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October 25, 2023

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


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

In accordance with the Local Government Code, we performed a review of ad valorem refunds issued to taxpayers that were *not* approved by the Auditor's Office prior to payment during the period October 1, 2022, through June 30, 2023. The Tax Office issued approximately 19,600 refunds totaling approximately \$62.5 million, including interest totaling about \$112,000. The objective of our review was to determine whether controls over tax refunds were adequate to ensure that the refunds were paid to the correct party for the correct amount and in accordance with the Texas Property Tax Code (Tax Code).

We determined that controls were generally adequate, and no material exceptions were noted. However, we did observe that refunds were not always correctly classified by the "type" of refund. The classification is important because each type is governed by different sections of the Tax Code. This issue and management's action plan are described in further detail on the attached page. We also discussed less significant issues with management and staff.

We appreciate the cooperation of your staff during the review. If you have any questions, please do not hesitate to contact me.

Sincerely,


Kimberly M. Buchanan, CPA
Tarrant County Auditor

Distribution:

Jerry Cantu, Tax Office Chief of Staff

INTERNAL AUDIT REPORT
REVIEW OF AD VALOREM REFUNDS
October 25, 2023

Background: Tax Code Section 31.111 governs duplicate payments, which are processed automatically. Tax Code Section 26.15(f) and Section 42.43 governs changes in tax value. Tax Code 31.11 governs erroneous payments on or overpayment of property taxes and requires that these refunds be reviewed by the Auditor's Office.

What is the issue: Refund Trac allows authorized users to manually change the classification of refunds when needed. For example, Refund Trac is configured to classify identical amounts for payments on an account as duplicate payments, regardless of the payer. Since statute requires duplicate payments to be different payers, manual intervention is required for staff to change the classification to an overpayment. We tested 113 refunds and determined that the refund classification was not always correct. Specifically:

- Three duplicate refunds should have been classified as overpayments since the payments were received from the same payor twice. One refund, in the amount of \$13,693.20, should have been reviewed by the Auditor and approved by Commissioners Court prior to payment.
- Two recalculation refunds should have been classified as overpayments. Neither would have required Auditor or Commissioners Court approval.
- One overpayment should have been classified as a duplicate payment.

Why it matters: The Tax Code specifically requires an application from the taxpayer for erroneous or overpayments while a duplicate payment does not. Furthermore, it states that after the Tax Assessor-Collector determines that a payment received was erroneous or excessive and the Auditor agrees, the refund should be made. Any refunds for overpayments or erroneous payments greater than \$5,000 are required to be approved by the governing body.

Recommended action: Future enhancements to Refund Trac should include the functionality to distinguish the type of refund to align with the Tax Code. Otherwise, management should ensure that procedures require staff to determine whether refunds in the Refund Trac queue are classified correctly, and if not, make corrections.

Management's action plan: Management understands the importance of the classification of refunds. Therefore, management will ensure that refunds staff understands the different classifications of refunds and make any corrections necessary in Refund Trac.



TARRANT COUNTY TAX OFFICE

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In God We Trust

WENDY BURGESS
PCC, CTOP, PCAC, CSTA
Tax Assessor-Collector

November 9, 2023

Kimberly Buchanan, County Auditor
The Honorable District Judges
The Honorable Commissioner's Court
Tarrant County, Texas

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

I would like to thank the Auditor's Office for their detailed approach in this audit. We enjoy our working relationship and recognize the importance of this partnership to ensure compliance in our operations. Refunds in the Tax Office are a necessary and critical aspect of processing property tax transactions. 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, multiple reviews, and sign offs to ensure refunds go to the right person, for the correct amount and on a timely basis.

As you know, the continued development and enhancement of the Tarrant County Tax Office RefundTrac system remains a priority. The refund group is responsible for identifying and filtering the numerous changes received in the file on a monthly basis while using their technical expertise to mitigate risk and limit manual changes. Of the 19,600 refunds, the Auditors Office identified 6 instances that will be used to improve our processes moving forward. We are fortunate to have hired a new manager in September 2023 for this group with 20 years of Tax Office experience and 10 years in the refund group. The Tax Office will ensure processes, procedures and oversight are in place to protect the taxpayer dollars and ensure compliance of all statutory obligations and code.

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, Jerry Cantu.

[REDACTED]
Wendy Burgess, PCC, CTOP, PCAC, CSTA
Tax Assessor-Collector – Tarrant County

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