

# Department of Revenue

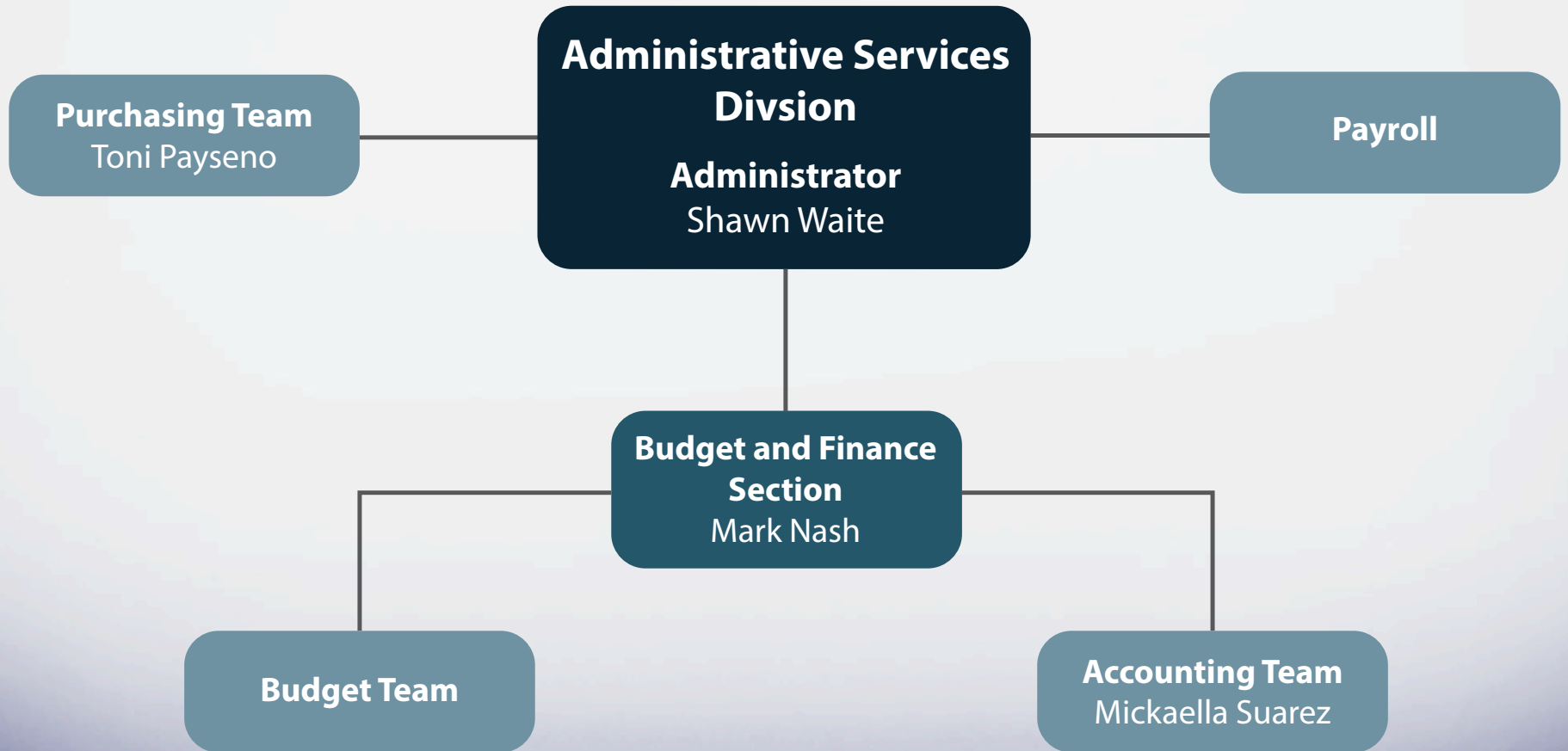
## Day 5: Finance management and Property Tax Division

Joint Committee on Ways & Means  
Subcommittee on General Government

May 8, 2017

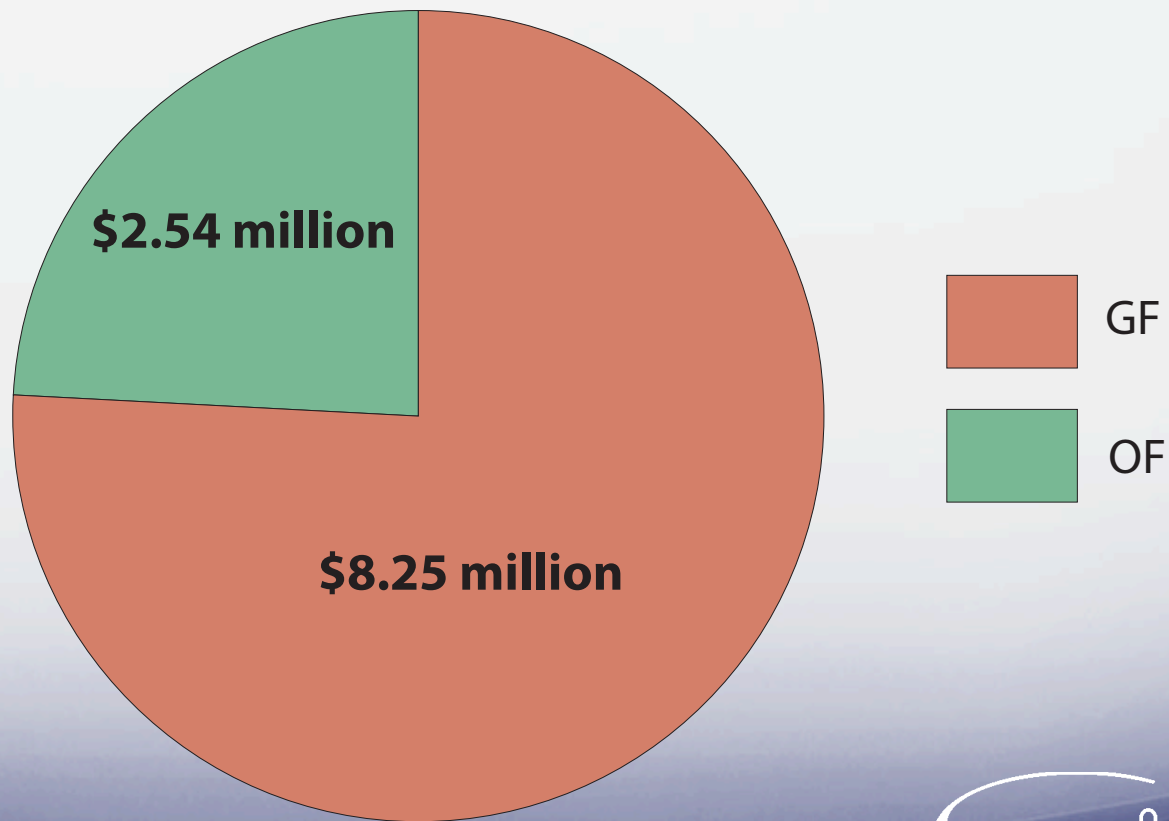


# ASD Finance Section



# Finance and Administration Section 2017-19 GB

16 positions/16.00 FTE



2017-19 Biennium  
Source: DOR 2017-19 GRB



# Finance manager

- Three failed recruitments.
- Vacant since December 2015.
- Appointed a member of the budget team to work out of class.
- Revisit recruitment following session.

# Accounting

6 positions/6.00 FTE

- During the 2013 regular session, the accounting manager position was eliminated as part of administrative reductions.
- Since then, significant turnover in the accounting manager position.
- Staffing impacts.
- Working in three systems:
  - ITA.
  - GenTax.
  - SFMS.



# Budget

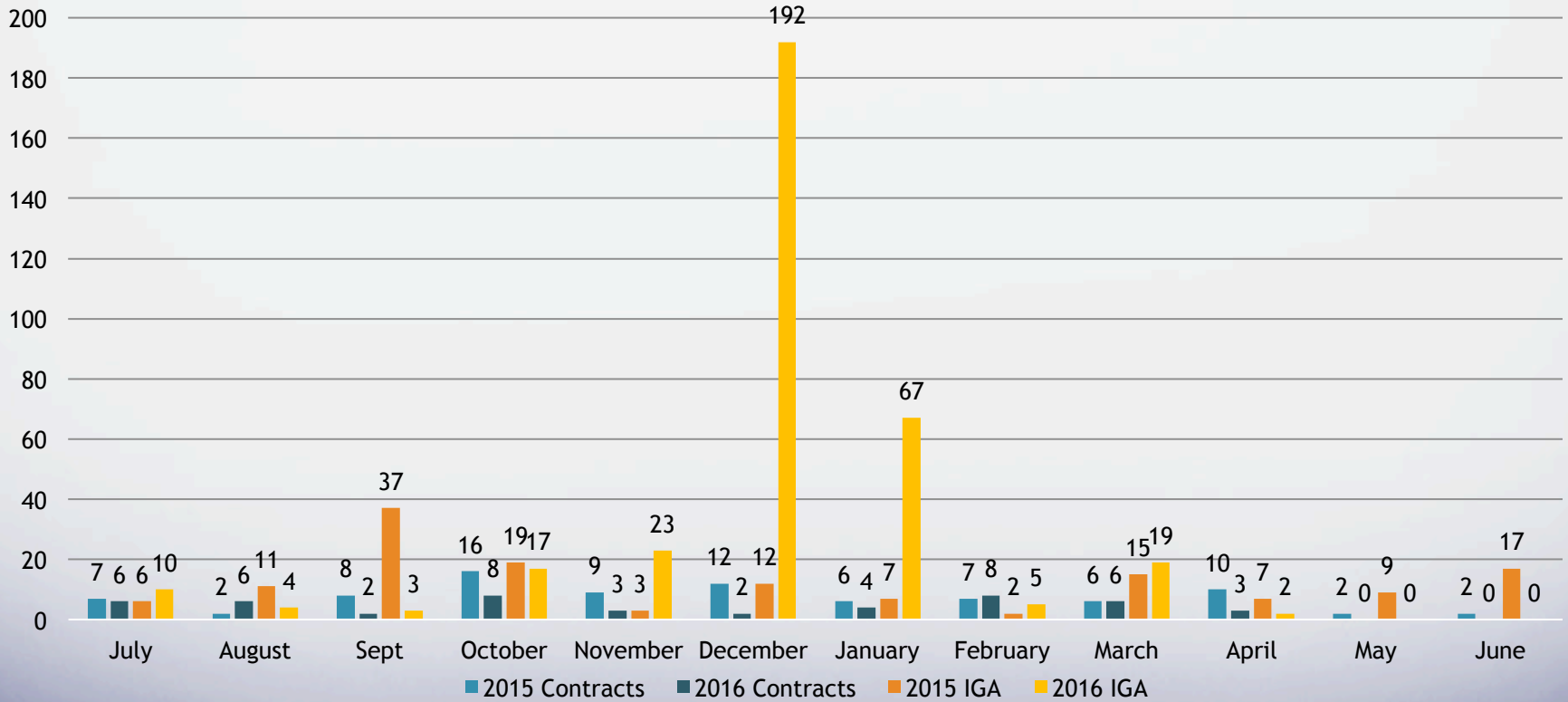
3 Positions/3.00 FTE

- Directly report to Finance Section manager.
- Perform budget and execution functions.
- Two of the three staff have less than three years of state budget experience.
- Manual processes and outdated cost allocation system.

# Procurement

4 Positions/4.00 FTE

## Contracts, 2015 vs 2016



# Payroll

1 Position/1.00 FTE

- Historically, one person has been assigned to process all DOR payroll.
- Difficulties finding back-up support.
  - DOR's unique timekeeping system.
- Internal audit conducted in March 2017.
  - Align processes with CBA and DAS best practices.
  - Benefits training.
  - Developing desk manual outlining procedures.



# Secretary of State audit findings

- Audit findings or material weaknesses from 2011-2016 fiscal years:
  - Cash reconciliations not performed.
  - Unrecorded financial transactions.
  - Taxes receivables and accounts payable accruals.
  - Strengthen knowledge, skills and abilities.

# Staffing plan

Ensure that Finance has sufficient staff with the right skills and experience.

Task	Plan	Estimated start date	Estimated completion
Staffing	Hired retired Accountant 4 who will return on an annual basis to assist with year-end close activities.	3/01/17	8/01/17
	Accountant 4 and Accountant 2 return to Accounting from CSR assignment.	7/01/14	1/01/18
Training	Retired Accountant 4 providing training on year-end activities and reconciliations.	4/17/17	Ongoing
	Finance staff attending SARS training for year-end.	6/08/17	6/30/17
Reconciliations	Reconciliations and reviews up to date. Retired Accountant 4 will focus on complex reconciliations in March and April and then complete all small reconciliations.	3/01/17	08/01/17

# Staffing plan

Task	Plan	Estimated start date	Estimated completion
Budget and accounting structure	Align the accounting and budget structures to ensure accurate financial reporting. Process will parallel the cost allocation plan process.	6/01/17	7/01/19
Cost allocation plan	Identify workgroup within the agency to study existing structure, past reports, and DOR eTime timekeeping system.	6/01/17	7/30/19
	Engagement with DAS CFO and LFO to receive input on project.	8/31/17	Ongoing
	Develop written plan and implementation process.	1/15/18	7/01/19
Desk procedure and planning for year-end activities	Develop desk procedures on daily, monthly, and quarterly activities and year-end activities.	3/01/17	8/31/17

# Property Tax Division



# CAFFA

- **County Assessment Function Funding Assistance (CAFFA).**
- **History:**
  - Started in 1989. Property tax assessment assistance for counties and Revenue.
- **Funding:**
  - Recording fees.
  - Delinquent interest.

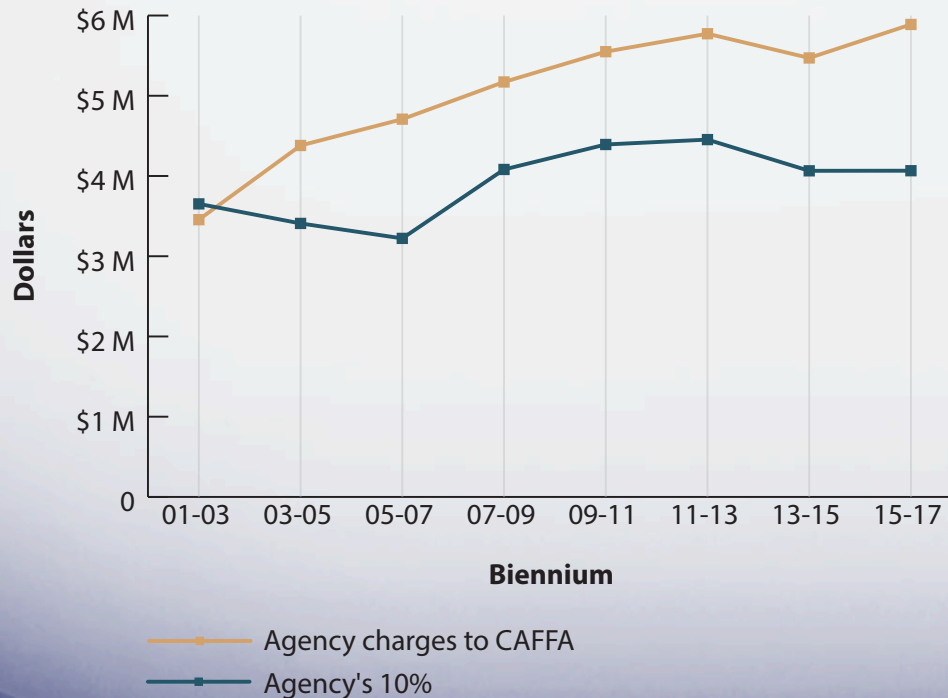
# How are funds used?

- Split between counties and Revenue.
  - 90 percent to counties.
  - 10 percent to Revenue.
- Funds appraisal work to place values on the property tax rolls.
- Revenue uses that 10 percent to administer the CAFFA grant process and to conduct appraisal work for industrial properties and centrally assessed businesses.

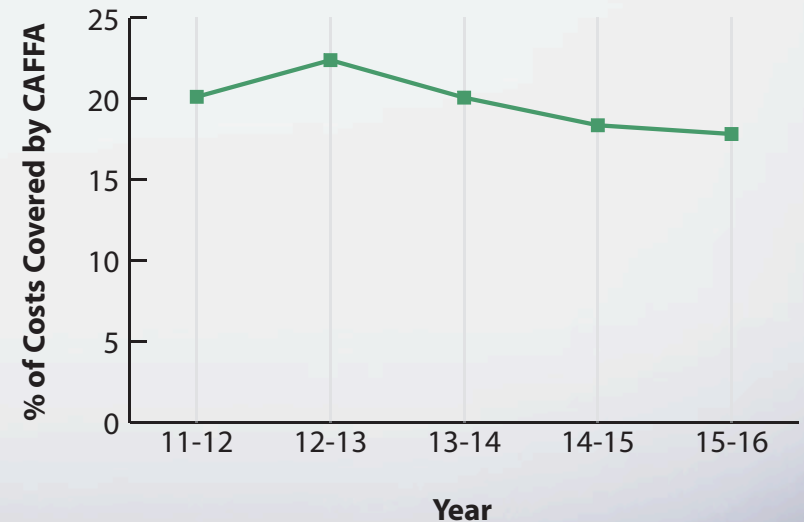
# CAFFA funding shortfall

CAFFA revenues relatively flat since 2001, but the cost for appraisal work continues to increase as personal services costs rise.

## DOR CAFFA receipts and charges



## County CAFFA receipts



Source: Property Tax Division

150-800-550 W&M Finance and Property Tax (05-16)

# Funding considerations

- Increases to recording fees that are dedicated to property tax administration.
- Delinquent interest.
- Property tax payment discount.
- Distribution amounts for CAFFA revenues.
- Increased amount from General Fund.
- State-responsible vs. county-responsible accounts.
- Property tax revenues.



# Funding considerations

- Dedicated Other Fund revenue streams.
- Fee to fund property tax administration.
- Statewide property tax.
- Administrative expenses for more property tax programs covered by revenue stream.
- Charge for training given.
- Charge for county-responsible accounts that we agree to appraise.

# OF limitation adjustments

- Senior deferral appropriation.
- CAFFA distribution limitation.
- Time study.
  - Based off 2013-15 timesheets.
  - Determined how much of the OF personal services costs were associated with CAFFA.
  - Recognized work exceeded 10-percent CAFFA revenues.
  - Adjusted the GF/OF personal services funding split.
  - Made funding splits uniform for all appraiser analyst positions associated with CAFFA.
    - 42 positions were split uniformly.
    - Some administrative overhead is charged to CAFFA.

# 2017-19 Governor's Budget

- Projected deficit of \$431,400 OF revenue.
- Reduced \$1,061,560 beginning balance OF limitation.
- Reduced \$270,521 OF limitation as part of Pkg. 070 - Revenue Shortfall.
- Reduced 3 positions/4.37 FTE.
- Align expenditures with projected revenue.
- Addback as modified POP 109.

# Questions?

If you have additional questions after today please contact:

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