

# Internal Audit Department

O R A N G E C O U N T Y  
6<sup>th</sup> Largest County in the USA

## FINANCIAL AUDITS & MANDATES AUDIT OF TAX REDEMPTION OFFICER RECORDS AND ACCOUNTS

For the Three Years Ended  
June 30, 2014

We found that the elected Orange County Treasurer-Tax Collector properly calculated and collected over **\$268 million** in delinquent property taxes, interest and penalties for the three years ended June 30, 2014.

We identified **one (1) Significant Control Weakness** and **three (3) Control Findings** regarding the tax redemption process. The Significant Control Weakness deals with an issue regarding the Treasurer-Tax Collector's Assessment Tax System (ATS). The Control Findings deal with internal controls over suspense accounts, the process of accepting payments less than the balance due, and one specific fee not in accordance with a Board of Supervisors' Ordinance.

AUDIT NO: 1453  
REPORT DATE: APRIL 23, 2015

**Director:** Dr. Peter Hughes, MBA, CPA, CIA  
Assistant Director/Senior Audit Manager: Michael Goodwin, CPA, CIA  
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### RISK BASED AUDITING

GAO & IIA Peer Review Compliant – 2001, 2004, 2007, 2010, 2013



American Institute of Certified Public Accountants Award to Dr. Peter Hughes as 2010 Outstanding CPA of the Year for Local Government

GRC (Government, Risk & Compliance) Group 2010 Award to IAD as MVP in Risk Management



2009 Association of Certified Fraud Examiners' Hubbard Award to Dr. Peter Hughes for the Most Outstanding Article of the Year – Ethics Pays



2008 Association of Local Government Auditors' Bronze Website Award



2005 Institute of Internal Auditors' Award for Recognition of Commitment to Professional Excellence, Quality, and Outreach



ORANGE COUNTY BOARD OF SUPERVISORS'  
Internal Audit Department

*GAO & IIA Peer Review Compliant - 2001, 2004, 2007, 2010, 2013*

*Providing Facts and Perspectives Countywide*

**RISK BASED AUDITING**

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**OC Fraud Hotline (714) 834-3608**



## Transmittal Letter



**Audit No. 1453 April 23, 2015**

**TO:** Shari L. Freidenrich, CPA  
Treasurer-Tax Collector

**FROM:** Dr. Peter Hughes, CPA, Director  
Internal Audit Department

**SUBJECT:** Financial Audits & Mandates: Audit of Tax  
Redemption Officer Records and Accounts

We have completed an Audit of Tax Redemption Officer Records and Accounts for the three years ended June 30, 2014. The total dollar volume of redemption taxes and penalties collected during the period was approximately **\$257 million** for secured taxes and **\$11 million** for supplemental taxes. We performed this audit in accordance with our *FY 2014-15 Audit Plan and Risk Assessment* approved by the Audit Oversight Committee and the Board of Supervisors. Our final report is attached for your review.

Please note we have a structured and rigorous **Follow-Up Audit** process in response to recommendations and suggestions made by the Audit Oversight Committee (AOC) and the Board of Supervisors (BOS). Our **first Follow-Up Audit** will begin at six months from the official release of the report. A copy of all our Follow-Up Audit reports is provided to the BOS as well as to all those individuals indicated on our standard routing distribution list.

The AOC and BOS expect that audit recommendations will typically be implemented within six months and often sooner for significant and higher risk issues. Our **second Follow-Up Audit** will begin at six months from the release of the first Follow-Up Audit report, by which time **all** audit recommendations are expected to be addressed and implemented. At the request of the AOC, we are to bring to their attention any audit recommendations we find still not implemented after the second Follow-Up Audit. The AOC requests that such open issues appear on the agenda at their next scheduled meeting for discussion.

We have attached a **Follow-Up Audit Report Form**. Your agency should complete this template as our audit recommendations are implemented. When we perform our first Follow-Up Audit six months from the date of this report, we will need to obtain the completed document to facilitate our review.

Each month I submit an **Audit Status Report** to the BOS where I detail any critical and significant audit findings released in reports during the prior month and the implementation status of audit recommendations as disclosed by our Follow-Up Audits. Accordingly, the results of this audit will be included in a future status report to the BOS.

As always, the Internal Audit Department is available to partner with your staff so that they can successfully implement difficult audit recommendations. Please feel free to call me should you wish to discuss any aspect of our audit report or recommendations. Additionally, we will request your department complete a **Customer Survey** of Audit Services. You will receive the survey shortly after the distribution of our final report.

### ATTACHMENTS

Other recipients of this report are listed on the **OC Internal Auditor's Report** on page 4.

# Table of Contents



*Financial Audits & Mandates:  
Audit of Tax Redemption Officer  
Records and Accounts  
Audit No. 1453*

For the Three Years Ended June 30, 2014

Transmittal Letter	i
OC Internal Auditor's Report	
OBJECTIVES	1
RESULTS	1
BACKGROUND	3
SCOPE AND METHODOLOGY	3
SCOPE EXCLUSIONS	3
ACKNOWLEDGMENT	3
Detailed Results, Findings, Recommendations and Management Responses	
Finding No. 1 – Assessment Tax System Issue (Significant Control Weakness)	5
Finding No. 2 – Resolution of Suspense Account Items (Control Finding)	5
Finding No. 3 – Short/Partial Payments of Taxes Due (Control Finding)	7
Finding No. 4 – Fees for Costs Incurred in Obtaining the Names and Last Known Mailing Addresses (Control Finding)	8
ATTACHMENT A: Report Item Classifications	9
ATTACHMENT B: Treasurer-Tax Collector Management Responses	10



**Audit No. 1453**

**April 23, 2015**

TO: Shari L. Freidenrich, CPA  
Treasurer-Tax Collector

FROM: Dr. Peter Hughes, CPA, Director  
Internal Audit Department

SUBJECT: Financial Mandates & Audits: Audit of Tax Redemption Officer  
Records and Accounts

## Audit Highlight

We found that the elected Orange County Treasurer-Tax Collector properly calculated and collected over **\$268 million** in delinquent property taxes, interest and penalties for the three years ended June 30, 2014.

We identified **one (1) Significant Control Weakness** and **three (3) Control Findings** regarding the tax redemption process. The Significant Control Weakness deals with an issue regarding the Treasurer-Tax Collector's Assessment Tax System (ATS). The Control Findings deal with internal controls over suspense accounts, the process of accepting payments less than the balance due, and one specific fee not in accordance with a Board of Supervisors' Ordinance.

## OBJECTIVES

In accordance with our *FY 2014/2015 Audit Plan and Risk Assessment* approved by the Audit Oversight Committee and Board of Supervisors, we conducted an audit of the Treasurer Tax-Collector Redemption Section pursuant to Section 4108.5 of the California Revenue and Taxation Code (Revenue and Taxation Code) for the purpose of evaluating the reliability and integrity of financial and operational tax redemption records and compliance with laws and regulations governing redemption activities.

The Revenue and Taxation Code requires an audit at least once every three years of the records and accounts of the Tax-Collector relating to the performance of his/her duties as the Tax Redemption Officer. Our audit was conducted in accordance with professional standards established by the Institute of Internal Auditors.

As part of obtaining reasonable assurance about the accuracy of redemption collection records and accounts, we performed tests of collection records, penalty and interest calculations, and account reconciliations.

## RESULTS

Based on our audit, the records and accounts of redemption collections appear to be fairly stated.

We did note **one (1) Significant Control Weakness** and **three (3) Control Findings**. The Significant Control Weakness dealt with an issue regarding the Treasurer-Tax Collector's Assessment Tax System (ATS). The Control Findings dealt with internal controls over suspense accounts, the process of accepting payments less than the balance due, and one specific fee not in accordance with a Board of Supervisors' Ordinance.



The following table summarizes our findings and recommendations for this audit. See further discussion in the *Detailed Results, Findings, Recommendations and Management Responses* section of this report. See *Attachment A* for a description of Report Item Classifications.

Finding No.	Finding Classification - (see Attachment A)	Finding and Page No. in Audit Report	Recommendation	Concurrence by Management?
1.	<b>Significant Control Weakness</b>	ATS System Issue (pg. 5)	We recommend the Treasurer-Tax Collector evaluate if mitigating measures can be performed to detect instances of processed refunds not issued by ATS.	Yes
2.	<b>Control Finding</b>	Resolution of Suspense Account Items (pgs. 5-6)	We recommend the Treasurer-Tax Collector implement a review of suspense details to ensure timely monitoring and resolution of all suspense items.	Yes
3.	<b>Control Finding</b>	Short/Partial Payments of Taxes Due (pgs. 7-8)	We recommend that the Treasurer-Tax Collector work with County Counsel to determine if funds maintained in a suspense account result in the acceptance of short/partial payments subject to R&T 4143 and if further action by the Board of Supervisors is needed.	Yes
4.	<b>Control Finding</b>	Fee for Costs Incurred in Obtaining the Names and Last Known Mailing Addresses (pgs. 8-9)	We recommend that the Treasurer-Tax Collector work with County Counsel in determining a resolution to this issue, including analyzing if the BOS Ordinance needs to be amended or rescinded.	Yes



## BACKGROUND

The Treasurer-Tax Collector performs the duties of Tax Redemption Officer through the Redemption Section of the Department. These duties, as defined by Part 7 of the Revenue and Taxation Code, include maintaining abstracts of delinquent secured and supplemental taxes; calculating and collecting interest and penalties on delinquent taxes; verifying specific conditions have been met before property is redeemed by property owners; and issuing certificates for redeemed property. The total dollar volume of redemption taxes and penalties collected during the three years ended June 30, 2014 was approximately **\$257 million** for secured taxes and **\$11 million** for supplemental taxes.

## SCOPE AND METHODOLOGY

Part 7, Chapter 1, Section 4108.5 of the Revenue and Taxation Code requires an audit once every three years of the records and accounts of the Tax-Collector relating to the performance of his/her duties as the Tax Redemption Officer. Our audit involved a review of existing operating and accounting practices of the Treasurer-Tax Collector for the three years ended June 30, 2014. Our methodology included inquiry, auditor observation, testing the records and accounts of redemption collections, and reviewing compliance with laws and regulations for redemption activities.

## SCOPE EXCLUSIONS

Our audit did not include a review of the property tax apportionment process performed by the Auditor-Controller or a detailed review of information system controls used in the redemption process; however, our scope did include reviewing selected system controls and audit trails concerning delinquent tax refunds and penalty cancellations processed in the ATS system.

## Management's Responsibilities for Internal Controls

In accordance with the Auditor-Controller's County Accounting Manual Section S-2 *Internal Control Systems*: "All County departments/agencies shall maintain effective internal control systems as an integral part of their management practices. This is because management has primary responsibility for establishing and maintaining the internal control system. All levels of management must be involved in assessing and strengthening internal controls." Control systems shall be continuously evaluated by Management and weaknesses, when detected, must be promptly corrected. The criteria for evaluating an entity's internal control structure is the Committee of Sponsoring Organizations (COSO) control framework. Our audit enhances and complements, but does not substitute for the Treasurer-Tax Collector's continuing emphasis on control activities and self-assessment of control risks.

## Inherent Limitations in Any System of Internal Control

Because of inherent limitations in any system of internal controls, errors or irregularities may nevertheless occur and not be detected. Specific examples of limitations include, but are not limited to, resource constraints, unintentional errors, management override, circumvention by collusion, and poor judgment. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate. Accordingly, our audit would not necessarily disclose all weaknesses in Treasurer-Tax Collector's operating procedures, accounting practices, and compliance with County policy.

## ACKNOWLEDGMENT

We appreciate the courtesy extended to us by the Treasurer-Tax Collector personnel during our audit. If we can be of further assistance, please contact me directly at 834-5475 or Mike Goodwin, Assistant Director/Senior Audit Manager at 834-6066.



## Attachments

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

Members, Board of Supervisors  
Members, Audit Oversight Committee  
Michael Giancola, County Executive Officer  
Mark Denny, Chief Operating Officer  
Paul Gorman, Chief Assistant Treasurer-Tax Collector  
Jennifer Burkhart, Assistant Treasurer-Tax Collector  
Dan Puglia, Budget Manager, Treasurer-Tax Collector  
Kamal Singh, Remittance Processing Manager, Treasurer-Tax Collector  
Patricia Hutt, Redemption Supervisor, Treasurer-Tax Collector  
Eric Woolery, Auditor-Controller  
Frank Davies, Property Tax Director, Auditor-Controller  
Foreperson, Grand Jury  
Clerk of the Board of Supervisors  
Macias Gini & O'Connell, County External Auditor





## Finding No. 1 – Assessment Tax System Issue (Significant Control Weakness)

### Summary

We noted a control issue regarding the Assessment Tax System (ATS). Out of a sample of 28 suspense item transactions, we noted that there was one refund for \$770 that had been processed in ATS in July 2013, but never issued. The Tax Collector staff then performed a query for all refunds meeting the criteria of this refund and identified two other partial refunds that had never been issued in ATS.

### Details

We noted an overpayment was resolved in July 2013 and Tax Collector staff processed a refund in ATS; however, the refund amount of \$770 was never issued. We found that this could occur when there is a Board approved roll correction where a collection is applied and the remainder needs to be refunded. The Tax Collector staff researched this refund and verified that the refund was on a parcel where a roll correction had occurred and only a partial refund was due to the owner. The Tax Collector staff ran a query, found two other similar cases for these types of issues, and released the refunds. The Tax Collector staff informed us that a systematic fix would require additional programming of the ATS database as this appears to be a “bug” in ATS programming.

The County is planning to replace the ATS system, and this issue should be corrected in the new system if it is not cost-effective to correct the existing ATS system. In the meantime, the Tax Collector can establish a work-around that can be implemented in the existing ATS database to detect instances of processed refunds that did not get issued.

### Recommendation No. 1

We recommend the Treasurer-Tax Collector evaluate if mitigating measures can be performed to detect instances of processed refunds not issued by ATS.

### Treasurer-Tax Collector Management Response

The Treasurer-Tax Collector concurs with the recommendation. The Treasurer-Tax Collector will run the ad-hoc query on a quarterly basis to detect any instances of processed refunds that have not been issued by ATS and for all identified, release the refunds.

## Finding No. 2 – Resolution of Suspense Account Items (Control Finding)

### Summary

A review of items in the suspense account (904 accounts) is needed to ensure long-outstanding items in the suspense account are resolved timely. Although the R&T Code does not have a requirement to process suspense accounts timely, it requires interest to be paid for certain types of refunds (i.e., replicated payments and overpayments) after a certain number of days.

### Details

The following 7 out of 28 redemption accounts selected for testing in the suspense account (904 items) were not resolved timely:

1. One account had a suspense balance of \$4,735 since December 19, 2012 as a result of a short payment at that time. However, there is currently no tax payment due since a subsequent payment in April 2014 resulted in the total tax liability being paid in full.



- At that time, a refund should have been issued for the amount in suspense. A refund was not processed until September 15, 2014, resulting in **635 days** to process.
2. One account had a Board ordered deduction processed on August 5, 2009; then on August 20, 2009 the funds were transferred from the 817 account to the 904 account. The refund was not processed until June 27, 2014, resulting in **1,772 days** to process.
  3. One account had a tax payment made on April 23, 2012 which resulted in an overpayment of \$162. Based on the notes, a 'who-paid' status letter was sent on June 11, 2013 to verify who a refund should be sent to. A refund was processed on April 4, 2014, resulting in **711 days** to process.
  4. One account had a tax payment made on August 2, 2012 resulting in a duplicate payment. Attempts to verify taxpayer proof of credit card payments were made on June 11, 2013 and later on March 24, 2014. A refund was processed on April 25, 2014, resulting in **631 days** to process.
  5. One account had a Board ordered deduction made on October 22, 2013. A transfer was made from 817 to 904 account on October 23, 2013. To resolve the 904 amount, a transfer to another default account for the same parcel was made on April 1, 2014 resulting in **161 days** to process.
  6. One account had a refund in the amount of \$68 due to an overpayment that was not processed timely (**65 days** to process). No interest payment was due since the interest payment would have been less than \$10.
  7. One account had a refund in the amount of \$1,410 due to a roll correction that was not processed timely (**95 days** to process).

The 904 suspense items are identified and resolved online utilizing a daily ATS Collection Update Control/Error Report (TC22CA-72) and ATS Screen QD14. However, the Control/Error Report only identifies suspense items that were caused by the previous days' activity and does not include all 904 suspense items. In addition, there are various ATS QD14 Screens depending on the type of account, (i.e., paid, unpaid, hold, etc.) and therefore, certain QD14 Screens may not be worked on and remain outstanding.

The Revenue and Taxation (R&T) Code requires the TTC to pay interest on certain types of refunds that are not returned to the taxpayer within certain timeframes. For example, replicated payments (duplicate payments) occur when a payment is received for a specific parcel for which a payment has already been received for said parcel. R&T 2782 states that the Tax Collector shall return the replicated payment to the tendering party within 60 days. If not paid within 60 days, then interest is paid in accordance with R&T 5151, if the interest computes to more than \$10. In addition, Roll Corrections and overpayments require interest if not paid within 30 days.

## Recommendation No. 2

We recommend the Treasurer-Tax Collector implement a review of suspense details to ensure timely monitoring and resolution of all suspense items.

## Treasurer-Tax Collector Management Response

The Treasurer-Tax Collector concurs with the recommendation. The Treasurer-Tax Collector will ensure that the A TS Collection Update Control/Error Report be run every day and that any open items are worked timely and tracked until closed. The Treasurer-Tax Collector will work with ATS support staff to write a report that identifies all 904 suspense items for paid parcels and will assign staff to work on researching the suspense items and clearing these items on a timely basis to reduce interest costs paid by the County.



## Finding No. 3 – Short/Partial Payments of Taxes Due (Control Finding)

### Summary

TTC is accepting payments from delinquent taxpayers that are less than the amount due. The TTC does not consider these payments as short/partial payments because they are held in a suspense account and are not applied to the taxpayer's account until the total payment is received. The TTC should clarify their policy on these payments and ensure the Board of Supervisors is made aware of their current practice.

### Details

TTC is accepting payments from delinquent taxpayers that are less than the amount due and have not obtained approval from the Board of Supervisors. TTC deposits such payments for delinquent taxes in a suspense account until payment in full is obtained. A letter is sent to the taxpayer indicating the net balance due. If no payment is received, the net balance due is reflected on subsequent notices.

California Revenue & Taxation (R&T) Code 4143 states...

*(a) Notwithstanding any other provision of law, in the case of a deficiency in the payment of taxes due and payable pursuant to this part, the tax collector, with the approval of the board of supervisors, may accept partial payments from the taxpayer. The partial payments shall be applied first to all penalties, interest, and costs, and the balance, if any, shall be applied to the taxes due. The difference between the amount paid by the taxpayer and the amount due shall be treated as a delinquent tax in the same manner as any other defaulted tax.*

*(b) Partial payments made pursuant to this section shall not be deemed a redemption, a partial redemption, or an installment payment under this part and they shall not alter either the date upon which the property became tax defaulted or the date the property becomes subject to a power of sale.*

*(c) These partial payments shall not be construed as altering the amount of defaulted taxes for purposes of publications.*

*(d) An election may be made by the taxpayer to pay the delinquent taxes in installments under Chapter 3 (commencing with Section 4186) and, if so, the installment payment shall be based upon the balance of the redemption amount determined pursuant to this section.*

*(e) When the taxpayer requests a partial payment, or when the tax collector receives such a payment, the tax collector shall inform the taxpayer of the provisions of subdivision (b) by return mail.*

The TTC does not consider their acceptance of these payments subject to R&T 4143 since any amount collected less than the amount due is maintained in a suspense account until payment in full is obtained from the taxpayer and not applied to the parcel and apportioned. The TTC's ATS does not have the capability to apply and apportion these types of payments.

Even though the payments for less than the amount due are never applied to the parcel and apportioned, the TTC should determine if Board of Supervisor approval is required since this results in a case of deficiency in the payment of taxes due and payable.

### Recommendation No. 3

We recommend that the Treasurer-Tax Collector work with County Counsel to determine if funds maintained in a suspense account result in the acceptance of short/partial payments subject to R&T 4143 and if further action by the Board of Supervisors is needed.



## **Treasurer-Tax Collector Management Response**

The Treasurer-Tax Collector concurs with the recommendation and will work with County Counsel to determine if the current practice is subject to R&T 4143. Currently, the policy is to not accept any partial payments for taxes except for those under a five pay plan as authorized by the code. However, the Treasurer-Tax Collector allows for a temporary acceptance of short payments by taxpayers, but then issues a short payment letter indicating that the payment will be returned if full payment is not received. If full payment is not received, the initial short payment would be refunded.

## **Finding No. 4 – Fee for Costs Incurred in Obtaining the Names and Last Known Mailing Addresses (Control Finding)**

### **Summary**

The Fee for Costs Incurred in Obtaining the Names and Last Known Mailing Addresses is not in Accordance with Board Ordinance No. 3828, effective July 10, 1991.

### **Details**

BOS Ordinance No. 3828, effective July 10, 1991, states the TTC will collect \$230 per parcel when tax defaulted property is sold, or redeemed prior to the proposed sale of such property after a power-of-sale notice has been recorded, to cover the actual costs to the County of obtaining the names and last known addresses of the parties of interest and giving notices of the tax sale to such parties of interest.

In addition, R&T 4112 states the fee to reimburse the County for this service shall be its “actual and reasonable costs incurred in obtaining the names and last known mailing addresses.”

Beginning July 2010, the TTC began utilizing a title company service to perform the service at a lower rate (\$130 per parcel) which would be the actual and reasonable cost incurred in obtaining the names and last known mailing addresses. The TTC did not amend or rescind BOS Ordinance No. 3828 when they began utilizing the title company service. The title company service was obtained via a Request for Proposal to perform such services.

### **Recommendation No. 4**

We recommend that the Treasurer-Tax Collector work with County Counsel in determining a resolution of this issue, including analyzing if the BOS Ordinance needs to be amended or rescinded.

## **Treasurer-Tax Collector Management Response**

The Treasurer-Tax Collector concurs with the recommendation. The Treasurer-Tax Collector confirmed with County Counsel that the BOS Ordinance, which currently sets the fee at \$230 needs to be rescinded and replaced with a new Ordinance with the lower fee. The Treasurer-Tax Collector notes that currently the lower fee is being charged as it is the actual cost of obtaining the names and last known mailing addresses as required by the R & T Code 4112 and no refunds will need to be issued to taxpayers. The Treasurer-Tax Collector will take the new lower fee as part of an overall update on fees to the BOS once the FY 13/14 overhead rate is received from the Auditor-Controller and incorporated into the fee calculations.



## ATTACHMENT A: Report Item Classifications

For purposes of reporting our audit observations and recommendations, we will classify audit report items into three distinct categories:

▶ **Critical Control Weaknesses:**

Audit findings or a combination of Significant Control Weaknesses that represent serious exceptions to the audit objective(s), policy and/or business goals. Management is expected to address Critical Control Weaknesses brought to their attention immediately.

▶ **Significant Control Weaknesses:**


Audit findings or a combination of Control Findings that represent a significant deficiency in the design or operation of internal controls. Significant Control Weaknesses require prompt corrective actions.

▶ **Control Findings:**


Audit findings concerning internal controls, compliance issues, or efficiency/effectiveness issues that require management's corrective action to implement or enhance processes and internal controls. Control Findings are expected to be addressed within our follow-up process of six months, but no later than twelve months.



## ATTACHMENT B: Treasurer-Tax Collector Management Responses



**OFFICE OF THE TREASURER-TAX COLLECTOR**  
**SHARI L. FREIDENRICH, C.P.A.**



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**INTERDEPARTMENTAL COMMUNICATION**

**Date:** April 20, 2015

**To:** Dr. Peter Hughes, MBA, CPA, CIA, Internal Audit Director

**From:** Shari L. Freidenrich, CPA, CCMT, CPFA, ACPFIM *SLF*

**Subject:** Response to Draft Report on Audit of Tax Redemption Officer Records and Accounts for the Three Year Period Ending June 30, 2014

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We have provided our response to the four findings in the report as requested by April 13, 2015 and concur with all recommendations.

**1. Finding No. 1 – Assessment Tax System Issues**  
Two control issues were noted regarding the Treasurer-Tax Collector's Assessment Tax System (ATS). It was determined that a refund was processed in the system but was never issued. In addition, one of the system screens displayed a refund for the incorrect amount of the late penalties that were cancelled.

**Recommendation No. 1**  
We recommend the Treasurer-Tax Collector evaluate if mitigating measures can be performed to detect instances of processed refunds not issued by ATS and ensuring an accurate recording of penalty cancellations.

**Treasurer-Tax Collector Response to Recommendation No. 1**  
The Treasurer-Tax Collector concurs with the recommendation. The Treasurer-Tax Collector will run the ad-hoc query on a quarterly basis to detect any instances of processed refunds that have not been issued by ATS and for all identified, release the refunds.

**2. Finding No. 2 – Resolution of Suspense Account Items**  
A review of items in the suspense account (904 account) is needed to ensure long-outstanding items in the suspense account are resolved timely.

**Recommendation No. 2**  
We recommend the Treasurer-Tax Collector implement a review of suspense details to ensure timely monitoring and resolution of all suspense items.

**Treasurer-Tax Collector Response to Recommendation No. 2**  
The Treasurer-Tax Collector concurs with the recommendation. The Treasurer-Tax Collector will ensure that the ATS Collection Update Control/Error Report be run every day and that any open items are worked timely and tracked until closed. The Treasurer-Tax Collector will work with ATS support staff to write a report that identifies all 904 suspense items for paid parcels and will assign staff to work on researching the suspense items and clearing these items on a timely basis to reduce interest costs paid by the County.

*Mission: Ensure safe and timely receipt, deposit, collection and investment of public funds.*

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## ATTACHMENT B: Treasurer-Tax Collector Management Responses (continued)

### 3. Finding No. 3 – Short/Partial Payments of Taxes Due

The Treasurer-Tax Collector should clarify the policy for holding short/partial payments in the suspense account and ensure the Board of Supervisors is aware of their current practice.

#### Recommendation No. 3

We recommend that the Treasurer-Tax Collector work with County Counsel to determine if funds maintained in a suspense account result in the acceptance of short/partial payments subject to R&T 4143 and if further action by the Board of Supervisors is needed.

#### Treasurer-Tax Collector Response to Recommendation No. 3

The Treasurer-Tax Collector concurs with the recommendation and will work with County Counsel to determine if the current practice is subject to R&T 4143. Currently, the policy is to not accept any partial payments for taxes except for those under a five pay plan as authorized by the code. However, the Treasurer-Tax Collector allows for a temporary acceptance of short payments by taxpayers, but then issues a short payment letter indicating that the payment will be returned if full payment is not received. If full payment is not received, the initial short payment would be refunded.

### 4. Finding No. 4 – Fee for Costs Incurred in Obtaining the Names and Last Known Mailing addresses. The fee is not in charged in accordance with the last Board Ordinance No. 3828, effective July 10, 1991.

#### Recommendation No. 4

We recommend that the Treasurer-Tax Collector work with County Counsel to determine a resolution of this issue, including analyzing if the BOS Ordinance needs to be amended or rescinded.

#### Treasurer-Tax Collector Response to Recommendation No. 4

The Treasurer-Tax Collector concurs with the recommendation. The Treasurer-Tax Collector confirmed with County Counsel that the BOS Ordinance, which currently sets the fee at \$230 needs to be rescinded and replaced with a new Ordinance with the lower fee. The Treasurer-Tax Collector notes that currently the lower fee is being charged as it is the actual cost of obtaining the names and last known mailing addresses as required by the R & T Code 4112 and no refunds will need to be issued to taxpayers. The Treasurer-Tax Collector will take the new lower fee as part of a overall update on fees to the BOS once the FY 13/14 overhead rate is received from the Auditor-Controller and incorporated into the fee calculations.

cc: Jennifer Burkhart, Assistant Treasurer-Tax Collector-Tax Collection  
Paul Gorman, Chief Assistant Treasurer-Tax Collector-Treasury