



# Internal Audit Department

O R A N G E C O U N T Y

## AUDIT HIGHLIGHT FEBRUARY 14, 2011

### INTERNAL CONTROL AUDIT: TREASURER-TAX COLLECTOR \$5.3 BILLION TAX COLLECTION AND CASH RECEIPT PROCESSES Audit No. 2954

#### WHY IS THIS AUDIT CRITICALLY IMPORTANT?

On March 16, 2010, the Board of Supervisors delegated the investment authority and functions from the elected Treasurer-Tax Collector to the Chief Financial Officer (CFO) in the County Executive Office. The Board of Supervisors, citing concerns with the tax collection and cash receipting functions where over \$5.3 billion in property tax payments are received and processed annually, directed the Internal Auditor to audit the Treasurer-Tax Collector's policies, processes and controls over tax collections and cash receipts.

#### WHAT THE AUDITORS FOUND?

##### Successes

We found controls were adequate to ensure Tax Collections and Cash Receipts were received, recorded, deposited, and reconciled timely, completely and accurately. We also found controls were adequate over all other types of tax payment methods, such as payments received via the Remittance Processing System (mail payments), credit card payments, internet payments, electronic fund transfers, and bank payments. However, we found that significant improvements are required in the controls and process over penalty cancellations charged for late payments of property taxes.

##### Audit Findings and Control Recommendations

We identified a total of **thirteen (13) recommendations** that include **five (5) Significant Control Weaknesses** and **two (2) Control Findings** to improve controls and processes over penalty cancellations regarding authorizing the cancellations, ATS access controls, supervisory reviews, audit trails, and management reports to validate penalty cancellations are made in full compliance with the Revenue & Taxation Code. We also identified **one (1) Control Finding** for improving accountability over "trouble checks;" **two (2) Control Findings** for efficiency/effectiveness issues; and **three (3) Control Findings** for issues concerning a bankruptcy interest fund, parking expenditures, and calculation of fees charged by the Treasurer-Tax Collector. **The Treasurer-Tax Collector concurred with all thirteen (13) recommendations.**