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# **CITY OF SAN ANTONIO**

## **OFFICE OF THE CITY AUDITOR**



Audit of Finance Department  
Delinquent Property Tax Collection Services Contract  
Project No. AU16-C03  
August 16, 2016

Kevin W. Barthold, CPA, CIA, CISA  
City Auditor

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## Executive Summary

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As part of our annual Audit Plan approved by City Council, we conducted an audit of the Finance Department, specifically the Delinquent Property Tax Collection Services Contract. The audit objectives, conclusions, and recommendations follow:

### **Determine if parties are in compliance with key terms of the Delinquent Property Tax Collection Services Contract.**

Parties are in compliance with key terms of the Delinquent Property Tax Collection Services Contract. Linebarger Goggan Blair & Sampson, LLP (Contractor) is responsible for the collection of delinquent property taxes due to the City.

Finance is monitoring the contract adequately and controls are in place to ensure compliance with contractual terms. We determined that key contractual terms were in compliance such as insurance & bonding, SBEDA provisions, reporting requirements, performance measures and delinquent property tax collections owed to the City.

No findings were identified while conducting this audit. We make no recommendations to the Finance department; consequently, no management responses are required. Finance's management acknowledgement of these results is in Appendix B on page 5.

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## Background

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In December 2013, the City Council passed an Ordinance authorizing the contract between the City and Linebarger Goggan Blair & Sampson, LLP (Contractor) for the collection of Delinquent Property Taxes. The contract has an initial five year term effective date of January 1, 2014 and ending December 31, 2018, with 1 five year renewal term at the City's option upon City Council approval.

The Contractor is required to maintain a 98.5% collection percentage rate beginning July 2014 and continuing with each Tax Year during the term of the contract. As compensation the contractor shall receive 15% of the amount of all delinquent taxes, penalty, and interest actually collected and paid to the City.

As part of the contract negotiations, the Contractor agreed to perform additional services such as the establishment of a taxpayer assistance program to assist taxpayers in resolving tax liability problems. In addition, the Contractor agreed to issue demand letters for City code compliance violations and the reimbursement of actual costs for City collection efforts. The City's Finance department is responsible for contract monitoring to ensure that the City and Contractor are adhering with contract terms and conditions.

## Audit Scope and Methodology

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The audit scope included contract compliance monitoring efforts related to the Delinquent Property Tax Collection Services Contract for Fiscal Year 2014 & 15.

We interviewed Finance staff to gain an understanding of their monitoring process to ensure contractual compliance. We reviewed support documentation for insurance, bonding, SBEDA, reporting, and performance measures for contractual compliance. In addition, we reviewed information to validate the establishment of the Tax Payer Assistance Program. We also reviewed for appropriate access to C-TAX system<sup>1</sup> according to contract provisions.

We reviewed 6 months of collection reports from July 2014 to December 2014 to determine if the tax collection amounts received by the County agreed with the amount remitted, collected and received by the City. We examined the attorney fee issued as compensation to the contractor from July 2014 through June 2015 to determine if payment amounts were in accordance to the contract.

We selected a random sample of 25 outstanding code compliance violations to determine if the contractor issued demand letters in accordance to the contract.

We relied on computer processed data in SAP to validate collections for delinquent property taxes were received and accurately recorded. In addition, we reviewed the accuracy of the calculation for attorney fees within the ACT system.<sup>2</sup> Our reliance was based on performing direct tests on the data rather than evaluating the system's general and application controls. We do not believe that the absence of testing general and application controls had an effect on the results of our audit.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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<sup>1</sup> C-TAX is a part of the City's mainframe system and is an electronic database utilized by Finance for the tracking of code compliance violations.

<sup>2</sup> ACT is property tax collection software utilized by Bexar County for the collection of property taxes and reporting.

## **Audit Results and Recommendations**

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### **A. Contract Compliance Monitoring**

Finance has an adequate process in place to monitor the contract for compliance. We determined that key contractual terms were in compliance such as insurance & bonding, SBEDA provisions, reporting requirements, performance measures and delinquent property tax collections owed to the City.

We obtained and reviewed the current Certificate of Liability for Insurance and Bond coverage and verified compliance with the amounts and coverage types specified in the contract. We reviewed the contractor's current SBEDA utilization plan and their contract status report and verified their compliance with SBEDA provisions.

We reviewed the contractor's quarterly reports and confirmed they were submitted and received timely. Additionally, we performed a recalculation of the County collection reports and Contractor's quarterly reports and determined the contractor met its contractual collection rate of 98.5%.

We tested 6 months of property tax collections totaling \$244,485,141 of which \$2,733,782 is associated with delinquent property taxes collected by the County and remitted to the City and confirmed the total amount was received and accurately recorded in SAP.

### **Recommendations**

None

## **Appendix A – Staff Acknowledgement**

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Buddy Vargas, CFE, Audit Manager  
Lawrence Garza, Auditor in Charge  
Cecilia Gonzalez, Auditor

## Appendix B – Management Response

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### CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

July 26, 2016

Kevin W. Barthold, CPA, CIA, CISA  
City Auditor  
San Antonio, Texas

RE: Management's Acknowledgement of its Review of the Audit of the Delinquent Property Tax Collection Services Contract.

The Finance Department has reviewed the audit report and provided its comments to the auditors. As there are no recommendations for management, no management responses are required.

Finance Department:

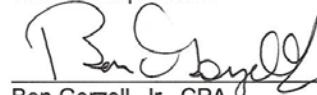
☒ Fully Agrees

☐ Does Not Agree (provide detailed comments)

Sincerely,

  
\_\_\_\_\_  
Troy Elliott, CPA  
Director  
Finance Department

7/26/16  
Date

  
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Ben Gorzell, Jr., CPA  
Chief Financial Officer  
City Manager's Office

8/5/16  
Date