



COMMISSIONERS COURT  
COMMUNICATION

REFERENCE NUMBER CO#135433

PAGE 1 OF 7

DATE: 05/11/2021

SUBJECT: **RECEIVE AND FILE THE AUDITOR'S REPORT FOR THE REVIEW OF CERTAIN AD VALOREM REFUNDS**

**COMMISSIONERS COURT ACTION REQUESTED:**

It is requested that the Commissioners Court receive and file the Auditor's Report of the Review of Certain Ad Valorem Refunds.

**BACKGROUND:**

In accordance with Local Government Code and Texas Property Tax Code Section 31.11, we performed a review of certain ad valorem refunds issued to taxpayers that were not approved by the Auditor's Office prior to payment for the two years ended December 31, 2020. The objective of the review was to determine whether refunds were valid and paid to the correct taxpayer for the correct amount.

**FISCAL IMPACT:**

There is no direct fiscal impact associated with this action.

SUBMITTED BY: Auditor

PREPARED BY: S. Renee Tidwell  
APPROVED BY:



## TARRANT COUNTY

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March 5, 2021

The Honorable Wendy Burgess, Tax Assessor-Collector  
The Honorable District Judges  
The Honorable Commissioners Court  
Tarrant County, Texas

RE: Auditor's Report – Review of Certain Ad Valorem Refunds

### SUMMARY

In accordance with Local Government Code and Texas Property Tax Code Section 31.11, we performed a review of certain ad valorem refunds issued to taxpayers that were *not* approved by the Auditor's Office prior to payment for the two years ended December 31, 2020. The objective of the review was to determine whether refunds were valid and paid to the correct taxpayer for the correct amount. We selected a random sample of 120 refunds that were *not* approved by the Auditor's Office prior to payment and observed instances of material non-compliance with statute. Specifically:

- Observation 1      Certain payments received through the mail were not always recorded into *Tax Client*.
- Observation 2      Certain refunds were incorrectly classified as a duplicate payment.

We discussed these observations with the Tax Assessor-Collector's staff. Attached is management's written response.

### BACKGROUND

The Texas Property Tax Code governs the process of refunds, including both the role of the auditor and tax assessor-collector. Texas Property Tax Code, Section 31.11, Refunds of Overpayments and Erroneous Payments, defines and delineates the responsibility of the Auditor's Office and Tax Assessor-Collector as follows:

*"...the collector for the (taxing) unit determines that the payment was erroneous or excessive, and the auditor for the unit agrees with the collector's determination, the collector shall refund the amount of the excessive or erroneous payment from available current tax collections or from the funds appropriated by the unit for making refunds."*

Our review focused on overpayment and duplicate payment refunds from \$5 to \$5,000. For the period January 1, 2019 through December 31, 2020, the Tax Office issued 18,409 overpayment and duplicate payment refunds from \$5 to \$5,000. Combined, the refunds totaled approximately \$11.7 million.

For that same period, the Tax Office processed approximately \$37.5 million in ad valorem refunds. In accordance with statute, the Auditor's Office reviewed and approved 434 refunds for approximately \$8.9 million. Of the 434 refunds reviewed, no refunds were rejected by the Auditor's Office.

*Tax Client* is the system used to record property taxes due, payments received, and all other transactions related to property tax accounts. *Refund Trac* is the application used to document the workflow of moving refunds through the review and approval process.

## OBSERVATIONS AND RECOMMENDATIONS

### *Observation 1 Certain payments received through the mail were not always recorded into Tax Client.*

#### **Background**

The Tax Office accepts payments in-person, by mail, drop box, telephone, eLockbox, and via the web. The Property Tax Collection division is responsible for recording payments into *Tax Client* and the Refund division is responsible for processing refunds in accordance with statute.

Local Government Code, Section 113.006, Liability of County Tax Assessor-Collector, states:

*“A county tax assessor-collector and any surety on the assessor-collector's bond are relieved of responsibility for safekeeping funds collected from taxes after the funds are deposited as required by law with the county depository.”*

#### **Observation**

During our review, certain payments received through the mail were not always recorded in *Tax Client*. For the two-year audit period, we identified 210 accounts where checks totaling approximately \$708,000 were returned directly to the taxpayer without issuing a receipt in *Tax Client* or depositing with the County depository. The highest payment returned to a taxpayer without receipting into *Tax Client* was approximately \$223,539. Furthermore, any returned checks over \$5,000 that would be classified as overpayments are not being reviewed by the Auditor's Office as required by the property tax code.

According to staff, when a property account appears to have a zero balance the practice is for the Revenue Processing Center to forward the check payments to the Current Collections or Special Collections staff. If the payment cannot be applied to another account, the check is returned to the payer along with a notification letter and a notation is made in *Tax Client*. Furthermore, Current Collections staff have the ability to receipt and reverse payments. Because there is not a report readily available or manual control in place to identify and track all returned payments, our review was limited in scope and we offer no assurance that all returned payments were identified, valid, authorized, and in compliance with the code. Incompatible roles and permissions combined with lack of a report or

manual control in place to identify and track all returned payments, a significant risk of theft of loss of funds exists.

### **Recommendations**

Unless the statutes specify otherwise, Tax Office staff should record *all* monies received into *Tax Client*. This includes monies received for payments made in error or on accounts paid in full. We also recommend all funds that should be returned or refunded be processed through *RefundTrac*.

***Observation 2 Certain refunds were incorrectly classified as a duplicate payment.***

### **Background**

Property Tax Code, Section 31.111, Refunds of Duplicate Payments, states in part:

*“...a taxing unit who determines that a person erred in making a payment of taxes because the identical taxes were paid by another person shall [emphasis added] refund the amount of the taxes to the person who erred in making the payment.”*

### **Observations**

During our review, we found that certain refunds were incorrectly classified as a duplicate payment. We reviewed 50 refunds under \$5,000 and 36 refunds over \$5,000 classified as a duplicate in *RefundTrac*. We identified 31 that should have been classified as an overpayment. Furthermore, 22 of the overpayments totaling approximately \$279,554 should have been reviewed and approved by the Auditor's Office prior to payment. Nothing came to our attention to indicate the refunds paid were not valid or issued to the incorrect taxpayer.

This occurred because *Tax Client* is currently configured to classify identical payments as duplicate payments, even if the identical payment is made by the same taxpayer. Since the refunds flow from *Tax Client* to *RefundTrac*, an identical payment is incorrectly classified as a duplicate payment. While the Refund staff have the discretion to change the classification of the refund as needed, the current practice is to consider all identical payments, regardless of taxpayer, as duplicate payments. As a result, the County may not be in full compliance with the Property Tax Code.

### **Recommendation**

We recommend Tax Office staff request a system modification to *Tax Client* to comply with the Property Tax Code. In the interim, we recommend Tax Office staff change the classification of overpayments as appropriate to ensure the refunds flow through *Refund Trac* to the Auditor's Office prior to payment.

**CLOSING REMARKS**

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

Sincerely,

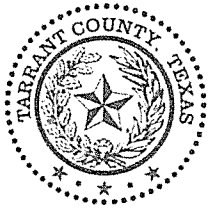


S. Renee Tidwell, CPA  
County Auditor

*Attachment:*  
Management's response

*Distribution:*  
Thomas Spencer, Tax Office Chief Deputy  
Amelia Rice, Interim Property Tax Director  
Christine Smith, Tax Refund Manager  
Danny Nichols, Tax Collections Manager

*Audit Team:*  
Kim Buchanan, First Assistant Auditor  
Kara Hoekstra, Senior Internal Auditor



## TARRANT COUNTY TAX OFFICE

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In God We Trust

**WENDY BURGESS**  
Tax Assessor-Collector

May 3, 2021

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

Subject: Response to Auditor's Report – Review of Certain Ad Valorem Refunds

Refunds in the Tax Office are a necessary and critical aspect of processing property tax transactions. During the past 12 months, the tax office processed over 50,000 refunds for over many millions of dollars. The significance of the obligation to process refunds correctly cannot be overstated.

The Tax Office seeks to adhere to the property tax code, using procedures, technology and multiple reviews and sign offs to ensure refunds go to the right person, for the correct amount and on a timely basis.

The auditor reported two issues in the recent review. On the first, the Tax Office acknowledges that certain duplicate payments were returned directly to taxpayer without being deposited in Tax Office accounts. This is a conscious decision to avoid the overhead associated with getting refunds processed. Only duplicate refunds are returned by the Tax Office when it was clear taxes had already been paid and a refund would be necessary. We acknowledge the obligation we have to maintain control of all funds prior to being deposited to the bank. The results of the audit provide an excellent opportunity to reconsider the current process. Meetings are under way to review the code, our procedures, customer service impacts and risks. It is anticipated that changes will be made to recognize the checks were received and processed in the Tax Office. We will keep the Auditors informed of upcoming changes.

The second issue relates to the definition of duplicate refunds. As with the first observation, the Tax Office process was intended help the taxpayers avoid delays. The current Tax Office definition includes all duplicates. After reviewing the code and conferring with delinquent collection attorneys, the process should be modified to exclude refunds made by the same person. Duplicate refunds to the same person should be handled as overpayments. A change in process will be initiated right away.

I am very pleased to recognize that no erroneous refunds were identified in the subject audit; a fact that I am very proud of.

We value and appreciate our strong relationship with the Auditors Office. We welcome the auditors in our offices and encourage additional reviews.

Should you have any questions, please contact me or my Chief of Staff, Tom Spencer.



Tom Spencer, PCC  
for  
Wendy Burgess, PCC, CTOP, PCAC  
Tax Assessor-Collector – Tarrant County