



COUNTY OF EL PASO
OFFICE OF THE COUNTY AUDITOR

EDWARD A. DION, CPA
COUNTY AUDITOR
edion@epcounty.com
www.epcounty.com/auditor

County Administrative Offices
800 East Overland Street, Rm. 406
EL PASO, TEXAS 79901-2407
(915) 546-2040
(915) 546-8172 FAX

09-04

September 17, 2019

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

Dear Mr. Gonzalez:

The County Auditor's Internal Audit division performed an audit of the Tax Office – Licensing Division and Ad Valorem account financial records for September 2017 through March 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 six financial controls using 311 samples. There was one finding noted as a result of the audit procedures. We wish to thank the management and staff of the 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
Licensing Division & Ad Valorem Account Audit**



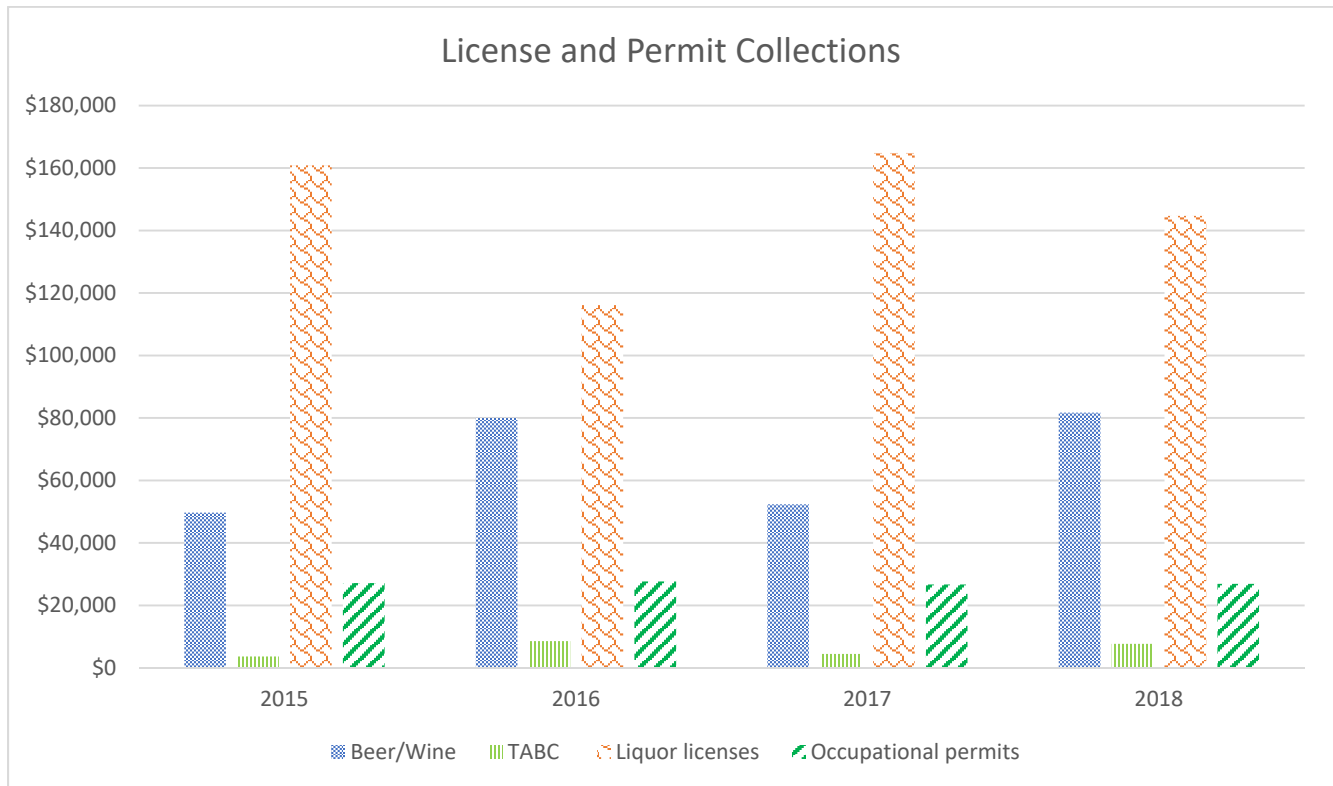
EXECUTIVE SUMMARY

BACKGROUND

The Tax Office Licensing Division collects taxes on County liquor licenses, occupational permits on coin-operated machines, hotel/motel occupancy and beer and wine licenses which are deposited to the County’s consolidated fund. They also receive commissions from the Texas Alcoholic Beverage Commission (TABC).

The Tax Office assists the City of El Paso in the collection of property taxes. These collections are deposited to the City’s bank account. Once all collections are received at the City, the property taxes due to the County are transferred electronically from the City Tax Office to the County Tax Office Ad Valorem account. The Tax Office Accounting Division electronically transfers the funds from the Ad Valorem account to the County consolidated account. The current Tax Assessor Collector has been in Office since 2015. The audit was performed by Ruth Bernal, internal auditor senior. The prior audit report was issued on November 6, 2017.

Tyler cashiering system is used for departmental daily collections which is downloaded to the Munis Financial system. The following charts show fee collections for beer & wine, TABC, liquor licenses, occupational permits and hotel/motel over a four year period.



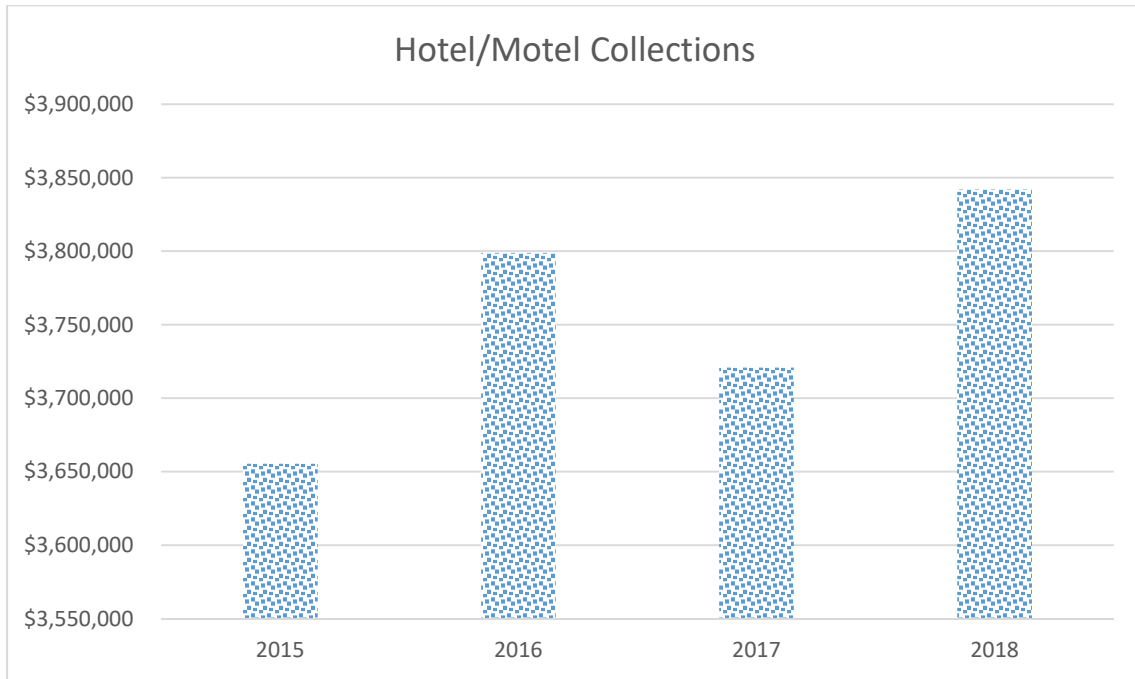
Source: Tax Office Beer-Wine report



**County Tax Office
Licensing Division & Ad Valorem Account Audit**



EXECUTIVE SUMMARY



Source: Tax Office Beer-Wine report

OBJECTIVES AND RESULTS

The audit evaluated the adequacy of controls and processes used to achieve key business objectives related to the Tax Office Licensing Division financial reports. Following are the business objectives and related control assessment based on the audit work performed.

Business Objective	Control Assessment
1. Functioning appropriate cash controls	Satisfactory
2. Complete and accurate monthly bank reconciliations for the Ad Valorem account.	Satisfactory
3. Hotel/Motel tax payments are properly posted, and received in a timely manner.	Satisfactory
4. Proper handling of the occupational permit stickers and collections.	Need Improvement
5. Ad Valorem account transfers to the County are made for the correct amount and in a timely manner.	Satisfactory

SCOPE

The scope of this audit is August 2017 through March 2019.

METHODOLOGY

To achieve the audit objectives we:

- Performed surprise cash counts in accordance with *Texas Local Government Code §115.0035*;
- Compared weekly balance sheets to Tyler cashiering reports and verified weekly deposits were submitted timely;
- Reviewed bank reconciliations for completeness and accuracy;
- Reviewed a sample of Hotel/Motel tax payments to ensure payment of County occupancy taxes are complete, properly posted, and timely deposited;
- Reviewed occupational permit collections and procedures;
- Reviewed Ad Valorem account transfers made to the County to verify amounts and timely posting in accordance with *LGC § 113.022*.



**County Tax Office
Licensing Division & Ad Valorem Account Audit**



EXECUTIVE SUMMARY

RESULTS

Listed below are control and finding 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.

Control Summary	
Good Controls	Weak Controls
<ul style="list-style-type: none"> Functioning appropriate cash controls. (Obj. 1) Complete and accurate monthly bank reconciliations for the Ad Valorem account.(Obj. 2) Procedures for the collections of the Hotel/Motel tax payments (Obj. 3) Ad Valorem account transfers to the County are made for the correct amount and in a timely manner (Obj.5) 	<ul style="list-style-type: none"> Proper handling of the occupational permits. (Obj. 4)
Finding Summary	
<ol style="list-style-type: none"> 1. Prior year decals have not been destroyed and policies and procedures need to be updated to reflect decal replacement procedures. 	

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 the Licensing Division & Ad Valorem Account was satisfactory for four of the five 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 Closed

1. **Finding:** Tax Office does not have procedures in place to follow up on past due notices where a penalty payment is still due.

Recommendation: The Tax office should keep track of hotel/motels for which past due notices have been mailed and establish procedures indicating the number of attempts that will be made to collect as well as the steps to be taken if a payment is not made. A documented record should be maintained on any unsuccessful notices. Difficult cases should be referred to the County Attorney’s office – Civil Litigation unit for compliance.

Action Plan: Tax office has contacted County Attorney’s office for legal assistance on the enforcement of hotel/motels collections for non-compliance entities. Tax office is planning on sending a demand letter to delinquent entities. If no payment is received a lawsuit will be filed against the business.

Current Audit Findings & Action Plans

Finding #1		Risk Level M	
Coin-Operated machine decals – The occupational tax permits (decals) for the prior year have not been destroyed as required in the current policies and procedures. Untimely destruction of expired decals could lead to misuse, fraud or theft. In addition, current policies and procedures do not address procedures for decal replacement.			
Recommendations			
Prior year decals should be destroyed as per current policies and procedures. Best practice should require that expired decals be destroyed in a timely manner to avoid any possible misuse or theft. Also, policies and procedures must be updated to include replacement procedures for decals. To limit the risk of potential abuse or theft, proper management authorization for replacement decals should be documented.			
Action Plan			
Person Responsible	Ms. Angela M. Brinkley	Estimated Completion Date	9/30/19
Tax Office destroyed the prior year decals on August 20, 2019. Policies and procedures will be updated to include replacement procedures for decals.			