

Attachment A



**Treasurer-Tax Collector
Tax Redemption Officer Audit
July 1, 2020 through June 30, 2023**



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**County of Santa Barbara
Office of the Auditor-Controller
Internal Audit Division**

Betsy M. Schaffer, CPA, CFE, CPFO, *Auditor-Controller*
C. Edwin Price, Jr., CPA, CPFO, *Assistant Auditor-Controller*
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Photo: Parma Park by Ben Pinillos



Office of the Auditor-Controller

County of Santa Barbara

One Office. One County. One Future.

Betsy M. Schaffer, CPA
Auditor-Controller

C. Edwin Price, Jr., CPA
Assistant Auditor-Controller

June 11, 2026

TO: Harry E. Hagan, CPA, CPFA, CPFO, CFIP, CGIP, ACPFIM, Treasurer-Tax Collector

FROM: Betsy M. Schaffer, CPA, CFE, CPFO, Auditor-Controller
Joel W. Boyer, CPA, Internal Audit Division Chief

CC: Mona Miyasato, County Executive Officer
Kim Tesoro, CPA, CPFO, CFIP, CGIP, Assistant Treasurer-Tax Collector
C. Edwin Price, Jr., CPA, CPFO, Assistant Auditor-Controller

Enclosed is the County of Santa Barbara Treasurer-Tax Collector Tax Redemption Officer Audit Report for the period of July 1, 2020 through June 30, 2023. The audit was completed by the Internal Audit Division of the Office of the Auditor-Controller in connection with the County Board of Supervisors approved Annual Countywide Risk Assessment and Internal Audit Plan.

The objectives of this audit were to evaluate the reliability and integrity of financial and operational tax redemption records and compliance with laws and regulations governing redemption activities, namely the California Revenue and Taxation Codes, §4101 through §4379. The audit was conducted in accordance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

The audit resulted in the following two observations:

- 1) Proactive redemption outreach practices
- 2) Lack of formalized written procedures for the tax redemption process

As a result of the procedures performed, Internal Audit was able to provide reasonable assurance that the Treasurer-Tax Collector's tax redemption activities were in compliance with applicable California Revenue and Taxation Code requirements for the period of July 1, 2020 through June 30, 2023.

Thank you,

Joel W. Boyer, CPA



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Background

Per California Revenue and Taxation Code (California RTC) §4105, “the tax collector shall be the redemption officer of the County.” As such, the County of Santa Barbara (the County) Treasurer-Tax Collector (TTC) assumes the role and responsibilities of the Tax Redemption Officer and is tasked with administering the tax redemption process.

Property taxes are required to be paid timely by property owners to the TTC to avoid fines and penalties. Property taxes related to real property such as land, buildings, structures, etc. that cannot be moved to avoid the payment of taxes are billed on the secured property tax roll. Property taxes related to personal property such as airplanes, boats, equipment, etc. are billed on the unsecured tax roll. Secured property taxes that remain unpaid at fiscal year-end are declared tax-defaulted and are transferred to the redemption roll. The redemption roll is an official record of secured property taxes that have become tax-defaulted and remain outstanding, including the related penalties, costs, and fees owed until the property is redeemed or otherwise resolved through the statutory tax collection process.

The tax redemption process is significant because it affects both the County’s recognition and collection of property tax revenue and the taxpayer’s ability to resolve delinquent taxes before a property enters a tax sale. An effective redemption process helps to ensure that taxes owed to the County are properly supported and that taxpayers are treated consistently throughout the process. Providing assurance over the Tax Redemption Officer’s compliance with relevant codes promotes a healthy relationship between the County and its citizens and nurtures public trust.

Internal Audit, in alignment with the Institute of Internal Auditors’ (IIA) International Professional Practices Framework, utilized a risk-based Internal Audit Program to guide the substantive testing structure of the audit process.

Audit Objectives

This audit was performed to ensure the County’s Tax Redemption Officer operated in compliance with California RTC, specifically §3691 through §3731 and §4101 through §4379, during the period of July 1, 2020 through June 30, 2023. These sections outline strict guidance on the tax redemption process and require absolute adherence to ensure the County continues to recognize property tax revenue accurately and completely.



Scope and Methodology

This audit was conducted in accordance with the IIAs' International Standards for the Professional Practice of Internal Auditing. No impairments to independence or objectivity were identified during the audit.

The Office of the Auditor-Controller is required to adhere to California RTC §4108.5, which states that the records and accounts of the Tax Redemption Officer shall be audited at least once every three years. This audit examined property taxes owed to the County that fell into delinquent and redemption statuses during the period of July 1, 2020 through June 30, 2023. Audit fieldwork and testing focused on reviewing tax redemption bills and supporting documentation that substantiates the accuracy of redemption calculations, installment account setup and maintenance, creation of certificates of redemption, TTC power-of-sale, and associated defaulted property tax sale review.

The methodology for this audit included inquiry, substantive testing of the records and accounts of redemption collections, and review of compliance with laws and regulations for redemption activities. Internal Audit utilized a combination of TTC and Auditor-Controller data to accomplish the audit objective.

Audit Results

As a result of the procedures performed, Internal Audit concluded that the Tax Redemption Officer operated in compliance with applicable California RTC during the period of July 1, 2020 through June 30, 2023.

The following two (2) observations were identified:

Observation 1: Proactive Redemption Outreach Practices

Criteria: The California Revenue and Taxation Codes establish the legal framework for tax-defaulted property, redemption, installments, and the Tax Collector's power to sell. Tax-defaulted property may generally be redeemed until the right of redemption is terminated, and property becomes subject to the Tax Collector's power to sell after the applicable statutory period, generally five years, or three years for certain nonresidential commercial property, if not redeemed (RTC §3691). The Code also recognizes installment plans as a method of collection, and while payments are made under an installment plan, the property is not subject to power-of-sale and the right of redemption is not terminated (RTC §4217).



- Condition:** The Tax Redemption Officer appears to perform outreach beyond the minimum statutory notice and collection requirements outlined in the Code. Based on information obtained through interviews, staff make repeated efforts to contact taxpayers before the property reaches power-to-sell status by sending reminder emails to taxpayers on installment plans and personally attempting contact with taxpayers whose properties are approaching power-to-sell status. The Tax Collector also noted that the office exhausts available avenues to reach and assist taxpayers before a property advances further in the tax-defaulted process.
- Cause:** The positive condition appears to result from a department practice and service philosophy that prioritizes taxpayer assistance and voluntary compliance. Staff appear to understand that the statutory process allows collection through tax sale, but they place an emphasis on helping taxpayers understand their options before that point is reached.
- Effect:** Taxpayers receive additional opportunities to resolve delinquent taxes and avoid property loss through tax sale. This proactive approach strengthens public trust by showing that the County makes reasonable efforts to assist taxpayers before using its statutory enforcement authority.
- Recommendation:** We recommend that the TTC retain and formally document their current outreach practices, giving due regard to delinquency follow-up timelines, in order to support consistency, continuity during staff turnover, and management review of taxpayer assistance activities.

Observation 2: Lack of Formalized Written Procedures for the Tax Redemption Process

- Criteria:** The TTC is responsible for administering delinquent tax collections, redemption, installment plans, and tax-defaulted property sale activities in accordance with California state law. The County identifies the Tax Collector's role as collecting prior-year secured delinquent taxes and conducting tax-defaulted property sales. California's redemption framework includes statutory requirements over redemption timing, redemption amounts, installment plans, notices, rescissions, and related documentation (RTC §4101, §4103, §4217, §4218, §4105.2, §4112, and §3691).



- Condition:** The TTC appears to have no formalized internal manual outlining the redemption process and its related best practices that staff may adequately rely on. As a result, key redemption activities appear to depend on staff knowledge and informal reference materials rather than a complete, formalized set of written procedures.
- Cause:** Although the Department utilizes State-level guidance from the California State Controller Office's County Tax Collector's Reference Manual, a procedural document that outlines office-level processes and procedures including communication with taxpayers, monitoring, internal controls, and training does not currently exist. This appears to have left Department specific processes and procedures dependent on institutional knowledge rather than standardized written internal guidance.
- Effect:** Without formalized written procedures, the Department faces an increased risk that redemption activities may be performed inconsistently, key steps may be missed or applied unevenly, training and coverage may become more difficult, and process continuity may be disrupted when staff are unavailable or turnover occurs. Given the number of legally prescribed redemption requirements, the absence of a formal manual also increases the risk of error in areas such as installment plan administration and manual calculations.
- Recommendation:** We recommend that the TTC draft and maintain a formal written redemption procedure manual. At a minimum, the manual should document the major redemption processes and the related statutory requirements they address. The TTC should also consider adding documentation and timing requirements for redemption calculations, installment plans, power-to-sell processes, and Departmental best practices. This manual should be periodically reviewed and updated to reflect any relevant changes in statutory guidelines.

Conclusion

As a result of the procedures performed, Internal Audit was able to provide reasonable assurance that the TTC complied with applicable California RTC requirements governing tax redemption activities for the period of July 1, 2020 through June 30, 2023. Internal Audit identified one opportunity to strengthen the control environment through the formalization of written procedures for the tax redemption process.

Lastly, Internal Audit would like to sincerely thank the TTC staff and management for their availability to engage with the Office of the Auditor-Controller.



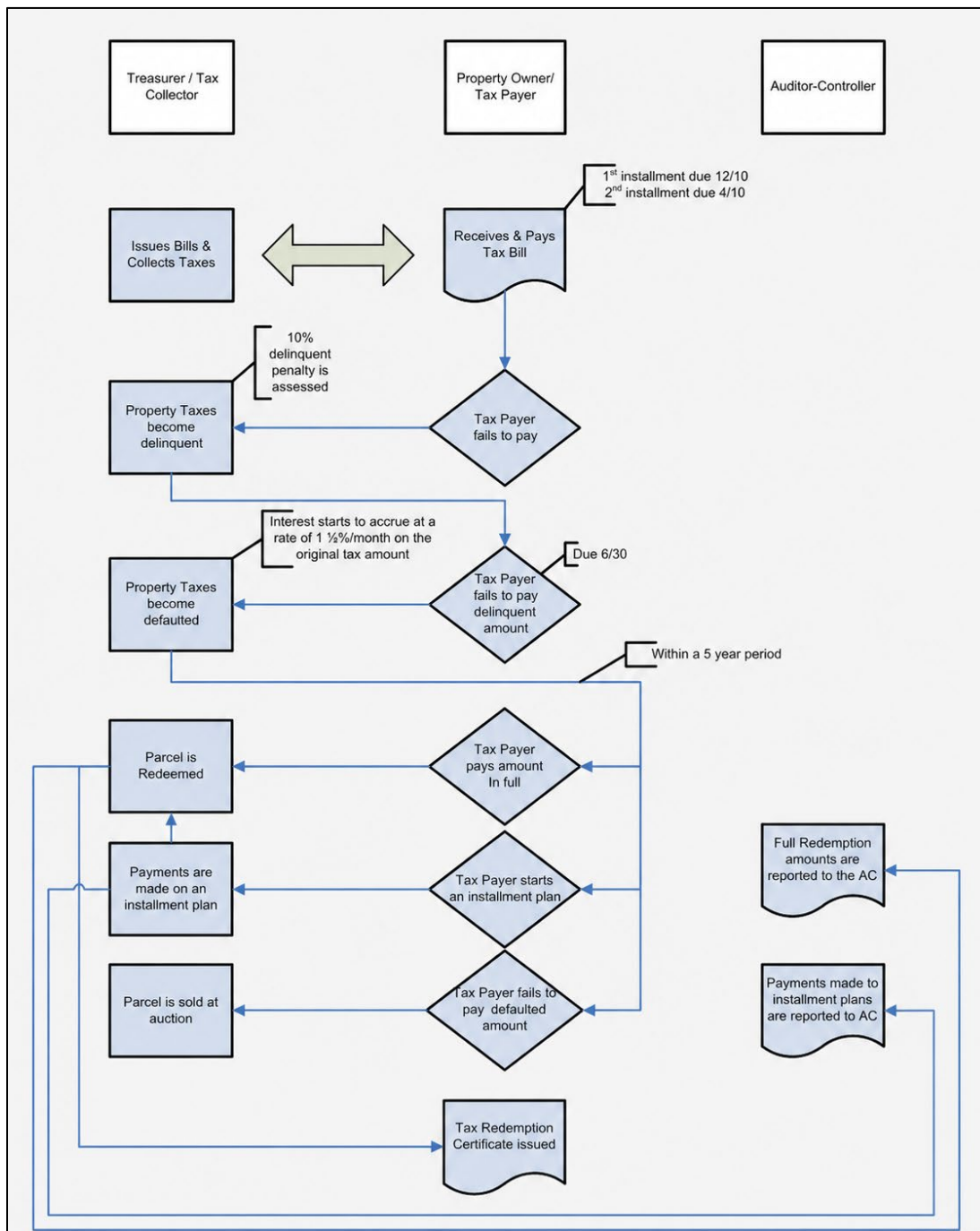
Summary of Observations & Recommendations

	Observation	Recommendation
1	Proactive redemption outreach practices	Retain and formally document current outreach practices, giving due regard to delinquency follow-up timelines, in order to support consistency, continuity during staff turnover, and management review of taxpayer assistance activities.
2	Lack of formalized written procedures for the tax redemption process	<p>Create a formal, written redemption procedure manual that covers the major aspects of the process and the related statutory requirements.</p> <p>Conduct periodic reviews of statutory requirements and amend procedures where necessary.</p>



Appendices

Inter-departmental Tax Redemption Process Flowchart

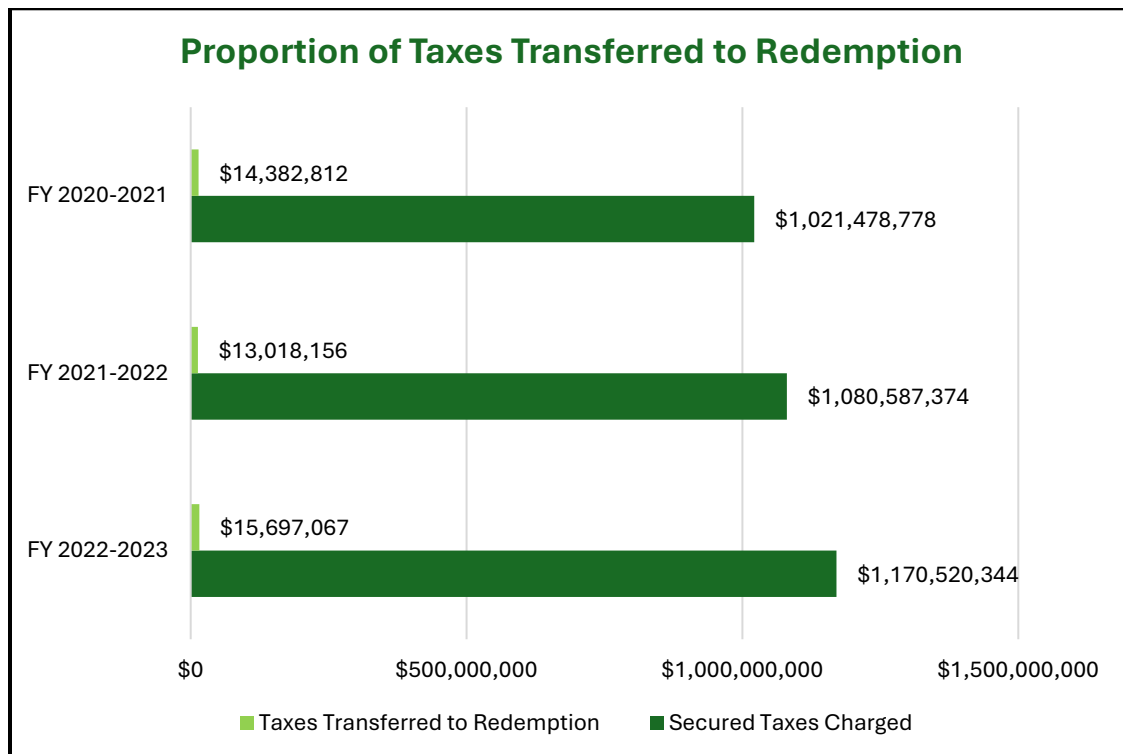




Summary of Taxes Transferred to the Redemption Roll

Of the \$3,272,586,496 in secured property taxes charged during the 3-year period of July 2020 through June 2023, \$43,098,035 (1.32%) was declared tax-defaulted and transferred to redemption status.

Fiscal Year	Secured Taxes Charged	Taxes Transferred to Redemption	Percentage of Taxes Transferred to Redemption
FY 2020-2021	\$ 1,021,478,778	\$ 14,382,812	1.41%
FY 2021-2022	\$ 1,080,587,374	\$ 13,018,156	1.20%
FY 2022-2023	\$ 1,170,520,344	\$ 15,697,067	1.34%
Totals	\$ 3,272,586,496	\$ 43,098,035	1.32%





Summary of Parcels with a Bill Transferred to the Redemption Roll

The County’s redemption roll contains both residential and commercial use tax defaulted secured parcels. For the purposes of this analysis, Internal Audit identified the following major secured roll categories as residential use parcels: Vacant Residential Lands, Single Family Residences, Condominiums, Apartment Complexes, Rural Homes, and Mobile Homes Secured to Land. Additionally, Internal Audit identified the following major secured roll categories as commercial use parcels: Retail Space, Offices, Hotels, Restaurants and Food Services, Service Stations, Parking Lots, Industrial Warehouses, Manufacturing, Agricultural Land, Recreational and Institutional Facilities, Utility Parcels, and Miscellaneous Commercial Land.

During the period in scope, there were a total of 5,247 unique parcels which had a defaulted property tax bill transferred to redemption status. Of that amount, 3,973 were residential and 1,274 were commercial.

Fiscal Year	Residential	Commercial	Count of Parcels with a Defaulted Bill
FY 2020-2021	1,437	374	1,811
FY 2021-2022	1,367	333	1,700
FY 2022-2023	1,169	567	1,736
Totals	3,973	1,274	5,247

