



**Management Audit
County of Santa Clara**

Assessment Appeals Refund Process Internal Controls

January 28, 2015

**Prepared by the Management Audit Division
of the Board of Supervisors
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January 28, 2015

Supervisor Joe Simitian, Chair
Supervisor Ken Yeager, Vice Chair
Board of Supervisors' Finance and Government Operations Committee
70 West Hedding Street
San Jose, CA 95110

Dear Supervisors Simitian and Yeager:

We have completed an expedited but thorough *Management Audit of the Assessment Appeals Property Tax Refund Process Internal Controls in the County of Santa Clara*. This audit was authorized by the Board of Supervisors, pursuant to the Board's power of inquiry specified in Article III, Section 302(c) of the County Charter. The Board added this audit to the Management Audit Division's Fiscal Year 2014-15 work plan by authorizing amendments to the currently in-process audits of the County's Assessment Appeals function and the Controller-Treasurer Department. This audit was conducted in conformity with the United States Government Accountability Office (GAO) Audit Standards.

The purpose of the audit was twofold: (1) to examine the specific circumstances and events that led the Controller-Treasurer Department, which is one of several local government agencies charged with executing the equalization function for the County, to issue an erroneous property tax refund warrant in the amount of \$2,643,456.86 to the Santa Clara-based Intel Corporation, and (2) to develop modified and/or additional internal control procedures to prevent similar refund errors in the future.

Notwithstanding the fact that the warrant in question has been returned to the County, this report includes five recommendations designed to prevent future refund errors, including:

(1) Use of the Assessment Appeal number in all property tax processing computer systems;

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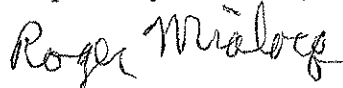
- (2) Implementation of an independent validation process for all property tax refunds of \$50,000 or more;
- (3) Establishing a monthly reconciliation process of Assessment Appeals Board- approved value reductions of \$50,000 or more, with Controller-Treasurer property tax refund warrants;
- (4) Development of written policies and procedures for the Controller-Treasurer's Tax Roll Control Unit, and;
- (5) Modification of the Clerk-of-the-Board's Notice of Assessment Appeals Board action form.

If approved by the Board of Supervisors and implemented by the relevant departments, these recommendations would:

- Facilitate review and analysis of all assessment appeals from filing to adjudication and processing of refunds. The recommendations would also allow immediate verification of whether a refund warrant for an approved assessment appeal has been issued;
- Strengthen internal controls relative to the calculation and payment of assessment appeal refunds;
- Identify any erroneous refund not discovered prior to the issuance of a warrant through a monthly reconciliation procedure. This procedure would match Board approved value reduction appeals resulting in a refund of \$50,000 or more, with the corresponding refund warrant based on matching appeal numbers;
- Codify the Controller's Tax Roll Control Unit's practices in a comprehensive policies and procedures manual, and provide for periodic training of staff based on that manual, and;
- Improve the design and content of the Clerk-of-the-Board's current notice of Assessment Appeals Board action, which was determined to have contributed to staff misunderstanding of the actual Board actions, ultimately resulting in the erroneous Intel property tax refund.

We would like to thank all County management and line-staff within the Clerk-of-the-Board's Office, the Assessor's Office and the Finance Agency, including the Tax Collector's Office and Controller-Treasurer Department, for their cooperation and assistance throughout this limited-scope audit.

Respectfully submitted,



Roger Mialocq
Board of Supervisors Management Audit Manager

cc:
Supervisor Chavez
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Introduction

This limited-scope *Management Audit of Assessment Appeals Property Tax Refund Controls in the County of Santa Clara* was added to the Management Audit Division's Fiscal Year (FY) 2014-15 work plan by the Board of Supervisors of the County of Santa Clara, pursuant to the Board's power of inquiry specified in Article III, Section 302(c) of the Santa Clara County Charter. The Board added this audit to the Management Audit Division's work plan by amending the currently in-process audits of the County's Assessment Appeals function and the Controller-Treasurer Department.

Purpose, Scope and Objectives

The purpose of the audit was to examine the specific circumstances and events that led the Tax Roll Control Unit of the Controller-Treasurer Department to issue an erroneous Assessment Appeals refund warrant in the amount of \$2,643,456.86 to the Intel Corporation (a private company headquartered in the City of Santa Clara), and to develop modified and/or additional internal control procedures to eliminate similar refund errors in the future. Work on this audit began with entrance conferences with the Clerk-of-the-Board on November 5, 2014, and with the Assessor's Office, the Controller-Treasurer Department and Tax Collector's Office on November 6, 2014. A draft report was issued to all Assessment Appeals departments and the Office of County Counsel on December 16, 2014.

The audit's main objectives were:

- Evaluate the County's (Assessor, Clerk-of-the-Board, Tax Collector and Controller-Treasurer) procedures to establish and execute a refund pursuant to a successful taxpayer Assessment Appeals application;
- Determine if existing internal control procedures are deficient, or if such procedures were not properly followed;
- Analyze property tax refunds made during the four-year FY 2010-11 through FY 2013-14 period to identify any other potentially erroneous refunds made during this period; and,
- Prepare a detailed report with findings, conclusions and recommendations to eliminate any internal control deficiencies, and to increase internal control procedures on tax refunds.

Audit Methodology

This audit was conducted in accordance with Government Auditing Standards, 2011 Revision, issued by the Comptroller General of the United States, U.S. Government Accountability Office. In accordance with these requirements and standard audit practices, we planned and performed 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. Pursuant to these requirements, we performed the following audit procedures:

- Conducted multiple interviews with County management and line-staff within the Clerk-of-the-Board's Office, the Assessor's Office and the Finance Agency, including its Tax Collector's Office and Controller-Treasurer Department;
- Reviewed all relevant State laws and local regulations governing the Assessment Appeals process;
- Surveyed comparable jurisdictions within the State regarding their internal controls over the Assessment Appeals process;
- Conducted various tests of Assessment Appeals that resulted in refunds during the four-year FY 2010-11 through FY 2013-14 period, based on data extracted from the Assessor's Assessment Information Management System (AIMS), two Tax Collector systems - (1) the Tax Collection and Apportionment System (TCAS) and (2) the Trust System, and the County's SAP accounting system;
- Submitted a draft report, with findings and recommendations, to the Finance Agency on December 16, 2014, and conducted exit conferences with the Clerk-of-the-Board on January 5, 2015, with the Assessor on January 6, 2015, and with the Finance Agency, including its Controller-Treasurer Department and Tax Collector's Office, on January 8, 2015; and
- Submitted the final draft report, incorporating suggestions, comments and information provided at the exit conferences and thereafter, to the Finance Agency Director on January 12, 2015.

Description of Assessment Appeals (AA) Function

The Assessment Appeals function is prescribed by article XIII, Section 16 of the California Constitution. Sections 1601 through 1721 of the Revenue and Taxation Code (R&TC) are the statutory provisions governing the conduct and procedures of assessment appeals boards and the manner of their creation. Pursuant to R&TC Section 1601, the body charged with the equalization function for the county is the appeals board, which is either the county board of supervisors meeting as a county board of equalization, or an assessment appeals board appointed by the county board of supervisors.

State regulations regarding the conduct of assessment appeals board hearings are set forth in Sections 301 through 326 of Title 18 of the California Code of Regulations (commonly known as the Property Tax Rules).

As authorized by Government Code Section 15606, the Board of Supervisors enacted its local rules by adopting Property Tax Rules 301 through 326, modifying each rule where appropriate by noting any differences to the State regulations through footnotes. In addition to these local rules, sections A4-13 through A4-39 of the County of Santa Clara Ordinance Code set forth local

law pertinent to assessments in general, assessment appeals boards and assessment hearing officers.

The Clerk-of-the-Board

Appeal applications must be filed with the Clerk-of-the-Board (Clerk). The regular time period for filing an appeal application, as set forth in R&TC Section 1603, is July 2 to September 15 of each year; however, if the Assessor does not provide notice by August 1 to all taxpayers of real property taxes on the local secured roll pursuant to the assessed value of their real property¹, then the last day of the filing period is extended to November 30 of each year.² R&TC Section 1604(c) and the County's Property Tax Rule 309 provide that the assessment appeals board must make a final determination on an appeal application within two years of the timely filed appeal application, unless the taxpayer and appeals board mutually agree to an extension of time, or the application is consolidated for hearing with another application for reduction by the same taxpayer.

The County has three Assessment Appeals Boards (AABs). Each board consists of three members appointed by the Board of Supervisors. In addition to these three hearing boards, the County uses two types of hearing officers to conduct less formal hearings on behalf of the AABs: Value Hearing Officers and Legal Hearing Officers. Two Value Hearing Officers conduct hearings in accordance with R&TC Section 1637, solely to determine the value of real property. Two attorneys serve as the Legal Hearing Officers, and conduct hearings solely on the issue of whether a change in ownership or new construction has occurred with regard to real property, causing a reassessment of the property for property tax purposes. The Clerk is responsible for providing applications for changed assessment to the public, receiving the completed applications, and providing copies of the completed applications to the Assessor.

Once an application is received, the Clerk-of-the-Board dates and time-stamps it; reviews it for completeness and accuracy; and determines if it is valid and timely filed. The Clerk then enters the necessary data from the application directly into the Assessor's AIMS system, where the pending application awaits activation.

The Office of the Assessor

The Assessor's supervising Appraisal Data Coordinator (Coordinator) in the Standards unit is responsible for verifying and tracking Assessment Appeals applications that are entered into the AIMS database by the Clerk.

Once the Coordinator activates a pending application, it is assigned to the appropriate appraiser in either the Real Property Division or the Business Division. A report containing a list of activated appeals is generated, printed and distributed to the appropriate Division. The

¹ R&TC Section 104 defines real estate or "real property" to include: 1) the possession of, the claim to, the ownership of, and the right to the possession of land; 2) certain natural resources; and, 3) improvements." Business personal property includes all property not considered real estate or real property.

² Taxpayers have 60 days in which to file an appeal of a Supplemental Assessment or Escape Assessment based on the date of their Supplemental Notice, or Escape Enrollment Notice.

Coordinator and the Clerk work together to track the status of each Assessment Appeal to ensure that no appeal is held for more than two years without an extension or waiver being filed or having the appeal being heard by a board or hearing officer. Once an appraiser is assigned an appeal, the appraiser contacts the applicant in an attempt to resolve any differences of opinion of value. If an applicant decides to withdraw an appeal or agrees to a stipulated value, the Assessor's staff sends a letter with an attached withdrawal or stipulation form to be returned with the applicant's signature. If a stipulation is agreed upon and approved by a hearing board, or if the appeal is approved by a hearing board, the Clerk is responsible for entering adjusted values from the hearing into the Assessor's AIMS system, and the Assessor's staff is responsible for ensuring that the adjusted values entered in AIMS by the Clerk are the same values recorded during a hearing, whether the approved values were arrived at by stipulation or action of a hearing board. If the Assessor's staff identifies any discrepancies, they notify the Clerk-of-the-Board via e-mail so that Clerk staff may correct adjusted values entered into AIMS. Consequently, actions taken by the Assessment Appeals Boards are subject to an independent validation process involving staff of two separate departments: the Clerk-of-the-Board and the Assessor. This independent validation process ensures that hearing board decisions are reported accurately; however, no comparable independent validation process exists to ensure the accuracy of refund warrants, as discussed in more detail in a subsequent section of this report.

Controller-Treasurer Department

Following appeals board hearings, board actions approving adjusted values are entered into the Assessor's AIMS system by the Clerk-of-the-Board. These values are transferred electronically to the Tax Collector's Tax Collection and Apportionment System (TCAS), which is accessed by the Controller's Tax Roll Control Unit through a software interface (or module) to review value changes and process tax refunds. In addition to the electronic data pertaining to approved appeals entered into TCAS, the Clerk-of-the-Board prepares a one-page hard copy summary of each appeal heard by an appeals board. The Clerk-of-the-Board sends a copy of the summary to the taxpayer and another copy to the Controller's Tax Roll Control Unit for processing. Consequently, there is electronic and hard copy data for staff in the Tax Roll Control Unit to refer to as they process refunds. It is noted that the TCAS module calculates refunds for affected parcels based on the adjusted values entered pursuant to board action, and subsequently verified by Tax Roll Control staff.

When the Intel refund error occurred, the Tax Roll Control Unit's primary controls in place to prevent such errors were: 1) two Tax Roll Control Unit staff – one staff and one supervisory staff - reviewed and approved all refunds; and 2) the Division Manager who oversees the Tax Roll Control Unit performed a second review and approval of all refunds of \$10,000 or more. The next section of this report discusses why these procedures failed to detect the Intel refund error, and how these procedures may be modified and additional procedures may be adopted to prevent similar errors in the future.

Prior to January 2014, secured and unsecured property appeals were processed separately by two different Tax Roll Control Unit staff. In addition, secured property appeals were processed through the TCAS module and subsequently, inputted into the Tax Collector's Trust System for the purpose of authorizing and issuing refunds. Meanwhile, unsecured property appeals were

processed outside of TCAS and thereafter, inputted into the Trust System directly. If an appeal included both secured and unsecured property, the Tax Roll Control Unit separated value changes to secured property from those related to unsecured property, and processed them separately. This practice of separating secured and unsecured value changes within one appeal and processing them separately led to the erroneous Intel refund. It is noted that the Division Manager reported, and the Management Audit Division subsequently verified, that value changes to secured and unsecured property in a single appeal are no longer assigned to two different staff and processed separately. Under the new procedure, an appeal involving both secured and unsecured property is processed by one Tax Roll Control Unit staff member who reviews and authorizes the refund related to any value reductions approved by the Appeals Board for that appeal. In addition, all appeals, whether they include secured or unsecured property or both, are now processed through TCAS. These procedural changes, if consistently followed, should minimize, if not eliminate, the risk of an erroneous refund as occurred in the Intel case.

Intel Corporation Error

In late September, 2014, the Intel Corporation (Intel) contacted the Assessor's Office to inform the County that it had received a warrant in the amount of \$2,643,456.86 for a refund of property taxes pursuant to appeals previously filed. After reviewing its records of refunds for applicable assessment appeals, Intel believed that the warrant was duplicative of refunds already paid. The Assessor's Office subsequently referred this matter to the Controller-Treasurer's Department on October 2, 2014, to further evaluate whether or not all Assessment Appeal refunds for the parcel in question had been issued correctly. On October 9, 2014, the Controller-Treasurer confirmed with Intel that the \$2.6 million warrant was issued erroneously and requested that the warrant be returned to the County. The warrant was returned by the taxpayer by certified mail on October 10, 2014.

Processing the Business Property Tax Refunds

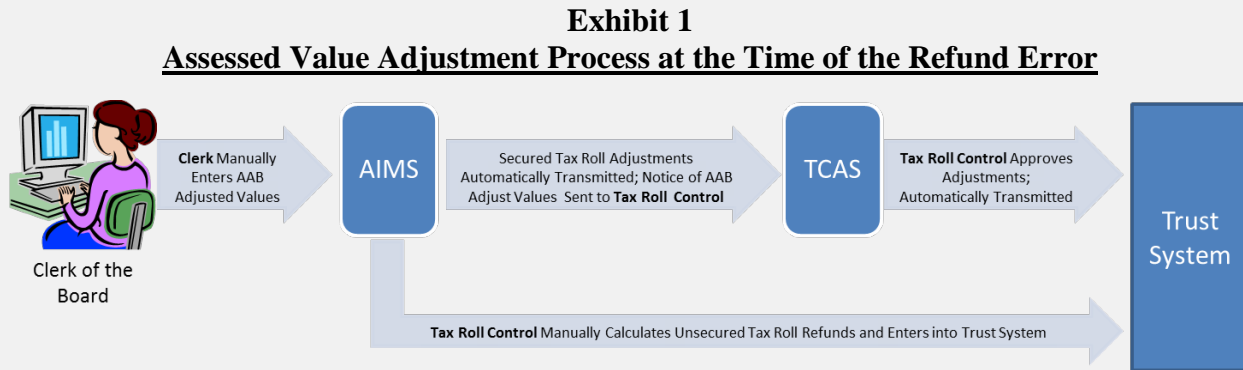
Most assessment appeals in the County involve residential properties that are relatively simple to process, usually involving only "real" or secured property; however, for some taxpayers, usually large businesses, that own large parcels of land containing multiple buildings and personal business property³, adjusting assessed property values requires a more complex process. For such parcels, in addition to the relevant Assessor's Parcel Number (APN), the Assessor's Office assigns a specific business account number to each structure on the parcel. Each structure is treated as a pseudo-parcel in which assessed value is based upon secured and unsecured property in that account.

When an Assessment Appeals application is approved by a board action which adjusts secured and/or unsecured property values (usually downward), the Clerk-of-the-Board enters those adjusted values into the Assessor's AIMS system, which automatically transmits them to the Tax Collector's TCAS system. In addition, the Clerk-of-the-Board prepares a Notice of Assessment Appeals Board Action approved by the Assessment Appeals Board, and issues a hard copy of the notice to both the taxpayer and Controller's Tax Roll Control Unit to process a refund. The

³ Business personal property includes all property not considered real estate or real property.

Division Manager over the Tax Roll Control Unit advised us that prior to the Intel refund error, only adjustments to the County’s secured tax roll were processed through TCAS, and then entered into the Trust System, which authorized the issuance of a refund to be posted to the County’s SAP accounting system. Meanwhile, all adjustments to the unsecured tax roll were processed outside of TCAS and entered into the Trust System directly. This bifurcated process was the weak link in the internal control of the refund process that enabled the refund error to Intel to go undetected.

The following exhibit illustrates these processes as they existed when the erroneous refund was issued to Intel.



Processing the Intel Refund

Between FY 2004-05 and FY 2007-08, Intel filed appeals requesting value adjustments to its unsecured property on the County’s regular annual and escape property tax rolls. At the time these appeals were filed, the Controller’s Tax Roll Control Unit practice was to assign responsibility for processing secured and unsecured roll refunds to two separate employees who processed those refunds in two separate systems, as shown in Exhibit 1 above. One employee processed secured roll refunds in the Tax Collector’s TCAS system and subsequently, authorized their transfer to the Tax Collector’s Trust System, and another employee manually processed unsecured roll refunds outside of TCAS and directly entered the refund information into the Trust System.

With respect to the erroneous Intel refund, both employees received the form used by the Clerk-of-the-Board to provide notice to the taxpayer and the Controller’s Tax Roll Control Unit of the decision reached by the Assessment Appeals Board. While nearly all property parcels listed in the Tax Collector’s TCAS system only include secured property, a relatively small number of property parcels included in the system are owned by businesses and include both secured and unsecured property. When these business parcels are entered into the secured roll through TCAS both secured and unsecured properties are included in the secured roll. After the Tax Roll Control employee in charge of processing only unsecured roll refunds correctly calculated an unsecured roll refund and manually transmitted it directly to the Trust System, another Tax Roll Control employee in charge of processing only secured roll refunds erroneously processed a refund on the entire Intel parcel, including secured and unsecured properties, not knowing that an unsecured roll refund had already been sent to the Trust System. Consequently, a duplicate

unsecured roll refund was automatically generated through the TCAS system, and then transmitted to the Trust System for payment.

This error was compounded when the employee whose job it was to process only secured roll refunds misread the Clerk-of-the-Board's form used to report the results of the hearing board to the Tax Roll Control Unit. For most appeals, Tax Roll Control employees pull information for the purpose of processing a refund from two columns on the Clerk's form (Attachment 1): the County's original assessed values and appeals board's adjusted values. In the case of appeals filed by businesses, which include both secured and unsecured property, the Clerk-of-the-Board's form (Attachment 2) reporting the action of the appeals board includes a third column of values which represent the current values on the Assessor's rolls at the time of the appeal hearing. When processing the Intel refund, the Tax Roll Control employee erroneously pulled information from the third column on the Clerk's form. The third column of values not only included higher values at the time of the appeal hearing as compared to the County's original lower assessed values, but also included other unsecured property values assigned to the parcel that were not being appealed. Consequently, the Tax Roll Control Unit processed a second refund for Intel which had already been separately authorized through the manual process for unsecured property, and miscalculated that refund based on information that was misread on the Clerk-of-the-Board's form used to report the results of the appeals board hearings to the Tax Roll Control Unit.

Exhibit 2 below shows the County's original refund to Intel as compared to its second erroneous refund.

Exhibit 2
Comparison of Original and Duplicative Intel Refunds

Assessment Year	Correct Original Refund	Erroneous Duplicate Refund
<i>FY 2007-08</i>	\$125,076.99	\$639,014.55
<i>FY 2006-07</i>	182,021.21	746,405.59
<i>FY 2005-06</i>	691,716.90	572,387.90
<i>FY 2004-05</i>	649,399.24	685,648.82
Total	\$1,648,214.34	\$2,643,456.86

Failure of Internal Controls

Following the validation of the actions of the appeals boards by the Clerk-of-the-Board and the Assessor, the Tax Roll Control Unit of the Controller's Office performs the calculation of the refund due and authorizes the payment of the refund as previously described. However, unlike the independent validation process of the Appeals Board actions by two separate departments (Clerk-of-the-Board and the Assessor), the calculation of the refund and payment authorization is performed entirely within the Tax Roll Control Unit. Calculation of refunds due and payment authorization involves two staff persons on refunds of less than \$10,000, including a staff person and a supervisory staff person. Refund calculations of more than \$10,000 are calculated by a staff person and separately verified and payment authorized by a supervisory staff person and the

Division Manager over the Tax Roll Control Unit. This process pertains to both secured and unsecured roll refunds.

The Tax Roll Control Unit Supervisor did not detect the Intel refund error because unsecured roll refunds are manually processed and inputted into the Tax Collector's Trust System by a specific business account number, which is information that is not maintained in the Tax Collector's TCAS system, through which the erroneous refund was separately processed and then transferred to the Trust System. If the Trust System and TCAS had shared a common denominator, such as Assessment Appeals number, the Tax Roll Control Unit Division Manager or other supervisors would have been able to detect that an unsecured roll refund had already been issued to the taxpayer. The Division Manager reported that all refunds, whether for secured or unsecured property, are now processed through TCAS. This procedural change, if consistently followed, should minimize the risk of an erroneous refund. However, to ensure that other refund errors are avoided in the future, it is recommended that all refund authorizations in the Tax Collector's Trust System include the Assessment Appeals number. Further, the County should adopt this recommendation and the following additional controls to eliminate other errors in the future, including:

1) Add Assessment Appeal Number to All Computer Systems

All County departments involved in the Assessment Appeals Function should include in their data base the Assessment Appeals number assigned by the Clerk-of-the-Board to every appeal. Having this common identifier throughout the County Assessment Appeals Function will facilitate the monitoring, analysis and auditing of appeals at all stages of the process, irrespective of the department in which the property tax processing system resides. In addition, the appeal number should be included on the Controller-Treasurer's remittance advice associated with all property tax refund warrants resulting from assessment appeals.

2) Add Independent Validation Process for All Refunds of \$50,000 or More

As with the independent validation process currently employed by the Clerk-of-the-Board and the Assessor to ensure the accurate reporting of all Appeals Board actions, the calculation of refund amounts and payment authorization should also involve an independent validation process including the Tax Roll Control Unit of the Controller-Treasurer Department and the Tax Collector's Office. We are recommending this process be required for any refund amounting to \$50,000 or more, which would require the review of about 30 refunds per month based on FY 2013-14 actual refunds. A lower threshold of \$10,000, as is used in some of the surveyed counties, would require the review of about 150 refunds per month, based on FY 2013-14 actual refunds. Implementation of this recommendation may require the addition of an accountant position to the Office of the Tax Collector.

3) Add a Monthly Reconciliation Process of Appeals Board Approved Value Reductions Resulting in Refunds of \$50,000 or More and Controller-Treasurer Assessment Appeal Refund Warrants

Currently, none of the County departments involved in the Assessment Appeals Function perform a periodic reconciliation of the actions approved by the Assessment Appeal Boards. As an example, a monthly reconciliation of all Board approved appeals resulting in refunds of \$50,000 or more would only require reconciliation of an average of about 30 refunds per month. Such a simple reconciliation of specific appeal numbers processed and the resulting refund warrants would have identified the Intel overpayment. Currently, the Tax Roll Control Unit and none of the other departments involved in the property tax administration process conduct any type of monthly or annual reconciliation, and there are no policies or procedures in place requiring such periodic internal verifications.

4) Develop Written Policies and Procedures for the Tax Roll Control Unit

Currently, the Controller's Tax Roll Control Unit does not have any written policies and procedures in place to guide staff when processing Assessment Appeals refunds. Instead they must rely on more experienced staff to provide that guidance. Because staff turnover will periodically occur and historical knowledge of processing refunds will be lost as a result, the Tax Roll Control Unit should make it a priority to codify its practices in a Unit-wide Policies and Procedures Manual, and subject that manual to regular review, update and approval by supervisory staff. Once current comprehensive policies and procedures are completed, both the Controller's Office and the Tax Collector's Office should conduct training classes pertaining to the new procedures for all staff.

5) Modify Notice of Assessment Appeals Board Action Form

Modify the current "Notice of Assessment Appeals Board Action" form to include only the narrative description of Board actions on page one, value information on page two, and refund calculations on page three as shown in Attachment 3. All three pages of the form would be computer generated. Pages one and two would be for Clerk-of-the-Board notice purposes, while page three would be for Controller-Treasurer Tax Roll Control Unit refund calculation purposes. (Due to programming limitations of the AIMS property assessment information management system, implementation of this recommendation would occur with the planned acquisition of a new assessment appeals computer module. The currently estimated implementation time frame is approximately 15 to 18 months, including the RFP process, vendor selection, contract negotiation, software installation and deployment.)

Since the design and content of the current form used by the Clerk-of-the-Board to report the results of appeal hearings was determined to have contributed to staff misunderstanding of the actual Appeals Board actions, use of the modified form to also calculate refunds would ensure that only Board approved value changes

are used. It is noted that the Notice of Assessment Appeals Board Action is the only document currently produced in the Assessment Appeals process to include the results of all (100 percent of) appeals board actions, whether by stipulation or board hearing. Further, this document is validated by the Clerk-of-the-Board and the Assessor's Office based on the two legal documents (1-Stipulation Agreement and 2-Appeals Board Record of Action) approved by the appeals boards to record all board actions.

The sample form provided as Attachment 3 to this report would be used by the Clerk-of-the-Board to report the results of appeal hearings to 1) taxpayers and 2) the Controller's Tax Roll Control Unit. Page one of the form describes the Board's actions, while page two shows all of the value information. These two pages would be sent only to taxpayers. It is noted that page two accommodates one fiscal year of value adjustments to the annual regular, supplemental, and escapes property tax rolls for both secured and unsecured property to be reported by the Clerk-of-the-Board, with one and only one form for each appeal. Page three of the form, which also shows all of the value information, would be sent only to Controller's Tax Roll Control Unit to calculate the refund/credit due plus interest. This page provides space for Tax Roll Control staff to calculate the refund/credit based on 1) the original assessed values on July 1 of the fiscal year or 2) adjusted assessed values if original values were subsequently revised by the Assessor due to Prop 8 adjustments or other reductions of assessments of property. By including all of the pertinent value information on page three of the same form to determine the refund due, the likelihood of an erroneous refund calculation based on incorrect roll values is substantially reduced.

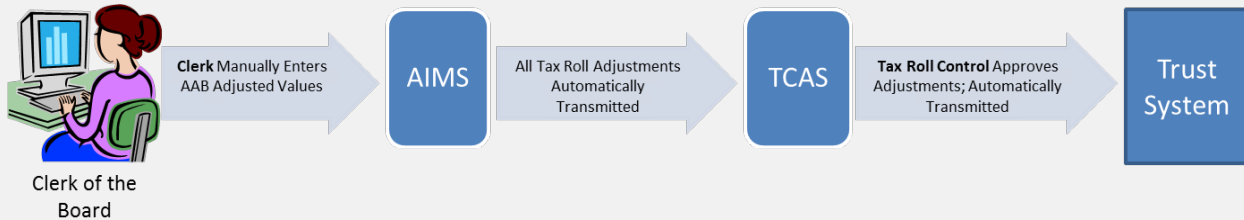
Complex Business Accounts Require Greater Oversight

Due to the complexity of processing business property-related parcels containing multiple sub-accounts associated with unsecured property, we believe that greater internal controls are required to detect and prevent other erroneous Assessment Appeals refunds in the future. As described in the next section, the audit team did not find any indication that similar refunds were issued over the last four fiscal years; however, with the data available and analyzed from these systems, errors similar to the one that occurred with the Intel refund could not be easily identified in these data sets.

It is noted that during the course of our evaluation, management and staff involved with the administration and oversight of the property tax administration process explained that three other duplicative, erroneous refunds are known to have occurred during the last 10 years. Of these three refund errors, the largest dollar value was for approximately \$13,300. Management explained that these refund errors occurred, as with Intel, due to staff calculating a refund based on adjusted assessment values for unsecured property and manually transmitting it into the Tax Collector's Trust system, while the same refund was automatically generated as part of a secured roll adjustment into the Tax Collector's TCAS system, and then transmitted to the Trust System for payment. Management also explained that all three of these refund errors were rectified prior to the start of this audit.

During the course of this audit, we observed Tax Roll Control staff processing assessed value adjustments to verify that the unsecured tax roll is now being processed through TCAS along with the secured tax roll. In addition, if the recommendations of this report are implemented, including the addition of a data field for property tax appeal numbers in all property tax processing systems, the potential for a duplicate entry of a property tax appeal refund would be eliminated.

Exhibit 3
Assessed Value Adjustment Process after the Refund Error



Verification of Tax Refunds During the Past Four Fiscal Years

One of the objectives of this audit was to identify any other potentially erroneous Assessment Appeals refunds made during the past four fiscal years.

Methodology

To accomplish this objective, we requested, and obtained from the Assessor’s AIMS system, data pertaining to all successful Assessment Appeal applications from FY 2010-11 through FY 2013-14. This data included the original tax roll verified assessed value and the Assessment Appeals Board adjusted value of each appeal. Subsequently, we determined the net difference in these two values, and applied the appropriate property tax rate to this net difference to estimate Assessment Appeal refunds. Finally, using information extracted from the County’s SAP accounting system listing actual Assessment Appeal refunds paid over the same four year period, we compared the data to determine what, if any, other potentially erroneous Assessment Appeals refunds have been made.

AIMS System Data: Based on analysis of Assessment Appeals data in the Assessor’s AIMS System, there were a total of 14,417 Assessment Appeal applications between FY 2010-11 and FY 2013-14 that resulted in a refund of property taxes. Some of these appeals were filed prior to the four-year period, but all of them were adjudicated by a hearing board during the four-year period. As shown in Exhibit 4 below, the majority of these applications (8,519) involved residential properties, followed by commercial properties (4,985) and business personal property (913). It is important to emphasize that residential and commercial property is real estate (i.e., land and improvements, such as buildings and structures), whereas business personal property is all tangible property except real estate. This includes all machinery, fixtures, office furniture and equipment.

Exhibit 4
Actual Assessment Appeals
by Type and Fiscal Year
Based on Data from the Assessor’s AIMS System
FY 2010-11 through FY 2013-14

	<u>Commercial</u>	<u>Business Property</u>	<u>Residential</u>	<u>All Appeals</u>
<i>FY 2010-11</i>	1,826	139	2,067	4,032
<i>FY 2011-12</i>	1,636	298	2,439	4,373
<i>FY 2012-13</i>	766	289	2,779	3,834
<i>FY 2013-14</i>	757	187	1,234	2,178
4-Year Total	4,985	913	8,519	14,417

Source: Data extracted from the Assessor’s Assessment Information Management System (AIMS) system, County of Santa Clara.

Based on the above described methodology, we estimate that during the four-year FY 2010-11 through FY 2013-14 period, the County of Santa Clara paid approximately \$173.8 million in connection with the 14,417 successful Assessment Appeals adjudicated during the same time period. The following exhibit breaks out the estimated dollar amount of Assessment Appeals refunds by type of property (residential, commercial and business personal property) and fiscal year.

Exhibit 5
Estimated Assessment Appeals Refunds
by Type and Fiscal Year
FY 2010-11 through FY 2013-14

	<u>Commercial</u>	<u>Business Property</u>	<u>Residential</u>	<u>All Refunds</u>
<i>FY 2010-11</i>	\$52,651,587	\$3,046,015	\$8,129,038	\$63,826,640
<i>FY 2011-12</i>	42,687,072	3,919,809	7,509,022	54,115,903
<i>FY 2012-13</i>	16,721,529	4,913,838	5,506,864	27,142,231
<i>FY 2013-14</i>	20,320,129	4,608,039	3,820,153	28,748,321
4-Year Total	\$132,380,317	\$16,487,701	\$24,965,077	\$173,833,095

Source: Estimated based on data obtained from the Assessor’s AIMS system.

SAP System Data: Comparison of the estimated refund information based on the AIMS system with the actual Assessment Appeal refunds data extracted from the County’s SAP accounting system over the same four-year FY 2010-11 through FY 2013-14 period, showed that a major discrepancy existed between the two data sources. As shown in Exhibit 6 below, our estimated Assessment Appeals refunds of \$173.8 million on 14,417 appeals developed based on data from the AIMS system was not close to the actual refunds of \$431.3 million issued via 117,044 warrants, as captured in the County’s SAP accounting system. The primary reason for this discrepancy is that the SAP data includes refunds associated with adjudicated assessment appeals

and property tax credits associated with *temporary* reductions in assessed value when real property suffers a decline in value (or Proposition 8 adjustments). Another factor is that the appeals in AIMS represent appeals adjudicated during the four fiscal years, while the warrants recorded in SAP during the same four fiscal years may represent refund payments related to appeals adjudicated in prior fiscal years (i.e., before FY 2010-11). Currently, the County does not reconcile appeals boards' decisions against Assessment Appeals refunds approved by the Controller's Tax Roll Control Unit, and paid by the Tax Collector, which are accounted for in SAP. However, we believe that a monthly reconciliation process between all approved Assessment Appeals Boards' actions and all warrants posted to the County's SAP accounting system would enable the County to detect and prevent erroneous refunds of property taxes in the future.

Exhibit 6
Comparison of Data Between
the Assessor's AIMS System &
the County's SAP Accounting System
FY 2010-11 through FY 2013-14

	<u>AIMS Appeals</u>	<u>Estimated Refunds based on AIMS Data</u>	<u>SAP Warrants</u>	<u>Actual Refunds Extracted from SAP</u>
<i>FY 2010-11</i>	4,032	\$63,826,640	17,136	\$50,868,466
<i>FY 2011-12</i>	4,373	54,115,903	30,127	126,212,260
<i>FY 2012-13</i>	3,834	27,142,231	32,792	133,139,448
<i>FY 2013-14</i>	2,178	28,748,321	36,989	121,080,199
Total	14,417	\$173,833,095	117,044	\$431,300,373

Source: The Assessor's AIMS system, and County's SAP accounting system.

In a separate analysis of data provided from the SAP accounting system, we reviewed SAP data in isolation for the four-year FY 2010-11 through FY 2013-14 period, to identify any duplicate refund amounts of \$50,000 or greater for the same SAP warrant number Tax Roll Control invoice number, payee name and refund check dates, but did not find any duplicates.

Survey of Internal Controls in Other Jurisdictions

To provide some perspective regarding the County of Santa Clara's internal controls managing the assessment appeal property tax refund process, workload data for the County of Santa Clara and four comparative counties in California with relatively large volumes of annual Assessment Appeals applications was obtained from reports issued by the State of California Board of Equalization for calendar year 2013 and is provided in the exhibit below.

Exhibit 7
Comparison of Surveyed Counties
Based upon Assessment Appeals Workload by Type

County	Residential	Commercial-Industrial	Rural	Business Property	Other	Total
Santa Clara	3,167	2,263	0	905	925	7,260
Alameda	3,095	2,711	70	1,043	9	6,928
San Bernardino	1,942	3,614	0	533	26	6,115
San Francisco	4,057	1,374	0	224	30	5,685
Ventura	1,443	1,059	180	230	617	3,529

Source: Board of Equalization, Report on Budgets, Workloads, and Assessment Appeals Activities, FY 2012-13

Comparison of Property Tax Administration

In addition to the workload data shown in Exhibit 7 above, administrative and operational information was obtained by telephone survey and is shown in Exhibit 8. Among the surveyed comparison counties, after an Assessment Appeals application has resulted in an adjustment of assessed value, the governmental department responsible for initiating that assessed value adjustments varies. This responsibility falls to the Assessor in Alameda, San Bernardino and San Francisco, and to the Auditor-Controller in Ventura. In comparison, the County of Santa Clara uses the Clerk-of-the-Board to input adjusted values into the tax system.

Of the surveyed counties, Alameda was the only agency managing their property tax administration process through an Excel database. The other counties, including Santa Clara, rely upon legacy systems. Exhibit 8 below provides a general overview of how the refund process is administered among the surveyed counties.

Exhibit 8
Property Tax Refund Management Overview of Surveyed Counties

County	Party Responsible for Entering Assessed Value Adjustments	Mode of Property Tax Administration	Calculation of Property Tax Refunds	Party Responsible for Issuing Refunds
Santa Clara	Clerk-of-the-Board	Legacy system	Automated	Tax Collector
Alameda	Assessor	Excel database	Manual	Tax Collector
San Bernardino	Assessor	Legacy system	Automated/Manual*	Controller
San Francisco	Assessor	Legacy system	Automated	Tax Collector
Ventura	Auditor-Controller	Legacy system	Automated	Tax Collector

*San Bernardino's system automatically calculates the base refund, but Controller staff manually calculates and applies interest to that base refund.

Comparison of Internal Controls

Due to the limited scope of this management audit focusing on a refund error, the bulk of our survey focused on internal controls monitoring the assessed value adjustment and refund process in other counties. Highlights from the survey include:

- All four surveyed counties and Santa Clara require supervisory review of refunds;
- Except for Alameda, which has established refund value thresholds that trigger supervisory review of refunds, all surveyed counties and Santa Clara require supervisory overview for all refunds being processed;
- Except for Alameda and Santa Clara, all surveyed counties require external verification of refunds from separate departments; and,
- None of the counties, including Santa Clara, conduct any form of periodic reconciliation of issued refunds.

Although the sample size is limited, three out of the four comparable counties require external departments to verify the accuracy and validity of property tax refunds. This survey suggests that outside verification is a common internal control utilized to prevent errors and would be a useful control in the County of Santa Clara. A summary table of survey results for internal controls measures in other counties is provided in the following exhibit.

Exhibit 9
Internal Control Overview for Surveyed Counties

County	Supervisory Review	Supervisory Review Threshold	External Verification	External Entity	Periodic Reconciliations
Santa Clara	Yes	All refunds*	No	N/A	No
Alameda	Yes	\$5,000	No	N/A	No
San Bernardino	Yes	All refunds	Yes	Controller	No
San Francisco	Yes	All refunds	Yes	Controller	No
Ventura	Yes	All refunds	Yes	Tax Collector	No

*Two Controller staff members– one staff and one supervisory staff - review and approve all refunds. A third staff member performs a second review and approval of all refunds of \$10,000 or more.

Conclusion

County staff has taken proactive steps to prevent other erroneous Assessment Appeals refunds in the future, particularly by ensuring that documentation related to Assessment Appeals applications that involve both secured and unsecured property on business parcels are not separated during refund processing. Nevertheless, the Management Audit Division believes that the County should adopt the following additional recommendations which were specifically designed to address internal control weaknesses in the refund process and to improve the County’s overall management of its Assessment Appeals function.

Recommendations

It is recommended that the County:

- 1) Add Assessment Appeal Number to All Computer Systems
Include in all property tax processing computer systems used in the Assessment Appeals process, the Clerk-of-the-Board assigned Assessment Appeals number to facilitate review and analysis of all assessment appeals from filing to adjudication and processing of refunds, and to verify that a prior refund of an appeal has not been made. The absence of a common data element in all four assessment appeals related computer systems currently inhibits such analysis, making comparison of hearing board appeal results with refund warrants paid very difficult and time consuming. The four computer systems affected include: (1) Tax Collection and Apportionment System, (2) Tax Collector's Trust Accounting System, (3) Assessment Information Management System, and (4) SAP Accounting System. In addition, the appeal number should be included on the Controller-Treasurer's remittance advice associated with all property tax refund warrants resulting from assessment appeals.

- 2) Add Independent Validation Process for All Refunds of \$50,000 or More
As with the organizationally independent validation of all hearing board approved assessment value changes by the Clerk-of-the-Board and the Assessor, a similar validation process should be implemented to strengthen internal controls relative to the calculation and payment of assessment appeal refunds. In addition to the Controller Tax Roll Control Unit calculating and authorizing assessment appeals refunds, all appeals resulting in a refund of \$50,000 or more should be independently calculated and validated by the Tax Collector's Office. As with the reconciliation procedure previously recommended, it estimated that about 30 refunds would be subject to independent calculation by the Tax Collector before the Controller's Tax Roll Control Unit would be authorized to issue a refund warrant. The notice of hearing board change of value form recommended in Recommendation 1 would simplify the validation process for the Tax Collector staff.

- 3) Add Monthly Reconciliation Process of Appeals Board Approved Value Reductions Resulting in Refunds of \$50,000 or More and Controller-Treasurer Assessment Appeal Refund Warrants
Establish a reconciliation function in the Controller's Tax Roll Control Unit with responsibility to reconcile all refunds of \$50,000 or more on a monthly basis, which would represent a workload of about 30 refunds per month based on FY 2013-14 actual refund activity. The reconciliation process would tie approved Assessment Appeals to the warrants issued based on appeal number. This process would identify any erroneous refund not discovered prior to the issuance of a warrant through internal control procedures during the appeal refund calculation and warrant authorization process.

- 4) Develop Written Policies and Procedures for the Tax Roll Control Unit
Because staff turn-over will periodically occur and historical knowledge of processing refunds will consequently be lost, the Tax Roll Control Unit should make it a priority to codify its practices in a comprehensive policies and procedures manual, and subject that manual to regular review, update and approval by supervisory staff. Once current comprehensive policies and procedures are completed, both the Controller's Office and the Tax Collector's Office should conduct training classes pertaining to these policies and procedures for all staff. Policy and procedure training should be an ongoing periodic activity for both departments.

- 5) Modify the Notice of Assessment Appeals Board Action Form
Modify the current "Notice of Assessment Appeals Board Action" form used by the Clerk-of-the-Board to report the results of appeal hearings to include only the narrative description of Board actions on page one, value information on page two, and refund calculations on page three as shown in Attachment 3. All three pages of the form would be computer generated. Pages one and two would be for Clerk-of-the-Board notice purposes, while page three would be for Controller-Treasurer Tax Roll Control Unit refund calculation purposes. It is noted that the design and content of the current form was determined to have contributed to staff misunderstanding of the actual Board actions, ultimately resulting in the duplicative Intel assessment appeals refund. Due to programming limitations of the Assessor's AIMS system, where all Board actions and value information are stored, implementation of this recommendation would occur with the planned acquisition of a new Assessment Appeals computer module. The currently estimated implementation time frame is approximately 15 to 18 months, including the RFP process, vendor selection, contract negotiation, software installation and deployment.

Acknowledgements

We would like to thank all County management and line-staff within the Clerk-of-the-Board's Office, the Assessor's Office and the Finance Agency, including its Tax Collector's Office and Controller-Treasurer Department, for their cooperation and assistance throughout this limited-scope audit.

COUNTY OF SANTA CLARA
ASSESSMENT APPEALS BOARD
COUNTY GOVERNMENT CENTER, EAST WING
70 WEST HEDDING STREET
SAN JOSE, CA 95110-1771
(408) 299-5088

AUGUST 19, 2013

VALUE BOARD I

WILLIAM ANDERSON
WAYNE PRESCOTT
STAN TISH

INTEL CORPORATION
C/O W HARRIS
2200 MISSION COLLEGE BL RNB-5-125
SANTA CLARA CA 95054

Re:APPLICATION #:08.4894
APN/ASSM#: 08-081107
OWNER: INTEL CORPORATION

This is your notice that the Assessment Appeals Board took the action indicated below relating to Application Number 08.4894 at the scheduled hearing on

WEDNESDAY, AUGUST 14, 2013, AT 9:00 A.M. ROOM 157

Assessment is changed by stipulation.

Board vote: AYES: 3 NOES: 0 ABSTAINED: 0

This appeal is now closed.

①

②

	06\07 Escape County's Verified Assmt	Values Adjusted by Board Action
Land	\$ 0	\$ 0
Structures RP	\$ 0	\$ 0
Structures PP	\$ 0	\$ 0
Fixtures	\$ 10,429,113	\$ 10,429,113
Personal Property	\$ 19,777,050	\$ 7,318,384
Other Exemption	\$ 0	\$ 0
Total	\$ 30,206,163	\$ 17,747,497

If you have any questions, please contact our office.

HORTENCIA HERRERA
Deputy Clerk
Assessment Appeals Board

cc:PILLSBURY WINTHROP
C/O LAWRENCE HOENIG
2550 HANOVER ST
PALO ALTO CA 94304

COUNTY OF SANTA CLARA
ASSESSMENT APPEALS BOARD
COUNTY GOVERNMENT CENTER, EAST WING
70 WEST HEDDING STREET
SAN JOSE, CA 95110-1771
(408) 299-5088

AUGUST 19, 2013

VALUE BOARD I

WILLIAM ANDERSON
WAYNE PRESCOTT
STAN TISH

INTEL CORPORATION
C/O W HARRIS
2200 MISSION COLLEGE BL RNB-5-125
SANTA CLARA CA 95054

Re: APPLICATION #: 08.4894
APN/ASSM#: 104-48-010
OWNER: INTEL CORPORATION

This is your notice that the Assessment Appeals Board took the action indicated below relating to Application Number 08.4894 at the scheduled hearing on

WEDNESDAY, AUGUST 14, 2013, AT 9:00 A.M. ROOM 157

Assessment is changed by stipulation.

Board vote: AYES: 3 NOES: 0 ABSTAINED: 0

This appeal is now closed.

	Original County Verified Assmt	Current County Verified Assmt	Values Adjusted by Board Action
Land	\$ 7,120,945	\$ 7,120,945	\$ 7,120,945
Structures RP	\$ 257,009,669	\$ 257,009,669	\$ 257,009,669
Structures PP	\$ 0	\$ 0	\$ 0
Fixtures	\$ 159,370,519	\$ 178,062,400	\$ 159,370,519
Personal Property	\$ 555,582,256	\$ 590,537,442	\$ 555,582,256
Other Exemption	\$ 0	\$ 0	\$ 0
Total	\$ 979,083,389	\$ 1,032,730,456	\$ 979,083,389

If you have any questions, please contact our office.

HORTENCIA HERRERA
Deputy Clerk
Assessment Appeals Board

cc: PILLSBURY WINTHROP
C/O LAWRENCE HOENIG
2550 HANOVER ST
PALO ALTO CA 94304

COUNTY OF SANTA CLARA
ASSESSMENT APPEALS BOARD
COUNTY GOVERNMENT CENTER, EAST WING
70 WEST HEDDING STREET
SAN JOSE, CA 95110-1771
(408) 299-5088

AUGUST 19, 2013

VALUE BOARD I

WILLIAM ANDERSON
WAYNE PRESCOTT
STAN TISH

INTEL CORPORATION
C/O W HARRIS
2200 MISSION COLLEGE BL RNB-5-125
SANTA CLARA CA 95054

Notice of Assessment Appeals Board Action

Dear Property Owner:

Attached please find the Assessment Appeals Board's final decision on your application for reduction of assessment of property relating to **Assessment Appeals Number 08.4894** at the hearing held on **Wednesday, August 14, 2013, at 9:00 A.M. Room 157.**

The Board arrived at its decision relating to your Assessment(s) through **stipulation or Board action** according to the following Board vote (**Ayes #, Noes #, Abstained #**).

If the Board reduced your Assessment(s), you will be receiving a property tax refund and/or a credit against other property taxes owed, as determined by the County's Controller-Treasurer Tax Roll Control Unit. If you have questions about the refund process, please contact the Tax Roll Control Unit at (408) 299-XXXX.

If you have questions about this notice, please contact the Clerk of the Board at (408) 299-5088.

HORTENCIA HERRERA
Deputy Clerk
Assessment Appeals Board

cc: PILLSBURY WINTHROP
C/O LAWRENCE HOENIG
2550 HANOVER ST
PALO ALTO CA 94304

**CLERK OF THE BOARD NOTICE OF APPEALS BOARD ACTION
TAXPAYER COPY**

Hearing Date:
Appeal Number:

APN Number:

Bus Acct Number:

Assessment Appeal Summary
FY 2013-14

Property Tax Roll	Original 1-Jul Tax Roll Value	Appeals Board Adjusted Value	Property Value Change
Regular Assessment Roll - Secured:			
Land			
Improvements:			
Structures			
Fixtures			
Total Improvements			
Personal Property			
Less Exemptions			
Total Secured			
Regular Assessment Roll - Unsecured:			
Structures - Personal Property			
Fixtures			
Personal Property			
Total Personal Property			
Less Exemptions			
Total Unsecured			
Total Regular Assessment Roll			
Escapes/Supplemental Assessment Roll - Secured:			
Land			
Improvements:			
Structures			
Fixtures			
Total Improvements			
Personal Property			
Less Exemptions			
Total Secured			
Escapes/Supplemental Assessment Roll - Unsecured:			
Structures - Personal Property			
Fixtures			
Personal Property			
Total Personal Property			
Less Exemptions			
Total Unsecured			
Total Supplemental Assess Roll			
Total FY 2013-14 Tax Roll Adjust			

**CLERK OF THE BOARD NOTICE OF APPEALS BOARD ACTION
 CONTROLLER-TREASURER COPY
 (Taxpayer Refund Calculation)**

Hearing Date:

Appeal Number:

APN Number:

Bus Acct Number:

**Assessment Appeal Summary
 FY 2006-07**

Property Tax Roll	Original 1-Jul Tax Roll Value	Appeals Board Adjusted Value	Property Value Change	Assessor Revised Tax Roll Value	Appeals Board Adjusted Value	Property Value Change	Applicable Tax Rate	Refund Due	Credit to be Applied
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Regular Assessment Roll - Secured:

Land									
Improvements:									
Structures									
Fixtures									
Total Improvements									
Personal Property									
Less Exemptions									
Total Secured									

Regular Assessment Roll - Unsecured:

Structures - Personal Property									
Fixtures									
Personal Property									
Total Personal Property									
Less Exemptions									
Total Unsecured									

Total Regular Assessment Roll

--	--	--	--	--	--	--	--	--	--

Escapes/Supplemental Assessment Roll - Secured:

Land									
Improvements:									
Structures									
Fixtures									
Total Improvements									
Personal Property									
Less Exemptions									
Total Secured									

Escapes/Supplemental Assessment Roll - Unsecured:

Structures - Personal Property									
Fixtures									
Personal Property									
Total Personal Property									
Less Exemptions									
Total Unsecured									

Total Supplemental Assess Roll

--	--	--	--	--	--	--	--	--	--

Total FY 2006-07 Tax Roll Adjust

--	--	--	--	--	--	--	--	--	--

Office of the Assessor

County of Santa Clara

County Government Center, East Wing
70 West Hedding Street, 5th Floor
San Jose, CA 95110-1770
(408) 299-5588 FAX (408) 297-9526
E-mail: assessor@asr.sccgov.org
Website: www.sccassessor.org



Lawrence E. Stone, Assessor

January 23, 2015

Roger Mialocq
Harvey M. Rose Associates LLC
County Government Center, East Wing
70 W. Hedding Street, 10th Floor
San Jose, CA 95110

Re: Intel Appeal Refund Audit

Dear Roger:

Thank you for this opportunity to respond to the recommendations contained in the January 20, 2015 Management Audit of the Santa Clara County Assessment Appeals Refund Controls.

I wish to express my appreciation to the Harvey Rose audit team led by Gabe Cabrera for the professional manner in which the audit was conducted. We thank you for your team's thorough and professional work and we appreciate the opportunity to meet, confer and respond to the report. Enclosed is my written response to your findings and recommendations.

Sincerely,

A handwritten signature in cursive script that reads "Lawrence E. Stone".

Lawrence E. Stone
Assessor

Enc.

SANTA CLARA COUNTY ASSESSOR'S OFFICE
RESPONSE TO RECOMMENDATIONS MADE BY THE MANAGEMENT AUDIT TEAM

- RECOMMENDATION 1: Add Assessment Appeal Number to All Computer Systems
- RESPONSE: We agree with this recommendation.
- RECOMMENDATION 2: Add Independent Validation Process for all Refunds of \$50,000 or more
- RESPONSE: We agree with this recommendation.
- RECOMMENDATION 3: Add Monthly Reconciliation Process of Appeals Board Approved Value
Reductions Resulting in Refunds of \$50,000 or More and Controller-
Treasurer Assessment Appeal Refund Warrant
- RESPONSE: We agree with this recommendation.
- RECOMMENDATION 4: Develop Written Policies and Procedures for the Tax Roll Control Unit
- RESPONSE: We agree with this recommendation.
- RECOMMENDATION 5: Modify the Notice of Assessment Appeals Board Action Form
- RESPONSE 5: We agree with this recommendation. As stated in the report, due to
programming limitations of the Assessor's AIMS legacy computer
system, implementation of this recommendation would be possible only
after the County acquires or develops a new assessment appeals
computer program. Estimated implementation of the new system may
take between 12 and 24 months.

County of Santa Clara

Office of the Clerk of the Board of Supervisors

County Government Center, East Wing
70 West Hedding Street
San Jose, California 95110-1770
(408) 299-5001 FAX (408) 938-4525 TDD (408) 993-8272



Lynn Regadanz
Clerk of the Board

TO: The Management Audit Division of the Board of Supervisors

FROM: Tiffany Lennear, Assistant Clerk of the Board

RE: Office of the Clerk of the Board Response to the Recommendations of the Revised Management Audit of the County of Santa Clara Assessment Appeals Refund Controls dated January 20, 2015

DATE: January 23, 2015

Management Audit Recommendations:

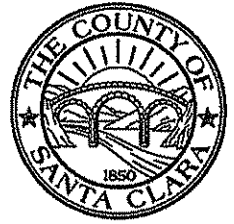
1. Add Assessment Appeal Number to All Computer Systems (agree)
2. Add Independent Validation Process for All Refunds of \$50,000 or More (agree)
3. Add Monthly Reconciliation Process of Appeals Board Approved Value Reductions Resulting in Refunds of \$50,000 or More and Controller-Treasurer Assessment Appeal Refund Warrants (agree)
4. Develop Written Policies and Procedures for the Tax Roll Control Unit (agree)
5. Modify the Notice of Assessment Appeals Board Action Form (agree)

The Office of the Clerk of the Board acknowledges and is in agreement with the five Management Audit Recommendations as listed above.

County of Santa Clara

Finance Agency

County Government Center
70 West Hedding Street, East Wing, 2nd Floor
San Jose, California 95110-1705
(408) 299-5205 FAX: (408) 287-7629



January 27, 2015

To: Roger Mialocq
Management Audit Division
Board of Supervisors

From: Emily Harrison
Director, Finance Agency

Subject: Finance Agency's Response to the Management Audit Division's Audit report dated January 20, 2015 – Assessment Appeals Refund Controls

We have reviewed the Audit report and are in agreement with the recommendations as indicated below. We thank the Management Audit Division staff for the extensive audit report and for the opportunity to collaborate with its staff for resolution.

Recommendation 1: Add Assessment Appeal Number

Response: We agree with the recommendation. We already added this item to a list of system enhancements for the Tax Collection and Assessment Information System (TCAS) and assigned an appropriate priority to it to ensure that it is completed within the next few months.

Recommendation 2: Tax Collector's Independent Validation of Refunds that equal or are greater than \$50,000

Response: We agree with the recommendation. Currently, the Tax Collector's Accounting Unit does not have staff to complete this task. Therefore, we will work with OBA to request an additional analyst position within the Tax Collector's Office.

Recommendation 3: Tax Roll Control – Add Monthly Reconciliation of Assessment Appeal Value reductions resulting in refunds that equal or are greater than \$50,000.

Response: We agree with the recommendation. We will identify staff within the Controller-Treasurer Department or the Tax Collector's Office to complete this task.

Recommendation 4: Develop Written Procedures

Response: We agree with the recommendation. We have already begun the process of documenting policies and procedures for the Tax Roll Control Unit.

Recommendation 5: Modify the Notice of Assessment Appeals Board Action Form

Response: We agree with the recommendation.