payments* (Texas Tax Code §31.11). The issue was discussed with the Tax Office Assistant Chief Deputy - Operations, and a management action plan has been developed, which will address the issue identified by November 20, 2020.

SCOPE AND OBJECTIVE

As required by Local Government Code §115.002 (a) and (b), the Compliance Audit Department examined the property tax refunds processed by the Tax Office for the three months ended February 29, 2020. The objectives of this engagement were to determine whether:

- Property tax refunds due to overpayments were in compliance with the provisions of Texas Tax Code §31.11, *Refunds of Overpayments or Erroneous Payments*.
- Property tax refunds due to changes in the Tax Roll were in compliance with the provisions of Texas Tax Code §26.15, *Correction of Tax Roll* (Texas Tax Code §26.15).
- Property tax refunds were properly authorized, accurately calculated, and applied to the proper tax year.
- Property tax refunds were paid to the proper recipient, adequately supported, and paid timely.

SUMMARY OF AUDIT ISSUES

- The Tax Office needs to enhance its internal controls for property tax refunds to ensure compliance with the requirements of the Texas Tax Code.

The issue identified, management's action plan to address the issue, and background information regarding this audit are discussed in more detail on the following pages.

AUDIT ISSUE

ISSUE #1: Four Property Tax Refunds Were Not Processed in Compliance with the Texas Tax Code

What is the Issue: The Tax Office's property tax refund review process did not identify the four out of 60 (7%) property tax refunds tested that were out of compliance with Texas Tax Code §31.11. Two of the four exceptions related to property tax refunds exceeded \$5,000 and were not approved by Commissioners Court. The remaining two exceptions were related to property tax refund applications that did not contain the required affirmations by the taxpayers. These last two property tax refunds were based on email requests rather than the official application form.

What is Expected: In accordance with Texas Tax Code §31.11, a property tax refund exceeding \$5,000 may not be made unless the governing body of the taxing unit (Commissioners Court) also determines that the payment was erroneous or excessive and approves the refund. In addition, an application for a refund must include an affirmation by the taxpayer that the information in the application is true and correct.

Why it Matters: Failure to adequately review property tax refunds could result in noncompliance with regulatory requirements.

Why it Happened: The Tax Office's internal review and control procedures for property tax refunds needs an enhancement to prevent refunds from being processed without the required approval of Commissioners Court. Furthermore, training and review tools are needed to prevent refunds from being processed based on applications that do not contain the required affirmation.

What Action(s) are Suggested: The Tax Office should enhance its internal property tax refund review procedures and related internal controls to help ensure that property tax refunds are processed consistently with the required approvals and affirmations.

MANAGEMENT'S ACTION PLAN

Responsible Party: Elizabeth Doss, Assistant Chief Deputy - Operations

We agree with the auditor's recommendation, and the following action has been taken to amend the situation. We have updated the policies and procedures for the handling of property tax refunds as suggested by the Auditor's Office. We have consolidated these policy changes and updated the group's user manual. This corrective action plan has also been communicated with the staff members performing the refunds task, as well as the Property Tax Management Team.

Due Date: November 20, 2020

BACKGROUND

Article VIII, Section 14 of the Texas Constitution states that the qualified voters of each county shall elect an assessor-collector of taxes for the county, and this person will hold office for four years. The County Tax Assessor-Collector uses the tax roll certified by the Appraisal District and property tax rates established by the County and other taxing entities to determine the tax due for each taxpayer. It is also the responsibility of the Tax Assessor-Collector to collect property tax along with penalties, interest, and attorney fees for the County and each taxing entity that contracts with the County for collection. Additionally, Tax Assessor-Collectors function as agents of the Texas Department of Motor Vehicles for purposes of collecting fees and taxes related to licensing and registration of motor vehicles.

The Tax Assessor-Collector is responsible for making any refunds to taxpayers in accordance with applicable statutes. Texas Tax Code §31.11 governs refunds of overpayments while Texas Tax Code §26.15 governs refunds related to changes in the tax roll.

ACCOUNTABILITY

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