



City of Greensboro

Date: June 5, 2003
To: Ed Kitchen, City Manager
From: Internal Audit
Subject: City/County Tax Audit

The Internal Audit Division has conducted a performance audit of the City of Greensboro/Guilford County Interlocal Agreement. For the purpose of consolidating the billing and collecting of all ad valorem taxes and related charges, the agreement states that Guilford County will be exclusively responsible for billing and collecting City of Greensboro ad valorem taxes, automobile privilege license taxes and other related charges. The fee the city paid to Guilford County during the 2002-2003 fiscal year was \$340,706.

The City of Greensboro/Guilford County Interlocal Agreement has been in effect since the 1993-1994 fiscal year. The scope of our audit was limited to the review of property tax receivables and subsequent collections during the 2002-2003 fiscal year.

The objectives of our review were to:

- Confirm property taxes receivable balances
- Vouch subsequent collection of property taxes receivables
- Compare ratio of taxes collected to prior years collections
- Review partial payment applications
- Review delinquent collections
- Review the issuance of refunds and rebates
- Review subsequent billings of recently annexed properties
- Review receipt of payments

The City of Greensboro's share of property tax revenues are based on the tax levy assessed, by the Guilford County Tax Department, to properties located within the Greensboro city limits. We gathered and compared data provided by both the City and County. We observed daily tax collections and processing duties performed by Guilford County personnel as well as performing substantive testing to reach our conclusions to the objectives listed above.

The tax levy for the fiscal year 2001-2002 was \$95,008,256, but the net tax levy after adjustments was \$98,928,643 or approximately 104% of the original levy, indicating that the county had discovered more property to be taxed than the original estimate. At year-end June 30, 2002, the total collected of that year's levy was \$97,679,465, representing 102.81% of the original levy, but only 98.74% of the net tax levy. The tax levy for the fiscal year 2002-2003 was calculated as being \$103,234,022. By May 14, 2003 the county had collected \$100,724,790 or 97.56% of the original levy with the collections period running with staggered automobile levies having four months after levy date until they are due. We observed no problems in this area.

We reviewed the procedures for application of partial tax payments, and found them to be equitably and uniformly applied.

We performed analysis of the procedures in place for the subsequent collection of delinquent taxes. For the 2002-2003 fiscal year and the past several years, the collection rate of property taxes collected to the net levy was close to 99%. We observed no problems in this area.


We reviewed the procedures established for which real property is assessed a relative fair market value for three newly constructed buildings. Dividing the assessed value by \$100 and multiplying that factor by the assigned rate code we computed the ad valorem tax levy of each property. We, also, reviewed for valuation consistency in similar areas, i.e., neighborhoods as well as conducting sample tests by computing individual property levies for accuracy. We observed no problems in this area.

We reviewed the process in which individual rebates and possibly refunds are issued to a property owner due to a disputed tax bill. Once the matter is under review, it is then determined if the owner is due a rebate. If the owner has paid the tax for the property under protest, and the protest is upheld, the owner is afforded a refund of taxes paid above the amount determined due after rebate. Rebates awarded are presented to the County Commissioners during a monthly meeting for approval before any adjustments take effect. We observed no problems in this area.

We reviewed the recorded property deeds by which properties were annexed into the city limits. We performed tests to ensure that such properties were subsequently billed in a timely manner for city taxes due. We observed no problems in this area.

After review of the collection procedures performed by Guilford County, we also reviewed the subsequent remittal of daily payments to the City for their portion of the taxes collected. The remittals received are supposed to be rounded down to the nearest \$100, therefore preventing revenues no greater than \$100 to be withheld per day. The amounts above the rounded to the nearest \$100 are withheld, but that amount is added to the next day's deposits to again determine the nearest \$100, so amounts near \$100 on one day when added to the previous day's withheld amount will be used to determine the payment to the next nearest \$100. We did not observe any problems with the county's procedures in this area.

We would like to thank the staff of Guilford County for their courtesy and assistance shown us during this audit. If there are any questions or comments concerning this audit, please call us at 373-2230.


Fred Newnam
Internal Auditor


Len Lucas
Acting Internal Audit Director

cc: Ben Brown, Assistant City Manager for Economic Development
Richard Lusk, Finance Director Jenks Crayton, Guilford County Tax Director/Collector
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