



COUNTY AUDITOR

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May 20, 2009

To: Mayor and Members, Board of County Commissioners

From: Evan A. Lukic, County Auditor

Subject: Status Report - Tangible Personal Property Tax (TPP) Collection Process Review

This memorandum provides the status of management's effort to address the findings and recommendations contained in our report on the TPP Collection Process dated September 5, 2006. The objectives of the review were to evaluate the tax collection processes and provide recommendations for collecting outstanding delinquent taxes.

We are pleased to report management has satisfactorily implemented all recommendations.

Below we have summarized our original recommendations and the current status of management efforts.

1. Recommendation

Evaluate the collectability of the uncollected accounts considering the cost benefit of pursuing old and small balance accounts.

Current Status: **Resolved**

Uncollected accounts that accrued between tax years 1999 - 2005 have been reduced from \$32.3 million as of May 2006 (cited in the audit report) to \$11.4 million as of May 4, 2009. This reduction is a result of Revenue Collection updating the system for verifiable errors and documented insolvencies of approximately \$14.9 million and cash collections of approximately \$6.0 million.

Management's assessment of the collectability of the remaining uncollected accounts is as follows:

Outstanding collections for tax years 1999-2005 (as of May 4, 2009)

There is little probability to collect on the accounts delinquent between 1999-2005 because they represent many small businesses, which are no longer viable. There is no statutory mechanism to write off these accounts; however, accounts will be coded as uncollectible within the system once all collection procedures have been complete.

Broward County Board of County Commissioners

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Status Report - Tangible Personal Property Tax (TPP) Collection Process Review

May 20, 2009

Page 2

- 1) There are 31,031 accounts with individual balances of less than \$600 (cumulative balance is \$ 5.2 million.) There is very little likelihood of successfully collecting on these accounts. Multiple delinquent notices have already been sent. Past practice entails sending yet another delinquent notice letter; however, it is not reasonable to spend approximately \$10,000 in mailing costs, with little probability of return. All collection procedures have been followed and these accounts will be coded as uncollectible. No further collection resources will be allocated to these accounts as it would not be cost-beneficial.
- 2) 2,195 accounts with individual balances between \$600 - \$999 (cumulative balance is \$ 1.7 million). There is a little probability to collect on the accounts delinquent between 1999-2005 because they represent many small businesses, which are no longer viable. Multiple delinquent notices have been sent and there have been field visits to many of them, establishing that they no longer exist. All collection procedures have been followed and these accounts will be coded as uncollectible. No further collection resources will be allocated to these accounts as it would not be cost-beneficial.
- 3) 2,056 accounts (cumulative balance of \$3.8 million) with individual balances between \$1,000 -\$4,999. Again, there is very little probability of collection on these. All collection procedures have been followed and these accounts will be coded as uncollectible. No further collection resources will be allocated to these accounts as it would not be cost-beneficial.
- 4) 81 accounts (cumulative balance of \$541,765) with individual balance between \$5,000-\$9,999 will be subject to posting and seize of assets to pay outstanding taxes
- 5) There are two accounts (cumulative balance \$72,172) with balances above \$10,000 that are still being investigated by the Property Appraiser's Office (PAO). We can take no action on these accounts until the PAO investigation is completed. Five accounts with balances above \$10,000 (cumulative balance \$110,561) are uncollectable.

Management also evaluated the collectability of uncollected accounts subsequent to our report:

Outstanding collections for tax year 2006 (as of May 4, 2009)

- 1) There are 8,080 accounts with individual balances of less than \$600 (cumulative balance is \$ 1.5 million.) There is very little likelihood of successfully collecting on these accounts. Past practice entails sending yet another delinquent notice letter; however, it is not reasonable to spend approximately \$2,600 in mailing costs, with little probability of return. All collection procedures have been followed and these accounts will be coded as uncollectible. No further collection resources will be allocated to these accounts as it would not be cost-beneficial.

- 2) 542 accounts with individual balances between \$600 - \$999 (cumulative balance is \$415,677) There is a little probability to collect on the accounts because they represent many small businesses, which are no longer viable. Multiple delinquent notices have already been sent. All collection procedures have been followed and these accounts will be coded as uncollectible. No further collection resources will be allocated to these accounts as it would not be cost-beneficial.
- 3) 499 accounts (cumulative balance of \$898,408) with individual balances between \$1,000 - \$4,999 will be subject to posting and subsequent seizure of selected assets to pay outstanding taxes. 37 accounts (\$71,462) have been identified as open and collectable and will be posted with a Seize Notice. We will continue to investigate these cases to ascertain if the businesses still exist.
- 4) 25 accounts (cumulative balance of \$162,248) with individual balance between \$5,000- \$9,999 will be subject to posting and seize of assets to pay outstanding taxes. We will continue to investigate these cases to ascertain if the businesses still exist. Four of these accounts (\$32,639) have been identified as open and collectable and will be posted with a Seize Notice in the June Sweep¹.
- 5) Two accounts (cumulative balance of \$36,019) with individual balances above \$10,000 will be subject to garnishment to pay outstanding taxes. Because other collection options, including payment plans, have been ineffective, the bank accounts of these businesses will be garnished. Three other accounts in this category (cumulative balance \$109,119) are still being investigated by the PAO, one account (\$10,818) is under a Payment Plan, six accounts (cumulative balance \$137,814) are uncollectible.

Outstanding collections for tax year 2007 (as of May 4, 2009)

- 1) There are 9,817 accounts with individual balances of less than \$600 (cumulative balance is \$1.8 million.) Notices of delinquency will be mailed out to these accounts by July 1, 2009, at a cost of \$3,141.
- 2) 773 accounts with individual balances between \$600 - \$999 (cumulative balance is \$581,443). Notices of delinquency will be mailed out to these accounts at a cost of \$248 by June 1, 2009.
- 3) 635 accounts (cumulative balance of \$1.2 million) with individual balances between \$1,000 - \$4,999 will be subject to posting and subsequent seizure of selected assets to pay outstanding taxes. 127 accounts (\$252,804) have been identified as open and collectable

¹ Staff will perform site visits during the week of June 24-28 and post notices of seizure, a preliminary step to seizure and auction of selected assets. Partnering with the Property Appraiser's Enforcement Unit, Revenue Collection will have 15 two-person teams posting businesses throughout the County.

and will be posted with a Seize Notice in the June Sweeps. We will continue to investigate the remainder of these cases to ascertain if the businesses still exist.

- 4) 144 accounts (cumulative balance of \$981,315) with individual balances between \$5,000-\$9,999 will be subject to posting and seize of assets to pay outstanding taxes. Seven Accounts (\$53,000) have been identified as open and collectable and will be posted with a Seize Notice in the June Sweeps. We will continue to investigate the remainder of these cases to ascertain if the businesses still exist.
- 5) Four accounts (cumulative balance of \$66,604) with individual balances above \$10,000 will be subject to posting in the June Sweeps, seize and sale and/or garnishment to pay outstanding taxes. We will use the best option available to collect this money. Four accounts (\$71,860) are under a Payment Plan, and five accounts (\$101,794) need further investigations through the PAO. The remaining two accounts (\$48,361) accounts are uncollectable.

Outstanding collections for tax year 2008 (as of May 4, 2009)
(These accounts became delinquent on March 31, 2009)

- 1) There are 1,584 accounts with individual balances of less than \$600 (cumulative balance is \$342,883.) Notices of delinquency will be mailed out to these accounts by July 1, 2009, at a cost of \$507.
- 2) 388 accounts with individual balances between \$600 - \$999 (cumulative balance is \$296,453.) Notices of delinquency will be mailed out to these accounts by July 1, 2009, at a cost of \$124. Personal contact will be made via telephone by August 1, 2009.
- 3) 876 accounts (cumulative balance of \$2 million) with individual balances between \$1,000-\$4,999 will be subject to posting in the June Sweeps and subsequent seizure of selected assets to pay outstanding taxes.
- 4) 144 accounts (cumulative balance of \$1 million) with individual balance between \$5,000-\$9,999 will be subject to posting in the June Sweeps and seize of assets to pay outstanding taxes. There is a very good probability to collect on these accounts.
- 5) 113 accounts (cumulative balance of \$3.0 million) with individual balances above \$10,000 will be subject to posting in the June Sweeps, seize and sale and/or garnishment to pay outstanding taxes. If other collection options, including payment plans, have been ineffective, the bank accounts of these businesses will be garnished.

2. Recommendation

Prioritize collection of outstanding accounts deemed collectible.

Current Status: **Resolved**

Management has prioritized outstanding accounts as follows:

We will be working the newest cases, first. We will start with 2007-2008 outstanding accounts over \$5,000. There is a much higher probability of collecting on these cases, as the businesses or, at least, the assets are more likely to still exist. We propose to use the week of June 24-28 to conduct the Posting Sweeps. Partnering with the Property Appraiser's Enforcement Unit, we will have 15 two-person teams posting businesses throughout the County. Posting is the preliminary step to seizure and auction of selected assets. This activity is most cost-effective and likely to produce the maximum amount of revenue.

As the posting activity takes place, we will also be verifying the continued existence of businesses owing \$5000 - \$10,000 for Tax Years 1999-2005, for a future posting/seizure effort, if feasible. Realistically, however, we will focus on only the largest outstanding accounts for those years. Economic conditions and the elapse of time have probably made it prohibitively expensive to make collection attempts for accounts under \$5,000 and over two years old. We would be better served by concentrating our efforts on the newer cases and consistently employing the following practices, going forward:

- No collection efforts will be made on accounts owing less than \$50
- All accounts owing more than \$50 will get:
 - Original tax bill
 - Final demand letter
 - Phone call
 - Advertisement of delinquency
 - Court-issued warrant
 - Posting
 - Seizure of specified assets
 - Auction of seized assets
- All accounts owing more than \$1,000 will be subject to the above-referenced procedures AND
 - Have an assigned collection agent
 - Receive a warrant letter
 - Be subject to field calls (in-person visits from the assigned agents)
 - Skip tracing
 - Determination of status
- Assets available
 - Seizure or garnishment
- Assets not available
 - Charge-off
 - Coded as uncollectable

3. Recommendation

Evaluate the feasibility of seizing and selling assets and income garnishment to recover unpaid taxes as permitted by state law.

Current Status: **Resolved**

Revenue Collection has evaluated the feasibility of seizing and selling assets, developed procedures for seizure and selling assets, and has performed four seizures as of December 31, 2008. Procedures authorizing garnishment were signed in April 2009 and high dollar cases are currently being evaluated for garnishment procedures.

4. Recommendation

Update the system for uncollectible bills, verifiable errors and documented insolvencies.

Current Status: **Resolved**

Uncollected accounts were reduced from \$32.3 million as of May 2006 (cited in the audit report) to \$11.4 million as of April 30, 2009. This reduction is a result of Revenue Collection working with the Property Appraiser and updating the system for verifiable errors and documented insolvencies of approximately \$14.9 million and cash collections of approximately \$6.0 million.

5. Recommendation

Develop and implement policies and procedures, including supervisor and management reviews to ensure consistent application of collection procedures and methods, sufficient evidence supporting resolution of uncollected bills is obtained and retained, accounts are pursued to collection or other acceptable resolution, routine measurement and review of the effectiveness of specific collection procedures and individual collection agents, and accurate, consistent and complete reporting of tax collection results.

Current Status: **Resolved**

Revenue Collection has developed and implemented appropriate policies and procedures over the collection activity.

6. Recommendation

Coordinate with staff from the Office of the Property Appraiser to establish protocols for correcting the tax roll including requirement for supporting documentation.

Current Status: **Resolved**

Revenue Collection has developed policies and procedures for meeting with the Property Appraiser and established protocols for correcting the tax roll including requirements for supporting documentation.

7. Recommendation

Develop a thorough business requirement analysis, including management reporting needs, to be used in the evaluation and selection of a tax collection system. In the interim, develop appropriate offline reports to support analysis of account data to ensure accountability for collections of outstanding and future TPP taxes.

Current Status: **Resolved**

Revenue Collection is implementing a new tax system which is scheduled to go live on September 30, 2009. Revenue Collection has also developed several offline reports to support analysis of account data.

We also recommend management formalize their procedures stated in Recommendations # 2, 3 and 5 by incorporating them into their Internal Control Handbook.

We appreciate the cooperation we received from the Revenue Collection staff in updating the status of our recommendations.

EAL/JS/ng

cc: Bertha Henry, County Administrator
Jeff Newton, County Attorney
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