



COMMISSIONERS COURT
COMMUNICATION

REFERENCE NUMBER 0
PAGE 1 OF 4
DATE: 8/2/2011

SUBJECT: **RECEIVE AND FILE THE AUDITOR'S REPORT OF THE FOLLOW-UP OF THE OVER/DOUBLE PAYABLE GENERAL LEDGER ACCOUNT**

COMMISSIONERS COURT ACTION REQUESTED:

It is requested that the Commissioners Court receive and file the Auditor's Report of the Follow-up of the Over/Double Payable General Ledger account.

BACKGROUND:

As part of the continuous monitoring, the Auditor's Office reviews the monthly financial statements prepared by the Tax Office. The attached report describes observations related to the Over/Double Payable account that remain outstanding as of June 30, 2011. The Over/Double Payable account contains property tax overpayments and double payments made by taxpayers to be refunded.

Attached to this report is management's response from the Tax Assessor-Collector.

FISCAL IMPACT:

There is no direct fiscal impact associated with this action.

SUBMITTED BY:	Auditor	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

RONALD D. BERTEL, CPA
FIRST ASSISTANT COUNTY AUDITOR
rbertel@tarrantcounty.com

July 15, 2011

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

Re: Auditor's Report – Follow up of Tax Office Over/Double General Ledger Liability Account

The purpose of this report is to communicate two issues related to the over/double liability account most recently reported to the Commissioners Court on October 6, 2009. These conditions remain outstanding as of June 2011. Both conditions are described in further detail below.

Interest paid for certain refunds is not recorded into the Tax Office general ledger correctly.

Although the Tax Office has made some progress in addressing this condition, interest paid for certain refunds is not consistently recorded into the Tax Office general ledger correctly. A recalculation refund results when changes occur to either a property's value or exemptions. Typically, recalculation refunds include interest and are properly recorded and charged to the entities. In certain instances, recalculation refunds owed to taxpayers are recorded in the over/double liability account. When the refund is paid, the liability account is reduced by the total payment, including interest, although interest is not accrued in this account. As a result, the Tax Office paid interest totaling approximately \$476,000 between 1998 and June 2011, but the revenue paid to taxing entities was not reduced, including the County's revenue. The County's portion of interest paid totaled approximately \$52,500, or 11%.

Recommendation: Interest expense should be properly allocated and charged to the entities, including Tarrant County.

The Over/Double Payable account was not adequately reconciled.

Currently, the liabilities reported on the Tax Office's monthly financial statements do not reconcile to liabilities recorded in Tax 2004. We also observed that this difference continues to change from one month to the next. According to Tax Office management, the differences result from monthly cut-off between the general ledger and Tax 2004 system, expired refunds that remain on Tax 2004, and inaccurate data converted in 1999 from the previous general ledger system. Without a reconciliation, liabilities reported by the Tax Office may not be accurate, and errors and unauthorized transactions may not be identified.

Recommendation: The Tax Office should implement procedures to reconcile the liabilities recorded in the general ledger and Tax 2004 on a periodic basis. This reconciliation should be documented and reviewed by management.

Tax Office management and staff have already begun discussions with Spindlemedia, the developer of Tax 2004 and the general ledger, to implement system changes that will address these two issues.

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 letter

Team:
Ron Bertel, First Assistant County Auditor
Kim Trussell, Audit Manager
Sarah Prado, Senior Auditor
Susan Black, Senior Auditor

Distribution:
Tom Spencer, Tax Office Chief Deputy
Anita ElSakhawy, Tax Office Accounting Director
Sue Caldwell, Tax Office Internal Audit



TARRANT COUNTY TAX OFFICE

100 E. Weatherford, Room 105 • Fort Worth, Texas 76196-0301 • 817-884-1850
taxoffice@tarrantcounty.com

RON WRIGHT
Tax Assessor-Collector

July 26, 2011

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

**Subject: Auditor's Report – Follow up of Tax Office Over/Double Payable
General Ledger Account**

Controlling refunds is a very important aspect of Tax Office operations. The Tax Office has used a refunding tracking system that monitors all payments due to taxpayers from the time they are created until they are released for payment. In May of 2010, the Tax Office installed a new general ledger system which provides detailed visibility to the supporting data as well as better control of operations.

In the subject report, the auditor's identify two issues that impact refunds and payables in the Tax Office. The first relates to interest paid on a certain type of refund and the second relates to reconciliation of a refund payable account.

Interest Paid on Certain Refunds

The Tax Office agrees that there is a liability issue in relation to the Over/Double Payable Account. The Tax Office used conflicting processes within the Spindlemedia property tax software system which resulted in interest charges to the wrong entity. When the issue was identified earlier by the auditors, a procedural workaround was developed and is in place. This workaround has solved most of the problems. However, a final solution must be developed by Spindlemedia to avoid failures in the work around.

The Tax Office is exploring alternatives to correct interest charged to the wrong entity. A detailed plan will be presented to resolve this issue

Reconciling the Over/Double Payable Account

At the time the Spindlemedia Property Tax and Solomon General Ledger systems were implemented in 1999, a \$6 Million over/double payable account balance was entered into the general ledger without detailed support. From 1999 thru April 2010, this GL account did not carry the taxpayer account numbers as part of the detail records; therefore, a detailed reconciliation by taxpayer account is not possible. With the implementation of the new General Ledger System (SMIGL) in May 2010, the taxpayer account information is carried into the account records. Also, a special report to identify the accounts that comprise the balance for a specific month was developed. Using this new system and reports, a complete reconciliation of April and May 2011 Over/Double Payable accounts balances was possible.

The results of this two-month reconciliation revealed that differences can be classified and are primarily related to timing and omission of some information from the control report. The Tax Office will perform a periodic reconciliation of this account as recommended in the Auditor's report. Additionally, the Tax Office is developing a plan to clean up the discrepancies in the over/double payable account. This plan will be coordinated with the auditors and delivered to Commissioner's Court as appropriate.

The Tax Office acknowledges the effort of the Auditor's office and solicits their continued review of Tax Office operations.

Thanks for your assistance in this matter.

Sincerely,



Ron Wright, Tax Assessor-Collector