



Orange County Auditor-Controller Internal Audit



Audit of Tax Redemption Officer
Records and Accounts for the
Three Years Ended June 30, 2017

Audit Number 1725
Report Date: February 7, 2019



ERIC H. WOOLERY, CPA
AUDITOR-CONTROLLER



Transmittal Letter

Audit No. 1725

February 7, 2019

TO: Shari Freidenrich, CPA
Treasurer-Tax Collector

SUBJECT: Audit of Tax Redemption Officer Records and Accounts

We have completed our audit of the Tax Redemption Officer's records and accounts for the three years ended June 30, 2017, pursuant to Revenue and Taxation Code Section 4108.5. Our final report is attached for your review.

A handwritten signature in blue ink that reads "Eric H. Woolery".

Eric H. Woolery, CPA
Auditor-Controller

Attachments

- Other recipients of this report:
- Members, Board of Supervisors
 - Members, Audit Oversight Committee
 - Frank Kim, County Executive Officer
 - Larry Walker, Assistant Treasurer-Tax Collector
 - Jennifer Burkhart, Director, Tax and Central Collections
 - Foreperson, Grand Jury
 - Robin Stieler, Clerk of the Board of Supervisors
 - Vavrinek, Trine, Day & Co., LLP, County External Auditor



Table of Contents

*Audit of Tax Redemption Officer Records and Accounts
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For the Three Years Ended June 30, 2017

Transmittal Letter	i
Auditor's Report	1
OBJECTIVES	1
RESULTS	1
BACKGROUND	1
SCOPE AND METHODOLOGY	1
MANAGEMENT'S RESPONSIBILITY FOR INTERNAL CONTROL	2



Auditor's Report

Audit No. 1725

February 7, 2019

TO: Shari Freidenrich, CPA
Treasurer-Tax Collector

FROM: Eric H. Woolery, CPA
Auditor-Controller

SUBJECT: Audit of Tax Redemption Officer Records and Accounts

OBJECTIVES

As mandated by Revenue and Taxation Code (RTC) Section 4108.5, we have completed our audit of the Treasurer-Tax Collector Redemption records and accounts. The objective of the audit was to determine whether the tax collector's records and accounts complied with RTC Part 7 (Sections 4101 through 4379). This audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing issued by the International Internal Audit Standards Board.

RESULTS

We found that the Treasurer-Tax Collector's records and accounts complied with RTC Sections 4101 through 4379; there were no findings noted during the audit.

BACKGROUND

The Treasurer-Tax Collector performs the duties of Tax Redemption Officer through the Redemption Section of the Department. These duties, as defined by RTC Part 7, 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. Any property that has unpaid current year or prior year taxes, assessments, penalties or costs that remain unpaid as of July 1 of the current year are declared delinquent and tax-defaulted. The act of redemption involves payment of all defaulted taxes and related penalties, fees and costs before the property becomes subject to the power to sell by the Treasurer-Tax Collector. The total dollar volume of redemption collections during the three years ended June 30, 2017, was approximately **\$164 million** for secured taxes and **\$14 million** for supplemental taxes.

SCOPE AND METHODOLOGY

Our audit scope was limited to determining whether Treasurer-Tax Collector's redemption records and accounts complied with RTC Part 7 for the three years ended June 30, 2017. Our methodology included inquiry, auditor observation, and testing of relevant records and accounts. Specifically, we verified that:

- Redemption amounts and fees were calculated, charged, and collected appropriately;
- Accounts on installment plans were accounted for and redeemed appropriately;
- Treasurer-Tax Collector appropriately maintained the delinquent roll and charged Auditor-Controller with the amounts shown thereon.



Auditor's Report

MANAGEMENT'S RESPONSIBILITY FOR INTERNAL CONTROL

In accordance with the Auditor-Controller's County Accounting Manual Procedure 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 are the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework. Our audit enhances and complements, but does not substitute for 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 control, 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 the Treasurer-Tax Collector's operating procedures, accounting practices, and compliance with County policy.

ACKNOWLEDGEMENT

We appreciate the courtesy extended to us by the personnel at Treasurer-Tax Collector during our audit. If you have any questions regarding our audit, please contact me at (714) 834-2450 or Lily Chin, Internal Audit Manager, at (714) 834-4096.