



COUNTY OF EL PASO  
OFFICE OF THE COUNTY AUDITOR

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09-09

September 17, 2019

The Honorable Ruben P. Gonzalez  
County Tax Assessor-Collector  
301 Manny Martinez Dr., 1<sup>st</sup> Floor  
El Paso, Texas 79905

Dear Mr. Gonzalez:

The County Auditor's Internal Audit division performed an audit of the Tax Office – Auto Registration financial records for September 2017 through February 2019 to determine if internal controls are adequate to ensure proper preparation of Tax Office's financial reports. Policies, procedures, and regulations were also reviewed to ensure processes are documented, operating, and efficient.

The audit report is attached. We tested five financial controls and two operational controls using 280 samples. The audit report includes two findings as a result of the audit procedures, including one repeat finding from the prior audit. We wish to thank the management and staff of Tax Office for their assistance and courtesies extended during this audit.

Because of certain statutory duties required of the County Auditor, this office is not independent in regard to your office, as defined by AICPA professional standards. However, our audit was performed with objectivity and due professional care.

Respectfully,

Edward A. Dion  
County Auditor

EAD:RB:ya

cc: Ms. Betsy Keller, Chief Administrator



## County Tax Office Auto Registration Audit

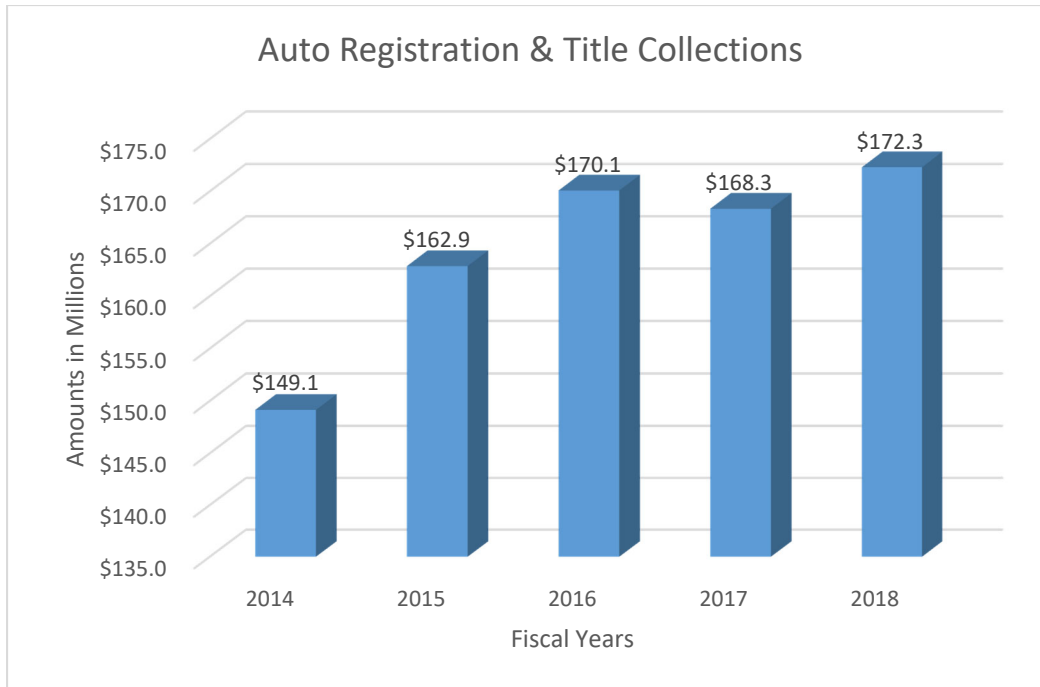


### EXECUTIVE SUMMARY

#### BACKGROUND

The Motor Vehicle Registration division of the County Tax office is responsible for the collection of fees associated with vehicle registration, certificate title application, and motor vehicle taxes. Collections are received at the main office, five branches, and 12 contracted offices. The audit was performed by Ruth Bernal, internal auditor senior. The prior Tax Office – Auto Registration audit was issued July 25, 2018.

Financial reports are generated from the Registration and Title System (RTS), a state system showing all transactions occurring each month. The following chart is a comparison of auto registration fees collected at the Tax Office and contracted offices for the past five fiscal years.



Source: Tax Office Automotive Summary monthly report

#### OBJECTIVES AND RESULTS

The audit evaluated the adequacy of controls and processes used to achieve key business objectives related to motor vehicle registrations. Following are the business objectives and related control assessment based on the audit work performed.

Business Objective	Control Assessment
1. Adequate internal controls for payments received by mail.	Need Improvement
2. Timely transfer of collections to Cash Management Audit division.	Satisfactory
3. Established and documented policies and procedures for daily collections.	Need Improvement
4. Complete and accurate bank reconciliations.	Satisfactory
5. Functioning cash handling internal controls	Satisfactory
6. Adequate internal controls for auto registration inventory.	Need Improvement



**County Tax Office  
Auto Registration Audit**



**EXECUTIVE SUMMARY**

**SCOPE**

The scope of this audit is July 2017 through February 2019. Contracted offices are not included in the scope of this audit as they are reviewed in a separate audit.

**METHODOLOGY**

To achieve the audit objectives we:

- Performed surprise cash counts in accordance with *Texas Local Government Code §115.0035*;
- Reviewed payments received by mail for adequate controls.
- Tested a sample of daily RTS collection reports and verified deposit completeness, accuracy and timeliness;
- Reviewed collections submitted to the Cash Management division to verify transfers were made in a timely manner in accordance with *Transportation Code §502.198*;
- Reviewed bank reconciliations for completeness and accuracy;
- Reviewed auto registration inventory procedures for appropriate controls.

**RESULTS**

Listed below are controls and findings summaries, with observations listed from highest to lowest risk. Please see the *Findings and Action Plans* section of this report for the status of the prior audit report action plans and details and management action plan(s) for current findings.

<b>Control Summary</b>	
<b>Good Controls</b>	<b>Weak Controls</b>
<ul style="list-style-type: none"> <li>• Transfer of collections to Cash Management Audit division. ( Obj. 2)</li> <li>• Procedures for bank reconciliations (Obj. 4)</li> <li>• Cash handling procedures (Obj.5)</li> </ul>	<ul style="list-style-type: none"> <li>• Payments received by mail procedures. (Obj. 1)</li> <li>• Auto registration inventory procedures (Obj. 6)</li> <li>• Documented policies and procedures for daily collections. (Obj. 3)</li> </ul>
<b>Finding Summary</b>	
<ol style="list-style-type: none"> <li>1. Procedures for payments received by mail need improvement.</li> <li>2. Lack of segregation of duties when handling auto registration inventory and documented policies and procedures not provided.</li> </ol>	

**INHERENT LIMITATIONS**

This financial review was designed to provide reasonable assurance that the internal control structure is adequate to safeguard the County’s assets from loss, theft, or misuse. The County’s internal control structure is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of implementing the controls should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires the use of estimates and judgment by management. Because of the inherent limitations in any system of internal controls, errors or irregularities may occur and not be detected.

**CONCLUSION**

The internal control structure of the Tax Office as it relates to auto registration was satisfactory for three of the six objectives of this audit. Implementation of the recommendations provided in this report should assist in strengthening the internal control structure.



## County Tax Office Audit Auto Registration Audit



### FINDINGS AND ACTION PLANS

#### Prior Audit Findings Summarized with Current Status

##### Status

**H** Open

- 1. Finding:** Procedures to log payments received by mail need to be improved.  
**Recommendation:** Segregation of duties. Daily logs should be properly completed and indicate the preparer as well as the total number of mail payments and total of funds received. Tender type like check or money order number, if applicable should be included on the remittance advice slip. Mail logs should be reviewed periodically and such review should be documented on the log with the reviewer's initials and date of review.  
**Action Plan:** Chief Deputy contacted the information Technology department to explore the possibility of automating and incorporating the recommendations into current system that is used to scan remittance advice slips received with mail payments; however, due to the high volume of work of the ITD department, it would not be feasible any time soon. It is also not feasible for the Tax Office to incorporate the recommendations manually without additional personnel. Procedures will be analyzed for other possible solutions to strengthen controls.

**M** Closed

- 2. Finding:** Ten percent of the sample reviewed of the fees transferred to Cash management-Audit division were submitted 6 to 19 days late.  
**Recommendation:** Transfers to the County should be made in accordance with Transportation Code §502.198. Any reconciling issues should be documented and adjusted on the subsequent weekly deposit.  
**Action Plan:** The Tax Office wants to do their due diligence and verify the report balances to the actual collections. Tax Office will not meet this objective because it is not feasible since TXDMV reports are processed after the deadline imposed by Texas Local Government Code §113.022. Tax Office will document internally any actions, including reconciling issues that cause a delay in transmitting funds to Cash Management, excluding extended holiday weekends.

**M** Closed

- 3. Finding:** Policies and procedures for some functions such as daily balancing were not provided.  
**Recommendation:** Current documented policies and procedures should be updated.  
**Action Plan:** Management agrees with the recommendation, further, management is in the process of reviewing existing policies and procedures and expects to provide the Auditor's office with a copy of the procedure for handling registration payments received by mail by the end of the current fiscal year.

**Closed**

**M**

- 4. Finding:** Tax Office does not keep a log of the frequency for each cashier's overages and shortages. There is no provision for forgiveness of short accounts by the use of over receipts from another day.  
**Recommendation:** Supervisors should keep a log of any overages or shortages by cashier. The log should be tied. The Tax-Assessor Collector should consult with the County Attorney if necessary to determine procedures to follow if indemnification for shortages is desired.  
**Action Plan:** Motor Vehicle Registration & Title Director has created a log that keeps track of the dates and employees that have balance discrepancies. Regarding the indemnification of the shortages, Tax Office has requested advice from the County Attorney and is still waiting for guidance.

**Closed**

**L**

- 5. Finding:** It was noted that Flash Title Registration Inc. is the only contracted office submitting customer checks with its collections. Those checks include the amount due to the County as well as the service fees to the contracted office.  
**Recommendation:** The Tax Office should abstain from accepting personal or business checks from customers of a full service contracted office. The amount due to the County should be remitted in a single check from the full service contracted office to ensure contract compliance.  
**Action Plan:** Effective March 1, 2018, Flash Title Registration Inc. is submitting a single check for the total of their collections.



**County Tax Office Audit  
Auto Registration Audit**



**FINDINGS AND ACTION PLANS**

**Current Audit Findings & Action Plans**

Finding #1		Risk Level <span style="color: red;">H</span>
<p><b>Payments received by mail</b> – The procedures have not changed since the prior audit review. The following was observed during the current review:</p> <ul style="list-style-type: none"> <li>Daily logs are not properly completed. They do not indicate who prepared them, the total number of pieces of mail payments received, nor the total of funds received.</li> <li>Check or money order numbers are not included on remittance advice slips.</li> <li>Mail log reviews by a second person are not documented.</li> </ul> <p>The Tax Office is working on the possibility of acquiring a new system to scan the payments received by mail.</p> <p>Proper acceptance, processing and documentation of all payments received by mail is particularly important because the payee is not present and no receipt is issued at the time of collection. Implementing controls serves to protect the County from payment disputes and mitigates the risk of fraud or theft. This is a repeating finding.</p>		
<b>Recommendations</b>		
<p>Management should consider implementing the following:</p> <ul style="list-style-type: none"> <li>Daily mail logs should be properly completed and indicate the preparer as well as a total number of mail payments and total of funds received.</li> <li>Tender type and identifying number should be included on the remittance advice slip.</li> <li>Mail logs should be reviewed periodically and such review should be documented on the log with the reviewer's initials and date of review.</li> </ul>		
<b>Action Plan</b>		
<b>Person Responsible</b>	<b>Mr. Arturo Pastrana</b>	<b>Estimated Completion Date</b> <b>9/30/19</b>
<p>Management will remind staff to properly complete daily mail logs and to include tender type and identifying number on remittance advice slip. Management will also review the process for additional controls.</p>		

Finding #2		Risk Level <span style="color: red;">H</span>
<p><b>Vehicle registration inventory</b> - Policies and procedures for the auto registration inventory were requested, but were not provided. There is no segregation of duties for handling of inventory. The inventory clerks are responsible for ordering, record keeping, and safeguarding of the vehicle registration inventory. A properly designed system of the inventory internal controls should reduce the risk of errors and prevent an individual from perpetrating and/or concealing fraud.</p>		
<b>Recommendations</b>		
<p>It is very important to have detailed policies and procedures to provide guidance to County employees on how to safeguard the inventory and to help ensure internal controls are implemented. Authorization, recording, and custody are three functions that should be segregated.</p>		
<b>Action Plan</b>		
<b>Person Responsible</b>	<b>Mr. Arturo Pastrana</b>	<b>Estimated Completion Date</b> <b>9/30/19</b>
<p>Policies and procedures will be provided to the Auditor's Office for the vehicle registration inventory. The inventory clerks will both sign the inventory receipting reports for dual control. Management will review the process to identify mitigating controls and determine if additional controls can be cost/beneficially implemented.</p>		