COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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LOS ANGELES, CALIFORNIA 90012-3873
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WENDY L. WATANABE
AUDITOR-CONTROLLER

May 13, 2013

TO: Supervisor Mark Ridley-Thomas, Chairman
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **TREASURER AND TAX COLLECTOR – REDEMPTION PROPERTY TAX COLLECTIONS FINANCIAL AND COMPLIANCE AUDITS FOR FISCAL YEARS 2009-10 THROUGH 2011-12**

The Los Angeles County Treasurer and Tax Collector (TTC) bills and collects taxes on real property, such as land and structures. If the taxes are not paid by the end of the fiscal year (June 30), the property goes into tax-defaulted status, and TTC assesses additional fees and penalties under the California Revenue and Taxation Code (CRTC). Property owners may redeem their property by paying the full amount due, or by entering into a payment agreement with TTC. If the property remains in tax-defaulted status for more than three years (five years for certain residential and agricultural property), TTC may sell the property to recover the taxes and penalties.

The CRTC requires an audit of TTC's accounting for collections of delinquent taxes, late fees, and penalties for tax-defaulted property (redemption collections). We contracted with Bazilio Cobb Associates (BCA), Certified Public Accountants, to audit TTC's redemption collections for Fiscal Years (FYs) 2009-10, 2010-11, and 2011-12. BCA conducted the audits under the Auditor-Controller's (A-C) Master Agreement.

BCA's attached reports indicate that TTC's Schedules of Redemption Property Tax Collections presents fairly, in all material respects, the redemption property tax collections for FYs 2009-10 through 2011-12, and comply, in all material respects, with CRTC requirements. BCA did note a minor compliance issue where TTC did not file all the required annual/quarterly Statements of Monies Collected for Redemption (Statement) with the A-C for FY 2009-10. TTC implemented a corrective action plan

and has begun to file the Statements as required. Details are included in BCA's attached reports.

Please call me if you have any questions, or your staff may contact Robert Smythe at (213) 253-0101.

WLW:JLS:RS:TK

Attachments

c: William T Fujioka, Chief Executive Officer
Mark J. Saladino, Treasurer and Tax Collector
Public Information Office
Audit Committee

ATTACHMENT I

COUNTY OF LOS ANGELES

Schedule of Treasurer and Tax Collector
Redemption Property Tax Collections
With Independent Auditor's Report

For the Years Ended
June 30, 2010 and 2011

Submitted by

BCA

BAZILIO COBB ASSOCIATES, PC

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COUNTY OF LOS ANGELES

Schedule of Treasurer and Tax Collector Redemption Property Tax Collections
For the Years Ended June 30, 2010 and 2011

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BCA Bazilio Cobb Associates

Certified Public Accountants and Consultants

t: f:

INDEPENDENT AUDITORS' REPORT

Board of Supervisors
County of Los Angeles
Los Angeles, California

We have audited the accompanying Schedule of Treasurer and Tax Collector (TTC) Redemption Property Tax Collections (Schedule) of the County of Los Angeles (County) as of and for the years ended June 30, 2010 and 2011. The Schedule is the responsibility of the TTC's management. Our responsibility is to express an opinion on the Schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall Schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 3 to the Schedule, the accompanying Schedule is intended to present only the TTC Redemption Property Tax Collections. The Schedule does not purport to, and does not, present fairly the financial position of the County as of June 30, 2010 and 2011, and the changes in its financial position for the years ended, in conformity with U.S. generally accepted accounting principles.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the TTC's Redemption Property Tax Collections of the County as of June 30, 2010 and 2011, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report, dated April 27, 2012, on our consideration of the TTC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not

to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Torrance, CA
April 27, 2012

Bazilio Cobb Associates

COUNTY OF LOS ANGELES

Schedule of Treasurer and Tax Collector Redemption Property Tax Collections
For the Year Ended June 30, 2010

	FY 2010 Unaudited	Audit Adjustments	FY 2010 Audited
Applied Tax and Penalties			
General Taxes	$ 582,717,108	$ -	$ 582,717,108
Penalties	58,508,161	-	58,508,161
Redemption Penalties	89,254,325	-	89,254,325
	730,479,594	-	730,479,594
Administrative Fees			
Cost	1,670,412	-	1,670,412
Redemption Fees - County	1,100,772	-	1,100,772
Redemption Fees - State	550,386	-	550,386
	3,321,570	-	3,321,570
Total Applied Collections	$ 733,801,164	$ -	$ 733,801,164

See Accompanying Notes to Schedule of Treasurer and Tax Collector Redemption Property Tax Collections.

COUNTY OF LOS ANGELES

Schedule of Treasurer and Tax Collector Redemption Property Tax Collections
For the Year Ended June 30, 2011

	FY 2011 Unaudited	Audit Adjustments	FY 2011 Audited
Applied Tax and Penalties			
General Taxes	$ 481,006,135	$ -	$ 481,006,135
Penalties	47,880,127	-	47,880,127
Redemption Penalties	90,099,739	-	90,099,739
	618,986,001	-	618,986,001
Administrative Fees			
Cost	1,381,216	-	1,381,216
Redemption Fees - County	894,555	-	894,555
Redemption Fees - State	447,277	-	447,277
	2,723,048	-	2,723,048
Total Applied Collections	$ 621,709,049	$ -	$ 621,709,049

See Accompanying Notes to Schedule of Treasurer and Tax Collector Redemption Property Tax Collections.

COUNTY OF LOS ANGELES

Notes to Schedule of Treasurer and Tax Collector Redemption Property Tax Collections For the Years Ended June 30, 2010 and 2011

NOTE 1 – Organization

General

The County of Los Angeles (County) is a legal subdivision of the State of California charged with general governmental powers. The County's powers are exercised through an elected Board of Supervisors which, as the governing body of the County, is responsible for the legislative and executive control of the County.

Treasurer and Tax Collector

The County Treasurer and Tax Collector (TTC) is responsible for billing, tax collection, banking, investing and accountability of public funds. The TTC collects secured and unsecured property taxes, as well as other taxes, licenses and fees. Secured property taxes are taxes on real property, such as vacant land and structures on land, i.e., commercial and residential properties.

When secured property tax assessments become delinquent, a 10% penalty[1] is added to the amount of taxes due. When the second installment becomes delinquent, the TTC will charge a $10 cost[2] for preparing the delinquent tax records. The TTC produces delinquent tax bills (Notice of Delinquency) in the first week of June, and notifies the property owner of the tax default status of the property. If the property owner does not pay the delinquent taxes, penalties, and cost in full by June 30, the taxes, penalties, and cost will default on July 1 to the Secured Defaulted Tax Roll (SDTR) system and will be subject to a $15 redemption fee[3] (State and County fees[4]), and a redemption penalty[5] calculated at the rate of 1.5% per month on the total delinquent taxes due. The TTC sends a redemption tax bill (Statement of Prior Year Tax) to the property owners in August. If a property owner makes partial payments to redeem his or her property, he or she will receive a Statement of Prior Year Taxes the week following payment, reflecting the payments received by the TTC and the remaining outstanding balance. If the property owner redeems the property in full, the TTC issues a Redemption Certificate[6] to the property owner.

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[1] California Revenue and Taxation Code Section 2617 and 2618.
[2] California Revenue and Taxation Code Section 2621.
[3] California Revenue and Taxation Code Section 4102.
[4] California Revenue and Taxation Code Section 4656.5 states that redemption fess collected shall be distributed as $5 to the State of California and $10 to the county.
[5] California Revenue and Taxation Code Section 4103.
[6] California Revenue and Taxation Code Section 4105.2.

COUNTY OF LOS ANGELES

Notes to Schedule of Treasurer and Tax Collector Redemption Property Tax Collections
For the Years Ended June 30, 2010 and 2011

NOTE 2 – Summary of Significant Accounting Policies

The Schedule of TTC Redemption Property Tax Collections (Schedule) has been prepared in conformity with generally accepted accounting principles in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles for governments.

Basis of Accounting

The TTC recognizes redemption collections upon receipt of payment of delinquent taxes.

NOTE 3 – Activities Excluded from the Schedule

This report only includes the Schedule of TTC Redemption Property Tax Collections. Other activities of the TTC are not included in this report.

NOTE 4 – Subsequent Events

In preparing the Schedule, the TTC has evaluated events and transactions for potential recognition or disclosure through April 27, 2012, the date the audit report of the Schedule was issued.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE TREASURER AND TAX COLLECTOR REDEMPTION PROPERTY TAX COLLECTIONS AND ON INTERNAL CONTROL OVER COMPLIANCE

Board of Supervisors
County of Los Angeles
Los Angeles, California

Compliance

We have audited the compliance of the Treasurer and Tax Collector (TTC) Redemption Property Tax Collections of the County of Los Angeles (County) with the requirements described in the *California Revenue and Taxation Code* for the years ended June 30, 2010 and 2011. Compliance with the requirements of laws and regulations applicable to the TTC is the responsibility of the TTC's management. Our responsibility is to express an opinion on the TTC's compliance with Redemption Property Tax Collections laws and regulations based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on TTC Redemption Property Tax Collections occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary under the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit did not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to the TTC Redemption Property Tax Collections for the years ended June 30, 2010 and 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that are required to be reported and which are described in the accompanying *Schedule of Findings and Questioned Costs* as item number 2011-01.

Internal Control Over Compliance

Management of the TTC is responsible for establishing and maintaining effective internal control over compliance with requirements of laws and regulations applicable to TTC Redemption Property Tax Collections. In planning and performing our audit, we considered the TTC's internal control over compliance requirements that could have a direct and material effect on TTC Redemption Property Tax Collections in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the *California Revenue and Taxation Code,* but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the TTC's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The TTC's response to the finding identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs.* We did not audit the TTC's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the management of the County, the TTC, the County Board of Supervisors, and the Auditor-Controller, and is not intended to be and should not be used by anyone other than these specified parties.

Torrance, California
April 27, 2012

Bazilio Cobb Associates

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Supervisors
County of Los Angeles
Los Angeles, California

We have audited the Schedule of Treasurer and Tax Collector (TTC) Redemption Property Tax Collections (Schedule) of the County of Los Angeles (County) for the years ended June 30, 2010 and 2011, and have issued our report thereon dated April 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the TTC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Schedule, but not for the purpose of expressing an opinion on the effectiveness of the TTC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the TTC's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Schedule will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Schedule is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the Schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying *Schedule of Findings and Questioned Costs* as item [2011-01].

The TTC's response to the finding identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. We did not audit the TTC's response and, accordingly, we express no opinion on it.

This report is intended for the use of the management of the County, the TTC, the County Board of Supervisors and the Auditor-Controller, and is not intended to be and should not be used by anyone other than these specified parties.

Torrance, California
April 27, 2012

Bazilio Cobb Associates

Schedule of Findings and Questioned Costs

Finding No. 2011-01: The TTC did not submit the statement under oath in accordance with California Revenue and Taxation Code Section 4108 (a) for the fiscal year ended June 30, 2010. The TTC also did not file a statement under oath showing all monies collected for redemption, as required by California Revenue and Taxation Code Section 4108 (b), for the first quarter in fiscal year ended June 30, 2010.

Criteria

The California Revenue and Taxation Code Section 4108 states the following:

(a) Not less than once every 12 months and on dates approved by the auditor, the tax collector shall account to the auditor for all monies collected during the preceding month under this part. On the same day he or she shall file with the auditor a statement under oath showing that all money collected by him or her has been paid as required by law.[7]

(b) Not less than once every 12 months and on dates approved by the auditor, the tax collector shall file with the auditor a statement under oath within six months after the close of each month's business showing an itemized account of all his or her transactions and receipts under this part including the amount collected for each fund or district extended on the roll for such month.[8]

Condition

The TTC did not submit the statement under oath in accordance with California Revenue and Taxation Code Section 4108 (a) for the fiscal year ended June 30, 2010. The TTC also did not submit the statements under oath in accordance with California Revenue and Taxation Code Section 4108 (b) for the first quarter of fiscal year ended June 30, 2010. This finding was also noted in the prior audit for fiscal years June 30, 2006, June 30, 2007, June 30, 2008 and June 30, 2009 (see Finding No. 2009-01 at Status of Prior Year Findings). The TTC submitted the statement under oath, in accordance with their January 29, 2010 Corrective Action Plan (CAP), and as required by California Revenue and Taxation Code Section 4108 (a), beginning with the fiscal year ended June 30, 2011. The TTC also submitted the statements under oath, in accordance with their CAP, and as required by California Revenue and Taxation Code Section 4108 (b), beginning with the second quarter of the fiscal year ended June 30, 2010. The TTC

[7] On January 29, 2010, the Auditor agreed that by the last business day in August, the TTC will submit a statement under oath for the prior month (July) , as required by California Revenue and Taxation Code Section 4108 (a).
[8] On January 29, 2010, the Auditor agreed that by the last business day of each calendar quarter, the TTC will submit a statement under oath, with reports of collections for the preceding quarter, as required by California Revenue and Taxation Code Section 4108 (b).

will continue to file the statements under oath for all future years in accordance with California Revenue and Taxation Code Section 4108.

Cause

The TTC stated that they ceased to file the statement under oath when the Auditor-Controller Accounting Division informed the TTC that the statement under oath was no longer necessary. At the time the TTC ceased filing the statement under oath, the TTC was unaware that the filing of this statement under oath was required by California Revenue and Taxation Code Section 4108.

Effect

The TTC is not in compliance with the statement under oath requirements of the California Revenue and Taxation Code Section 4108 (a) for the fiscal year ended June 30, 2010. The TTC is also not in compliance with the statement under oath requirements of the California Revenue and Taxation Code Section 4108 (b) for the first quarter of the fiscal year ended June 30, 2010.

Recommendation

We recommend that the TTC continue to ensure that the statement under oath is filed for all future years in accordance with California Revenue and Taxation Code Section 4108.

Management Response

We concur with the audit recommendation. The TTC will continue to file the statements under oath for all future years in accordance with the California Revenue and Taxation Code Section 4108. As reported in the January 29, 2010 memo from the TTC to the Auditor-Controller, a corrective action plan was implemented with the submission of a statement under oath for the period October 1, 2009 to December 31, 2009. As agreed among County Counsel, Auditor-Controller and the TTC, no corrective action was taken for periods that expired prior to the implementation of the corrective action plan.

COUNTY OF LOS ANGELES
Treasurer and Tax Collector Redemption Property Tax Collections

Status of Prior Year Audit Findings

Finding No. 2009-01: The TTC did not file a statement under oath showing all monies collected for redemption, as required by California Revenue and Taxation Code Section 4108, for the fiscal years ended June 30, 2006, June 30, 2007 and June 30, 2008. It was recommended that the TTC continue to ensure that the statement under oath was filed for all future years in accordance with California Revenue and Taxation Code Section 4108.

Management Response

We concur with the audit recommendation. The TTC will continue to file the statement under oath for all future years in accordance with California Revenue and Taxation Code Section 4108. As agreed among County Counsel, Auditor-Controller and the TTC, corrective action was taken beginning with fiscal year ending June 30, 2009, and not for the periods that had expired prior to the implementation of the corrective action plan.

Current Year Status

During our current review, we noted the TTC's management response (above) did not correctly reflect the first period of implementation for California Revenue and Taxation Code Sections 4108 (a) and (b). Based on our discussions with the TTC and our review of the TTC's formal CAP dated January 29, 2010, the TTC indicated that they would not submit statements under oath for the periods that had expired as agreed among County Counsel, Auditor-Controller and the TTC. As a result, the TTC did not submit the statements under oath in accordance with California Revenue and Taxation code Section 4108 (a) and (b) for the fiscal year ended June 30, 2009. As noted in finding 2011-01 (above), the TTC began submitting the statement under oath, in accordance with their January 29, 2010 CAP, and as required by California Revenue and Taxation Code Section 4108 (a), beginning with the fiscal year ended June 30, 2011. The TTC also submitted the statements under oath, in accordance with their January 29, 2010 CAP, and as required by California Revenue and Taxation Code Section 4108 (b), beginning with the second quarter of the fiscal year ended June 30, 2010.

BCA Bazilio Cobb Associates

Certified Public Accountants and Consultants

t: f:

April 27, 2012

Board of Supervisors
County of Los Angeles
Los Angeles, California

We have audited the Schedule of Treasurer and Tax Collector (TTC) Redemption Property Tax Collections (Schedule) of the County of Los Angeles (County) as of and for the years ended June 30, 2010 and 2011. Professional standards also require that we communicate to you the following information related to our audit.

Required Communications

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the TTC are described in Note 2 to the Schedule. No new accounting policies were adopted and the application of existing policies was not changed during 2010 and 2011. We noted no transactions entered into by the TTC during the years for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the Schedule in the proper period.

Difficulties Encountered in Performing the Audits

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There are no uncorrected misstatements relating to the TTC.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the Schedule or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 27, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's Schedule or a determination of the type of auditor's opinion that may be expressed on those schedules, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Major Issues Discussed Prior to Our Retention

No major issues were discussed with management prior to our retention to perform the audit.

Letter Communicating Significant Deficiencies and Material Weaknesses

We did not identify any significant deficiencies and material weaknesses during our audit of the TTC.

This information is intended solely for the use of the management of the County, the TTC, the County Board of Supervisors and the Auditor-Controller, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Bazilio Cobb Associates

COUNTY OF LOS ANGELES

Schedule of Treasurer and Tax Collector Redemption Property Tax Collections With Independent Auditors' Report

For the Year Ended
June 30, 2012

Submitted by

BCA

BAZILIO COBB ASSOCIATES

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COUNTY OF LOS ANGELES

Schedule of Treasurer and Tax Collector Redemption Property Tax Collections
For the Year Ended June 30, 2012

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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Schedule of Treasurer and Tax Collector Redemption Property Tax Collections Performed in Accordance with *Government Auditing Standards* 8

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INDEPENDENT AUDITORS' REPORT

Board of Supervisors
County of Los Angeles
Los Angeles, California

We have audited the accompanying Schedule of Treasurer and Tax Collector (TTC) Redemption Property Tax Collections (Schedule) of the County of Los Angeles (County) as of and for the year ended June 30, 2012. The Schedule is the responsibility of the TTC's management. Our responsibility is to express an opinion on the Schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall Schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 3 to the Schedule, the accompanying Schedule is intended to present only the TTC Redemption Property Tax Collections. The Schedule does not purport to, and does not present fairly the financial position of the County as of June 30, 2012, and the changes in its financial position for the years ended, in conformity with U.S. generally accepted accounting principles.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the TTC's Redemption Property Tax Collections of the County as of June 30, 2012, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 16, 2012, on our consideration of the TTC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our

testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Torrance, CA
November 16, 2012

Bazilio Cobb Associates

COUNTY OF LOS ANGELES
Schedule of Treasurer and Tax Collector Redemption Property Tax Collections
For the Year Ended June 30, 2012

	FY 2012 Unaudited	Audit Adjustments	FY 2012 Audited
Applied Tax and Penalties			
General Taxes	$ 332,986,533	$ -	$ 332,986,533
Penalties	34,187,651	-	34,187,651
Redemption Penalties	76,020,577	-	76,020,577
	443,194,761	-	443,194,761
Administrative Fees			
Cost	1,067,896	-	1,067,896
Redemption Fees - County	694,906	-	694,906
Redemption Fees - State	347,453	-	347,453
	2,110,255	-	2,110,255
Total Applied Collections	$ 445,305,016	$ -	$ 445,305,016

See Accompanying Notes to Schedule of Treasurer and Tax Collector Redemption Property Tax Collections.

COUNTY OF LOS ANGELES

Notes to Schedule of Treasurer and Tax Collector Redemption Property Tax Collections
For the Year Ended June 30, 2012

NOTE 1 – Organization

General

The County of Los Angeles (County) is a legal subdivision of the State of California charged with general governmental powers. The County's powers are exercised through an elected Board of Supervisors which, as the governing body of the County, is responsible for the legislative and executive control of the County.

Treasurer and Tax Collector

The County Treasurer and Tax Collector (TTC) is responsible for billing, tax collection, banking, investing and accountability of public funds. The TTC collects secured and unsecured property taxes, as well as other taxes, licenses and fees. Secured property taxes are taxes on real property, such as vacant land and structures on land, i.e., commercial and residential properties.

When secured property tax assessments become delinquent, a 10% penalty[1] is added to the amount of taxes due. When the second installment becomes delinquent, the TTC will charge a $10 cost[2] for preparing the delinquent tax records. The TTC produces delinquent tax bills (Notice of Delinquency) in the first week of June, and notifies the property owner of the tax default status of the property. If the property owner does not pay the delinquent taxes, penalties, and cost in full by June 30, the taxes, penalties, and cost will default on July 1 to the Secured Defaulted Tax Roll (SDTR) system and will be subject to a $15 redemption fee[3] (State and County fees[4]), and a redemption penalty[5] calculated at the rate of 1.5% per month on the total delinquent taxes due. The TTC sends a redemption tax bill (Statement of Prior Year Tax) to the property owners in August. If a property owner makes partial payments to redeem his or her property, he or she will receive a Statement of Prior Year Taxes the week following payment, reflecting the payments received by the TTC and the remaining outstanding balance. If the property owner redeems the property in full, the TTC issues a Redemption Certificate[6] to the property owner.

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[1] California Revenue and Taxation Code Section 2617 and 2618.
[2] California Revenue and Taxation Code Section 2621.
[3] California Revenue and Taxation Code Section 4102.
[4] California Revenue and Taxation Code Section 4656.5 states that redemption fees collected shall be distributed as $5 to the State of California and $10 to the county.
[5] California Revenue and Taxation Code Section 4103.
[6] California Revenue and Taxation Code Section 4105.2.

COUNTY OF LOS ANGELES

Notes to Schedule of Treasurer and Tax Collector Redemption Property Tax Collections
For the Year Ended June 30, 2012

NOTE 2 – Summary of Significant Accounting Policies

The Schedule of TTC Redemption Property Tax Collections (Schedule) has been prepared in conformity with Generally Accepted Accounting Principles in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles for governments.

Basis of Accounting

The TTC recognizes redemption collections upon receipt of payment of delinquent taxes.

NOTE 3 – Activities Excluded from the Schedule

This report only includes the TTC Redemption Property Tax Collections. Other activities of the TTC are not included in this report.

NOTE 4 – Subsequent Events

In preparing the Schedule, the TTC has evaluated events and transactions for potential recognition or disclosure through November 16, 2012, the date the audit report of the Schedule was issued.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE TREASURER AND TAX COLLECTOR REDEMPTION PROPERTY TAX COLLECTIONS AND ON INTERNAL CONTROL OVER COMPLIANCE

Board of Supervisors
County of Los Angeles
Los Angeles, California

Compliance

We have audited the compliance of the Treasurer and Tax Collector (TTC) Redemption Property Tax Collections of the County of Los Angeles (County) with the requirements described in the *California Revenue and Taxation Code* for the year ended June 30, 2012. Compliance with the requirements of laws and regulations applicable to the TTC is the responsibility of the TTC's management. Our responsibility is to express an opinion on the TTC's compliance with Redemption Property Tax Collections laws and regulations based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on TTC Redemption Property Tax Collections occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary under the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit did not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to the TTC Redemption Property Tax Collections for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the TTC is responsible for establishing and maintaining effective internal control over compliance with requirements of laws and regulations applicable to TTC Redemption Property Tax Collections. In planning and performing our audit, we considered the TTC's internal control over compliance requirements that could have a direct and material effect on TTC Redemption Property Tax Collections in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the *California Revenue and Taxation Code,* but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information and use of the management of the County, the TTC, the County Board of Supervisors, and the Auditor-Controller, and is not intended to be and should not be used by anyone other than these specified parties.

Torrance, California
November 16, 2012

Bazilio Cobb Associates

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE SCHEDULE OF TREASURER AND TAX COLLECTOR REDEMPTION PROPERTY TAX COLLECTIONS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Supervisors
County of Los Angeles
Los Angeles, California

We have audited the Schedule of Treasurer and Tax Collector (TTC) Redemption Property Tax Collections (Schedule) of the County of Los Angeles (County) for the year ended June 30, 2012, and have issued our report thereon dated November 16, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the TTC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Schedule, but not for the purpose of expressing an opinion on the effectiveness of the TTC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the TTC's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Schedule will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Schedule is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the Schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the use of the management of the County, the TTC, the County Board of Supervisors, and the Auditor-Controller, and is not intended to be and should not be used by anyone other than these specified parties.

Torrance, California
November 16, 2012

Bazilio Cobb Associates

COUNTY OF LOS ANGELES

Treasurer and Tax Collector Redemption Property Tax Collections
For the Year Ended June 30, 2012

Schedule of Findings and Questioned Costs

No findings noted for fiscal year ended June 30, 2012.

COUNTY OF LOS ANGELES
Treasurer and Tax Collector Redemption Property Tax Collections

Status of Prior Year Audit Findings

Finding No. 2011-01: The TTC did not submit the statement under oath in accordance with California Revenue and Taxation Code Section 4108 (a) for the fiscal year ended June 30, 2010. The TTC also did not file a statement under oath showing all monies collected for redemption, as required by California Revenue and Taxation Code Section 4108 (b), for the first quarter in fiscal year ended June 30, 2010.

Management Response

We concur with the audit recommendation. The TTC will continue to file the statement under oath for all future years in accordance with the California Revenue and Taxation Code Section 4108. As reported in the January 29, 2010 memo from the TTC to the Auditor-Controller, a corrective action plan was implemented with the submission of a statement under oath for the period October 1, 2009 to December 31, 2009. As agreed among County Counsel, Auditor-Controller and the TTC, no corrective action was taken for periods that expired prior to the implementation of the corrective action plan.

Current Year Status

Based on our current year audit, we found that the TTC complied with their corrective action plan (CAP). The TTC began submitting the statement under oath, in accordance with their January 29, 2010 CAP, and as required by California Revenue and Taxation Code Section 4108 (a), beginning with the fiscal year ended June 30, 2011. The TTC also submitted the statements under oath, in accordance with their January 29, 2010 CAP, and as required by California Revenue and Taxation Code Section 4108 (b), beginning with the second quarter of the fiscal year ended June 30, 2010. Thus, this audit finding is resolved.

BCA Bazilio Cobb Associates

Certified Public Accountants and Consultants

t: f:

November 16, 2012

Board of Supervisors
County of Los Angeles
Los Angeles, California

We have audited the Schedule of Treasurer and Tax Collector (TTC) Redemption Property Tax Collections (Schedule) of the County of Los Angeles (County) as of and for the year ended June 30, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Required Communications

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the TTC are described in Note 2 to the Schedule. No new accounting policies were adopted and the application of existing policies was not changed during 2012. We noted no transactions entered into by the TTC during the years for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the Schedule in the proper period.

Difficulties Encountered in Performing the Audits

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There are no uncorrected misstatements relating to the TTC.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the Schedule or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 16, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's Schedule or a determination of the type of auditor's opinion that may be expressed on those schedules, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Major Issues Discussed Prior to Our Retention

No major issues were discussed with management prior to our retention to perform the audit.

Letter Communicating Significant Deficiencies and Material Weaknesses

We did not identify any significant deficiencies and material weaknesses during our audit of the TTC.

This information is intended solely for the use of the management of the County, the TTC, the County Board of Supervisors, and the Auditor-Controller, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Bazilio Cobb Associates