

DOUGLAS COUNTY INTERNAL AUDIT DIVISION



**REAL AND PERSONAL PROPERTY TAX TESTING
REPORT ON INTERNAL CONTROLS
FOR HAYES & ASSOCIATES
FY 2009/2010 #11**



DOUGLAS COUNTY INTERNAL AUDIT DIVISION

To: Brad Yoder, Manager
Hayes and Associates

From: Carmen Harmon, Internal Audit Administrator
Douglas County Internal Audit Division

Date: December 23, 2009

RE: Real and Personal Property Tax Testing

As part of the fiscal year audit plan, Douglas County Internal Audit Division (DCIAD) staff performs compliance and internal control testing for the Douglas County external audit firm, Hayes and Associates, LLC. The external auditor uses the test data provided by DCIAD to formulate a professional opinion, issued in the Comprehensive Annual Financial Report (CAFR), concerning financial reporting in Douglas County.

This special report describes the results of the compliance and audit testing of the real and personal property process including; current tax, delinquent tax, and refunds.

Objective:

Test the proper recording, approval, and payment of tax refunds; the assessment, levy, and collection of real estate taxes through the IMS, Oracle, and Cashiers for Windows Systems; the assessment, levy, & collection of personal property taxes and determine that delinquent real estate taxes are being properly recorded, processed, & collected.

Scope and Methodology

In order to meet the objectives, Internal Audit verified the authorization of the by the Board of Commissioners, evaluated the accuracy of the tax in the Oracle and IMS system. Tests and procedures were conducted as considered necessary. Forty (40) records were selected from four months during fiscal year 2008-2009. The auditor used a random selection technique to make the selection. This technique allows the auditor to randomly select items based on all records for the fiscal year. This is a limited selection of the total population of tax levies that are been paid by Douglas County.

BACKGROUND

Real Property Tax

Real Property Taxes are billed for a calendar year, January 1 through December 31 of the tax year. Taxes are billed in arrears in Douglas County, statements are mailed in December for the year just ending and taxes are due December 31 of that year (a copy of a Real Property Tax Statement can be found on pages 2-3). However, Nebraska State law allows taxpayers to pay in two installments. Installment 1, the first half, is payable March 31st and delinquent at 12:01 A.M. April 1st.

Installment 2, the second half, is payable July 31st and delinquent at 12:01 A.M. August 1st. For example, the 2005 Real Property Taxes are due December 31, 2005 but can be paid in two installments, the first half on or before March 31, 2006 and the second half on or before July 31, 2006. To pay all at one time the full payment must be received by March 31, 2006 if they wait to pay it all until July 31st the first half would be delinquent (and interest would be due on the first %).

Taxes are calculated by multiplying the assessed value of the property times the levy. The County Assessor determines the assessed value. Any questions regarding the assessed value of a property should be directed to the County Assessor's Office 444-7060. The levy is the tax rate per each \$100 of assessed value that the budget of each taxing unit (schools, city and county governments, technical colleges, Natural Resource Districts, Sanitary Improvement Districts (SIDs), etc) requires from Real Property Taxes. The County Clerk tabulates the levy each November from the budgets they receive from the taxing units.

Personal Property Tax

Personal Property Tax is a tax on business equipment. Business owners must file a "schedule" with the County Assessor's office every year. The personal property tax amount is based on this schedule. Failure to file a personal property tax schedule, or filing one late, results in a penalty fine. Approximately half of the total tax due will be added to the personal property tax if a schedule is not filed (ie. if the total due was \$200.00 and the schedule was not filed there would be an additional penalty of \$100.00 for a total of \$300.00).

Just like real estate taxes, personal property taxes are for a calendar year, January 1st through December 31st of the tax year. However, if a business operated for as little as one day in a given year they must pay personal property taxes for that full year.

Taxes are billed in arrears in Douglas County, statements are mailed in December for the year just ending and taxes are due December 31 of that year. However, Nebraska State law allows taxpayers to pay in two installments. Installment 1, the first half, is payable by March 31st and delinquent at 12:01 A.M. April 1st. Installment 2, the second half, is payable by July 31st and delinquent at 12:01 A.M. August 1st.

For example, the 2005 Personal Property taxes are due December 31, 2005 but **can** be paid in two installments, the first half on or before March 31, 2006 and the second half on or before July 31, 2006. To pay all at one time the full payment must be received by March 31, 2006 if they

wait to pay it all until July 31st the first half would be delinquent and additional interest would be due.

Special Assessment

A Special Assessment is simply a bill for improvements or services provided that benefit a specific property. Some examples of improvements or services that may be provided include paving (a street), sanitary sewers, sidewalks, building demolition, also weed, litter, tree, or snow removal. The Treasurer's Office does not levy Special Assessments, we only collect and distribute the funds. Special assessments can only be levied by authorities empowered to do so by state law. Some examples of these authorities are cities, counties, and sanitary improvement districts. These authorities are required to abide by statutory requirements when levying special assessments.

The Treasurer's office does not interpret the laws, ordinances, or resolutions regarding special assessments. The Treasurer's office simply bills, collects, and distributes funds associated with special assessments as directed by statute.

Audit Steps

Real and Personal Property Current Taxes

REAL PROPERTY AUDIT STEPS

STEP 1

SELECT SAMPLE FROM TAX ROLL FOR VALUATION, DESCRIPTION, LEVY, TAX DISTRICT, & TAX BILLED. (Tax roll located in treasurer's vault in tax book order.)

Randomly select 20 calendar days and pull the payment reconciliation file for each day from the Treasurer's Office. Then select on line item from the CCMSC24 paid report for real property. Locate this item in the tax roll for the applicable year. Make (1) copy of page for each sample.

STEP 2

TRACE PROPERTY TO APPLICABLE DIVISION BOOK & COMPUTER SCREENS. DETERMINE PROPRIETY AND ACCURACY OF ASSESSED VALUE EXAMINE VALUATION DATE AND HOMESTEAD IF APPLICABLE.

STEP 3

ENSURE THAT LEVIES WERE PROPERLY AUTHORIZED BY THE BOARD
(Resolution for levies filed in levy file; get this from Ellen or in Zyfind)

STEP 4

TRACE SELECTED TAX PAYMENT TO THE DAILY REAL ESTATE TAX PAID REPORT AND RECORD THE SEQUENCE NUMBER AND PAGE NUMBER.

This information is in the Daily packet of information filed in the Treasurers office. (CCMSC24 report) Find the Payment and copy page for file. Highlight the payment line. If the sample parcel has been paid by a mortgage company, (this will show up on the PAYT page as an MC in

the upper right hand corner) you have to get the payment file from Real Estate in the Treasurer's office and copy the specific sample payment from the larger file)

STEP 5

TRACE THE GRAND TOTAL FROM THE DAILY REAL ESTATE TAX PAID REPORT (CCMSC24) (You may need to add Total for Real Property and Total for Real Property Lock Box, Total from Online and Total from Paid report from Mortgage Companies; to reach the GRAND TOTAL) TO THE TOTAL IN PAY CLASS REPORT BY ALL LOCATIONS (CASHIERING SYSTEM) CLASS 0002 REAL PROP. (Front of Daily report packet) (Totals should match/ highlight)

STEP 6

Get Daily Balance Record from Treasurers office (front cashiers counter) Copy front sheet of Daily Balance Records for all days needed for all samples. Check for Real Estate Refunds, (match if appropriate) Match Cashier Total Collections to total on Payment by Workstation sheet in Daily packet of information for same day (on a calculator tape)

STEP 7

TRACE THE PAYMENT CLASS 0002 REAL PROP TOTAL (used in step 5) FROM THE PAYMENT CLASS REPORT TO THE DISTRIBUTION REPORT (CCMSM20-1). To do this you must ADD ALL YEARS PLUS ADVERTISING REVENUE. Distressed Warrant fees, which are included in CCMSC24 report, are not in the CCMSM20-1 report.

STEP 8

Trace the Real Property Total from the CCMSM10-1 (IMS System) to the Summary of Revenue by Account (Oracle System) Total for Real Property Tax for the Fiscal Year testing.

STEP 9

TRACE THE GRAND TOTAL COLLECTED FOR THE DAY/ FISCAL YEAR (CCMSM25-1) TO THE GCCPM30-1 REPORT GRAND TOTAL FOR THE FISCAL YEAR (PROPERTY TAX FILE SYSTEM)

PERSONAL PROPERTY AUDIT STEPS

- 1 Randomly select 20 calendar days and pull the payment reconciliation file for each day from the Treasurer's Office. Then select on line item from the CCMSC24 paid report for personal property. Locate this item in the tax roll for the applicable year. Make (1) copy of page for each sample.
- 2 TRACE PROPERTY TO APPLICABLE TAX ASSESSMENT AND PAYMENT SCREENS. (IMS SYSTEM) DETERMINE PROPRIETY AND ACCURACY OF ASSESSED VALUE AND ASSESSMENT OF PENALTIES. (**PTE Screen**) Farms are on the **PTF screen**. Also, print the **PTXY** screen for each sample.
- 3 ENSURE THAT LEVIES WERE PROPERLY AUTHORIZED BY THE BOARD.

SEE LEVY FILE FOR COPY OF RESOLUTION or check ZYFIND)
- 4 TRACE SELECTED TAX PAYMENT TO THE DAILY PERSONAL PROPERTY TAX PAID REPORT (**CCMSC24**) AND RECORD THE SEQUENCE NUMBER AND PAGE NUMBER. (IMS SYSTEM)
- 5 TRACE THE GRAND TOTAL FROM THE DAILY PAID REPORT FOR PERSONAL PROPERTY TAX PAID REPORT (CCMSC24) (include all totals, lock box etc.) TO THE PAY CLASS REPORT (CASHIERING SYSTEM) PAYMENT CLASS 0001 REAL PROPERTY AND THE SUMMARY OF REVENUES BY ACCOUNT (ORACLE SYSTEM) .
- 6 Get Daily Balance Record from Treasurers office (front cashiers counter) Copy front sheet of Daily Balance Records for all days needed for all samples. Check for Real Estate Refunds, (match if appropriate) Match Cashier Total Collections to total on Payment by Workstation sheet in Daily packet of information for same day (on a calculator tape)
- 7 TRACE THE PAYMENT CLASS 0001 REAL PROP TOTAL (used in step 5) FROM THE PAYMENT CLASS REPORT TO THE DISTRIBUTION REPORT (CCMSM20-1). To do this you must ADD ALL YEARS PLUS ADVERTISING REVENUE. Distressed Warrant fees, which are included in CCMSC24 report, are not in the CCMSM20-1 report.
- 8 Trace the Real Property Total from the CCMSM10-1 (IMS System) to the Summary of Revenue by Account (Oracle System) Total for Real Property Tax for the Fiscal Year testing.

Real and Personal Property Delinquent Taxes

REAL PROPERTY DELINQUENT AUDIT STEPS:

Note: Some items listed in the steps may not be applicable depending on the types of transactions posted on a given day. For example, if the real property taxes paid on that day did not include any distress warrants, then steps involving the reconciliation of this type of transaction would not be applicable.

1. Obtain a copy of the Daily Record, the Electronic Entries, and Proof of Publication from the Treasurer's office.
2. Randomly select a combined total of 20 transactions from the newspaper publication determine that the publication was printed 3 times before the first Monday in March.
3. Create the current year spreadsheet utilizing the prior year's spreadsheet as a template. Populate the fields as information is verified.
4. Trace items from the newspaper publication to the PRCTC110 Report. The 110 report identifies the type of delinquent tax; it will be listed under the "type tax" column.
5. Print the IMS screens and validate the status of the property:
 - Paid for by the owner
 - Paid at tax sale by bidder
 - Unpaid

NOTE: This is the last step for unpaid taxes.

6. For all taxes that have been paid, trace selected tax payment to the related paid report:
 - If the property was paid by the owner: Paid Report for Real Property (CCMSC24). Validate the following:
 - For the individual property in question and the total for all properties paid.
 - Sequence Number
 - Parcel Number
 - Owner
 - Tax Year
 - Tax
 - Interest
 - Advertising Amount
 - Distress Warrant Amount
 - Total
 - For the entire report:
 - Total for Tax
 - Total for Interest
 - Total for Advertising Amount
 - Total for Distress Warrant

- If the property was paid for in a public or private tax sale: Paid Report for Real Property Tax Sale (CCMSC24). Validate the following:
 - the sequence number
 - bidder number
 - net total amount

7. Verify the Summary of Revenues by Account daily balance total corresponds with the appropriate Paid Report.

The Paid Report CCMSC24 has a total for all transactions on that day for all years. In addition, the Summary of Revenues by Account Report has a total for all real property paid on that day including: Real property, Real Property Lock Box, and Real Property Online.

- Total the following Account Codes:
 - 51125-51148 Real Property Taxes
 - 51715-51738 Real Property Taxes
 - 54138 Distress Warrants
 - 54462-54468 Advertising Fees
- Total of all listed Account Codes

8. Verify the Tax Collections for Tax Year (Review Year) Distribution Totals Accumulated Receipts (CCMSM20) corresponds to the Tax Collections-Recap of Daily Distribution Totals Accumulated Receipts with Affiliated Adjustments (GCCPM30).

If there were any personal property collections on the CCMSM20, subtract them from the appropriate collection on the GCCPM30 as they are included in that reports total.

9. If there was a Tax Sale:

- A. Verify the following in the Special Assessments in Tax Sale Report (CCMSC24)
 - If your property's taxes were sold in a tax sale:
 - Bidder Number
 - Parcel Number
 - Bid Amount and Interest
 -

Note: This lists the total amount the bidder paid for all property on that date

- For the entire report:
 - Bid Amount Total
 - Interest Total

B. Verify the following in the Parcels Sold at Public Tax Sale (PRCTM160)

- For your property
 - Certification Number
 - Description of Real Estate
 - Tax Receipt
 - Tax Amount
 - Interest

- Advertising Fee Item Total
- Fee
- For the entire report:
 - Total Amount Sold

C. Verify the following in the Parcels Sold at Private Tax Sale (PRCTM165)

- For your property
 - Certification Number
 - Description of Real Estate
 - Tax Receipt
 - Tax Amount
 - Interest
 - Advertising Fee Item Total
 - Fee
- For the entire report:
 - Total Amount Sold

10. For the Payment Class Report by Workstation:

- Verify the total of payment class 0002 for all workstations
- Verify the total of payment class 0008 for all workstations
- Verify the total of payment class 0043 for all workstations
- Verify the total of payment class 0111 for all workstations

11. Verify the totals on the Payment Class Report by All Locations reconcile with:

- Your totals from the Payment Class Report by Workstations
- Your adjusted Payment Class 0002- Real Property is equal to your Summary of Revenues by Account total of all account codes listed.

You will have to adjust the balance listed on the Payment Class Report by All Locations for Payment Class 0002- Real Property by:

- Adding the calculated adjusted Tax Sale Amount (0008)
 - (Total Listed for 0008)-(Certification Fee from the Paid Report for Real Property Tax Sale CCMSC24)-(Total Bid Amount from the Special Assessments in tax Sale Report CCMSC24)-(Total Interest Amount from the Special Assessments in the Tax Sale Amount)
- Subtracting the total amount for all Real Property Distress Warrants (Paid Report for Real Property CCMSC24)
- Add Refunds 000430111
- Payment Class 0043 represents the total of a \$1.00 fee charged for all distress warrants issued for Real and Personal Property in the Paid Report for Real and Personal Property (CCMSC24). If there were no distress warrants issued for real property, but there is a total listed for payment class 0043, the distress warrant totals should be found in the personal property (Note: you will see the \$2.00 distress warrant fee listed here.
 - Trace the \$1.00 fee for Real Property Distress Warrants to the Paid Report for Miscellaneous Receipts (the transaction is represented by: Fund- 001, Agency-

038, Organization- 1200, Revenue Code- 3601)

- Trace to the Summary of Revenues by Account for Account Code 24138. Each distress warrant transaction is listed for the total \$3.00 (the distress warrant fee and the distress warrant levy fee).

12. Trace the grand total from the Payment Class by All Locations report to the attached tape on the Payment Class Report by Workstation.

13. Trace the cashiers' total collections from the tape to the daily balance record.

FEMINAL

PERSONAL PROPERTY DELINQUENT AUDIT STEPS:

AUDIT STEPS:

Note: Some items listed in the steps may not be applicable depending on the types of transactions posted on a given day. For example, if the personal property taxes paid on that day did not include any distress warrants, then steps involving the reconciliation of this type of transaction would not be applicable.

1. Obtain a copy of the appropriate distress warrant report
2. Randomly select a combined total of 20 transactions from the appropriate tax year's distress warrants.
3. Create the current year spreadsheet utilizing the prior year's spreadsheet as a template. Populate the fields as information is verified.
4. If utilizing the LPBS report, obtain a copy of the DWUP screen from the Treasurer's office and verify the account number.
5. Print the IMS screens and validate the status of the property:
 - Paid for by the owner
 - Unpaid

NOTE: This is the last step for unpaid taxes.

6. For all taxes that have a payment shown on the PTXY screen, trace selected tax payment to the Paid Report for Personal Property (CCMSC24) and validate the following:
 - Sequence Number
 - Tax Amount
 - Interest DW Fee
 - DW Fee
 - Total
7. Verify the Summary of Revenues by Account daily balance total corresponds with the appropriate Paid Report.

The Paid Report CCMSC24 has a total for all transactions on that day for all years. In addition, the Summary of Revenues by Account Report has a total for all personal property paid on that day including: Personal property and Personal Property Lock Box.

 - Total the following Account Codes:
 - 51166-51182 Personal Property Taxes
 - 51756-51771 Personal Property Interest
 - 54138 Distress Warrants
 - Total of all listed Account Codes

8. Verify the Tax Collections for Tax Year (Review Year) Distribution Totals Accumulated Receipts (CCMSM20) corresponds to the Tax Collections-Recap of Daily Distribution Totals Accumulated Receipts with Affiliated Adjustments (GCCPM30).

If there were any real property collections on the CCMSM20, subtract them from the appropriate collection on the GCCPM30 as they are included in that reports total.

9. For the Payment Class Report by Workstation:

- Verify the total of payment class 0001 for all workstations
- Verify the total of payment class 0043 for all workstations
- Verify the total of payment class 0111 for all workstations

10. Verify the totals on the Payment Class Report by All Locations reconcile with:

- Your totals from the Payment Class Report by Workstations
- Your adjusted Payment Class 0001- Personal Property is equal to your Summary of Revenues by Account total of all account codes listed.

You will have to adjust the balance listed on the Payment Class Report by All Locations for Payment Class 0002- Personal Property by:

- Subtracting the total amount for all Personal Property Distress Warrants (Paid Report for Personal Property CCMSC24)
- Add Refunds 000430111
- Payment Class 0043 represents the total of a \$1.00 fee charged for all distress warrants issued for Personal and Personal Property in the Paid Report for Personal and Personal Property (CCMSC24). If there were no distress warrants issued for personal property, but there is a total listed for payment class 0043, the distress warrant totals should be found in the real property (Note: you will see the \$2.00 distress warrant fee listed here.
- If there is a discrepancy in the prior step
 - Trace the \$1.00 fee for Personal Property Distress Warrants to the Paid Report for Miscellaneous Receipts (the transaction is represented by: Fund- 001, Agency- 038, Organization- 1200, Revenue Code- 3601)
 - Trace to the Summary of Revenues by Account for Account Code 24138. Each distress warrant transaction is listed for the total \$3.00 (the distress warrant fee and the distress warrant levy fee).

11. Trace the grand total from the Payment Class by All Locations report to the attached tape on the Payment Class Report by Workstation.

12. Trace the cashiers' total collections from the tape to the daily balance record.

Real and Personal Property Tax Refunds

AUDIT STEPS:

- 1.) Get a list, or range, of numbers that have been used for the FY Demand for Refunds.
- 2.) To determine the refunds that will be selected for a sample, use the EXCEL Random Number Generation tool. Use the range of numbers given and extract 20 numbers for real property and 20 numbers for personal property. Those numbers will match a corresponding record that will be used for testing. Some portion of the final test transaction should be for Real Estate refunds and some should be for Personal property refunds.
- 3.) Using IMS: Trace from refund log screen (PLDG) to a paper copy of the refund for those refunds selected for testing and print.
- 4.) Start an EXCEL spreadsheet with the list of 15 test records. Fields will be (at least) Sample # (1-40) ; Refund Number; Refund to: ; Year; Account ID #; Type (R or P); Reason for Refund; Receipt Date; Amount; Paper Copy of Refund; Verify to PAYT (property) or PTXY (personal) ; Demand for Refund approval; copy of Receipt; Check amount same as authorized; comments.
- 5.) Get payment information from IMS form and fill out spreadsheet
- 6.) Go to Treasurers' office and get copy the packet of information for each transaction.
- 7.) Determine the reason for refund, date, date of receipt, amount etc. Check for receipt.
- 8.) Determine the Demand for Refund (DFR) form is properly completed and evidence payment was made (copy of the check).
- 9.) Confirm the actual check amount disbursed agrees with the amount authorized. To do this you must get a copy of the check from the Treasurers office (they may need to get this from the bank)
- 10.) Ascertain dates of all Board of Commissioner meeting for the appropriate fiscal year. Check Zyfind, if meeting information is in Zyfind, or get the book from Clerk's office administration staff, and check for "Demand for Refund" approval resolutions on Board agenda.
- 11.) After you determine the dates DFR's were approved, check the meeting packets for appropriate resolution files and find the test transaction recipients on the DFR lists. If you can't find a DFR for a transaction go to Treasurers office and let them know.

12.) Determine proper documentation is available for all inter office reapplied tax amounts (copy of transfer to new tax bill). You may not have any reapplications in your test population.

Current Taxes

Real and Personal Property Taxes:

Property Tax Calculation

The property tax amount is calculated by multiplying the assessed value by the levy. Questions regarding increases in the tax amount requested by each taxing authority should be made to the governing body of that particular taxing authority. Neither County Assessor, County Clerk, or County Treasurer are involved in determining the tax amount and cannot waive, reduce, or adjust the tax amount or any penalties thereon.

Example:

$$\begin{array}{rclcl} \text{Assessed Value} & \times & \text{Levy} & = & \text{Tax} \\ 100,000.00 & & 2.09798\% & & \$2,097.98 \end{array}$$

Assessed Value:

Valuation is the function of assessing property and the improvements thereon. According to Nebraska State Law, the assessed value of property is based on 100% of the actual market value of the property during the year in which it is assessed, not the year it was purchased. Questions regarding the valuation of your property should be made to the [Douglas County Assessor](#).

Levy:

The levy is the tax rate applied to the assessed value. Each taxing authority (City, County, School District, Sanitary Improvement District, etc.) sets its budget based upon operating expenses and determines the amount of property taxes needed to fund that budget. The [Douglas County Clerk](#) computes the levies for each taxing authority. This is done by dividing the portion of the taxing authority's budget by the taxable assessed value in the taxing authority's service area.

Delinquent Taxes

Delinquent Real Property Taxes:

Failure to pay Real Property Taxes on or before the delinquency date indicated on your tax statement will result in a delinquency penalty of 14% interest per annum.

As of January 26, 2007, all delinquent Real Property Taxes are assessed a \$5.00 publication fee. Said publication will appear in *The Daily Record* for a period of three (3) consecutive weeks in accordance with State Statute 77-1804.

All delinquent Real Property Taxes will be offered for sale on the first Monday in March at the Public [Tax Lien Sale](#). The Tax Liens not purchased at the Public Sale will be offered for sale at the Private Tax Lien Sale. If there are any remaining taxes the Douglas County Attorney will be ordered to foreclose on all properties with delinquent taxes, thereby putting the property in jeopardy of being sold at auction.

Tax Lien Sale General Information

When taxes are still delinquent in the February following the original delinquency date (i.e. if they were delinquent on August 1, 2003 and are still not paid in February 2004) then they are advertised as being delinquent. All delinquent properties in Douglas County are advertised every February for three weeks. If taxes remain delinquent on the first Monday in March, the **delinquent taxes only** can be sold in the public tax sale.

Public tax sales are held the first Monday of every March. Interested investors can obtain a list of delinquent properties from the Daily Record or they can purchase a disc or CD for \$25.00 from the Real Estate Division. Investors must get a bidder number from the Real Estate Division to participate in the tax sale. There is a \$25 registration fee for all bidders participating in the tax sale. Tax Sales generally run from 8:00 A.M. to 7:00 P.M. on the first Monday in March.

When an investor pays delinquent Real Estate Taxes, in a tax sale, the investor then holds a lien on this property. If the property is redeemed (paid by the owner) within 3 years of the original tax sale date the investor will get the original investment plus 14% interest on his money. All payments are made to Douglas County. Douglas County will reimburse the investor. However, if the property is **not** redeemed within 3 years, then the investor must foreclose on the property or lose their investment. This is NOT an automatic process; the investor must file his or her own foreclosure or have an attorney handle it. Douglas County does NOT handle the foreclosure of a tax sale lien.

The following information does NOT constitute legal advice and the Treasurer's Office cannot provide any guidance on investment methodology or legal aspects of tax liens. This office makes no warranties in accordance to lien value or any matters involving subject properties. It is imperative that the investor understands the complexity of this process and anyone interested in participating is urged to seek independent legal council. If you fail to comply with the statutes governing tax lien sales, you can lose your entire investment.

State Statutes that pertain to the Tax Lien Sale can be found at www.unicam.state.ne.us under the heading Laws of Nebraska sections 77-1801 thru 77-1941.

A tax lien sale is where unpaid taxes are sold in exchanged for a tax lien on the property. If the taxes are redeemed (paid by the property owner) the lien holder will earn 14% interest on the lien (14% is the interest rate Douglas County charges on ALL delinquent taxes). If the property

owner does not redeem the property within three (3) years of the purchase of the lien, the lien holder may foreclose on the property.

Delinquent taxes are advertised in the *Daily Record* for three (3) consecutive weeks prior to the March sale.

Delinquent Personal Property Taxes:

Failure to pay Personal Property Taxes on or before the delinquency date indicated on your tax statement will subject the tax to a delinquency penalty of 14% interest per annum.

Notification of delinquent taxes will be sent between August 1st and the end of October. Failure to pay said delinquent taxes prior to November 1st will result in the issuance of a distress warrant to the Douglas County Sheriff for the levy and sale of personal property.

Tax Refunds

Real and Personal Property Refunds:

If you or your company made a duplicate or erroneous payment on a parcel and you want to request a refund, please complete the [Request for Refund Form](#) and return it to us along with proof of payment. Application must be made within two (2) years from the date the tax was due (Nebraska State Statute 77-1734.01).

It is the policy of the Douglas County Treasurer's Office to immediately refund any overpayments to the remitter (i.e. tax servicing company, mortgage company, title company). If an overpayment comes into our office via company or personal check; that check will be rejected and returned to the sender/remitter.

Exceptions

Exception 1: Delinquent Real Property Testing

Criteria: Nebraska state statutes should be followed by the Douglas County department impacted by the statute.

Condition: Nebraska state statute 77-1804 states: *"The county treasurer shall cause the list of real property subject to sale and accompanying notice to be published once a week for three consecutive weeks prior to the date of sale, commencing the first week in February, in a legal newspaper and, in counties having more than two hundred fifty thousand inhabitants, in a daily legal newspaper of general circulation, published in the English language in the county, and designated by the county board. The county treasurer shall also cause to be posted in some conspicuous place in his or*

her office a copy of such notice. The treasurer shall assess against each description the sum of five dollars to defray the expenses of advertising, which sum shall be added to the total amount due on such real property and be collected in the same manner as taxes are collected.” It was verified during delinquent real property testing that a property with a delinquent special assessment fee is treated in the same manner as a property with delinquent real estate taxes. However, if the property advertised only has a delinquent special assessment fee due and is advertised, the Treasurer’s office is not currently collecting the \$5.00 for the advertising of the property.

Cause: The system utilized by the Douglas County Treasurer’s Office does not have the appropriate fields to collect the \$5.00 advertising fee for properties with only a delinquent special assessment. In addition, procedures do not include collection of the \$5.00 fee for these properties.

Effect: Douglas County may be out of compliance with state statute. In addition, Douglas County is losing revenue meant to help defray the cost of advertising.

Recommendation: If properties with delinquent special assessments are statutorily required to be advertised in the same manner as properties with delinquent taxes and assessed the \$5.00 advertising fee, the Douglas County Treasurer’s office should develop procedures implementing a process in which the fee can be collected. If the statute does not specifically address properties with only a delinquent special assessment and the Douglas County Treasurer’s office processes the special assessments in the same manner as a property with delinquent taxes, Douglas County should consider pursuing an amendment to state statute allowing for the collection of the \$5.00 advertising fee to help defray the expense incurred by Douglas County.

In response to this finding, the Douglas County Treasurer’s office verified it is discussing the advertising fee with DOT.Comm prior to the 2010 advertising and developing a plan.

Exception 2: Delinquent Real Property Testing

Criteria: Nebraska state statutes should be followed by the Douglas County department impacted by the statute.

Condition: Nebraska State Statute 77-1918 states: *“On or before October 1 of each year, the county treasurer shall make a report in writing to the county board setting out a complete list of all real property in the county on which any taxes are delinquent and which was not sold for want of bidders at the last annual tax sale held in such county. It shall be the duty of the county board, at its first meeting held after the making of such report, to carefully examine the same, and while it may direct the issuance of tax sale certificates to the county upon any real property upon which there are any delinquent taxes, it shall, as to all real property upon which taxes are*

delinquent for three or more years, either enter an order directing the foreclosure of the lien of such taxes as provided in section [77-1901](#) or enter an order for the county treasurer to issue tax sale certificates to the county covering the delinquent taxes upon such real property, to be foreclosed upon in the manner and at the time provided in sections [77-1901](#) to [77-1918](#).

The county board shall have authority to direct the county attorney to commence foreclosure of such liens or certificates or it may designate another attorney to commence such actions, and the county board is authorized to pay any reasonable fee for such foreclosures to be assessed as costs. In the event the county attorney is designated to bring the action, the fee shall be fifty dollars for each cause of action in addition to his or her salary to be retained by him or her, but it shall not be paid to the county attorney until the decree is entered and the property sold pursuant to such decree. No fee shall be allowed the county attorney for such foreclosures in counties having a population of more than one hundred thousand inhabitants.

Any county treasurer, county attorney, or member of the county board who willfully fails, neglects, or refuses to perform the duties imposed by such sections shall be guilty of official misdemeanor and subject to removal from office as provided in sections [23-2001](#) to [23-2009](#). If the county board fails to dismiss the county attorney for failure to foreclose liens, the county board shall be removed. Any member of a county board who, upon a motion duly made by one member of such board to remove a county attorney from office who has failed to foreclose liens, does not vote for such motion or any member who votes to retain a county attorney in office after it has been brought to the board's attention that he or she has failed to foreclose liens shall be subject to removal from office as provided in sections [23-2001](#) to [23-2009](#).”

One of the properties included in the sample has a special assessment due that was assessed 11 years ago. In addition, the property now has more money owed from delinquent special assessments and real property tax than the property is currently valued at. The following represents a breakdown of the delinquent amount due as of 11/9/2009:

Year Levied	Type of Tax	Tax Billed	Current Interest Assessed	Total
1998	Special Assessment Tree Removal	\$208.80	\$335.81	\$544.61
2006	Real Property Tax	\$ 6.24	* ¹	*
2007	Real Property Tax	\$ 5.92	*	*

¹ Interest is calculated at the time of payment

The value of the property is currently listed as \$300.00. The Douglas County Assessor's information shows the property was sold in 2005. As a result, the property appears to have been sold, with a delinquent special assessment that has not yet been paid.

Cause: It was verified this property was listed on the Delinquent Real Estate Tax and Special Assessments Report presented to the Board of Commissioners for the current year (on August 11, 2009) and last year (on August 5, 2008). However, additional action on behalf of Douglas County to collect the delinquent taxes could not be verified at this time.

Effect: Douglas County may be out of compliance with state statute. In addition, delayed action may make collection of taxes due improbable.

Recommendation: If the collection of delinquent Special Assessments are statutorily required to be collected in the same manner as delinquent Real Estate Taxes, review should be conducted to confirm Douglas County is in compliance with State Statute.

Cc: Honorable Thomas F. Cavanaugh, Douglas County Clerk/Comptroller
Kathleen Hall, Chief Deputy, Douglas County Clerk/Comptroller
Audit Committee Members²

² The audit committee members are: Honorable Chris Rodgers, Douglas County Commissioner; Mr. Ronald Bucher, Metropolitan Utilities District, Dr. Jack Armitage, Professor University of Nebraska at Omaha; Mr. T. Paul Tomoser, Creighton University; and Ms. Joanie Davis, Omaha Public Power District.

DCIAD staff participants in Report on Internal Controls for Hayes & Associates for
FY 2009/10 #:11

Carmen Harmon, Internal Audit Administrator (signed)

Laurel Tague, Internal Audit Analyst (signed)

Ryan Taft, Internal Audit Analyst (signed)

**Real and Personal Property Tax Testing Report on internal controls for
Hayes & Associates FY 2009/2010 #11 was released on December 23, 2009.**