



COUNTY OF EL PASO  
OFFICE OF THE COUNTY AUDITOR

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11-07

November 8, 2019

The Honorable Ruben P. Gonzalez  
El Paso 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 Enforcement Division's financial records to determine if internal controls are adequate to ensure proper preparation of the Enforcement Division's financial reports. Policies, procedures, and regulations were also reviewed to ensure processes are documented, operating, compliant and efficient.

The audit report is attached. We tested nine financial controls and five operating controls with a total of 271 samples. There were no findings noted as a result of the audit procedures. We wish to thank the management and staff of the Enforcement Division 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,

A handwritten signature in blue ink that reads "Edward A. Dion".

Edward A. Dion  
County Auditor

EAD:HM:ya

cc: Ms. Betsy Keller, Chief Administrator



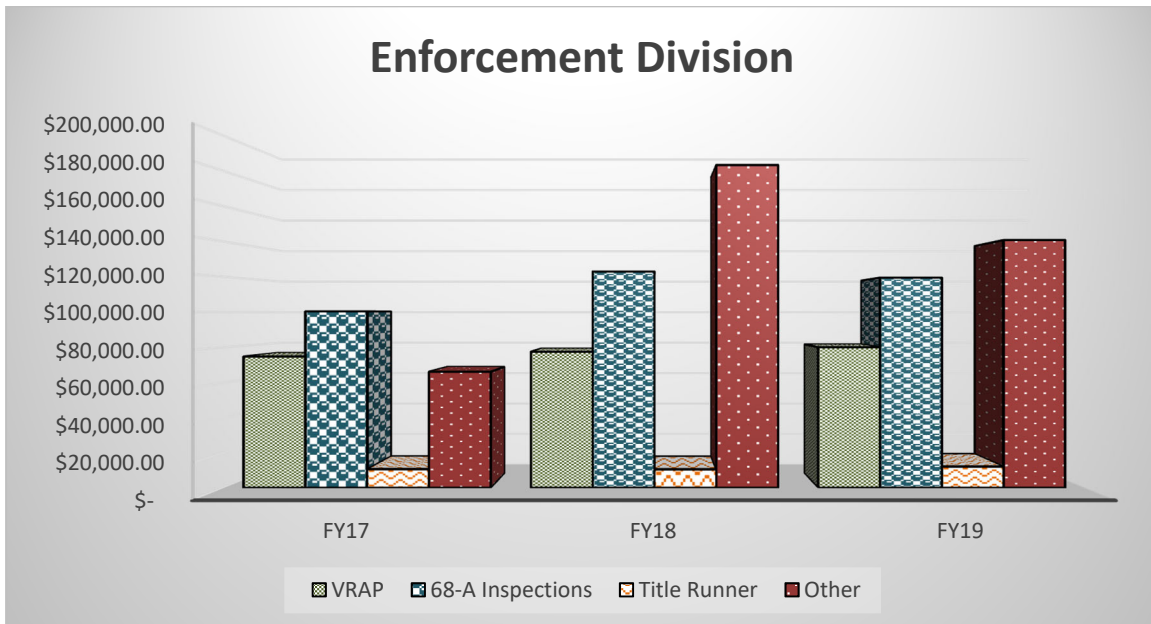
**Tax Office Enforcement Division**



**EXECUTIVE SUMMARY**

**BACKGROUND**

The Enforcement Division of the El Paso Tax Assessor-Collector's office was officially created by Commissioners Court on July 14, 2003. The division is in charge of different projects which include Vehicle Inventory Tax (VIT), Motor Vehicle Title Service/Runner, 68-A Inspections, Vehicle Registration Abuse Program (VRAP), curbstoning, and County Scofflaw. Their mission is to enforce registration laws, Texas Property Code relating to VIT laws, and the Texas Transportation Code. Their other programs focus on recouping forgone revenue due to registration fraud, to recover stolen vehicles through VRAP, and to provide consumer protection from unscrupulous dealers or individuals selling vehicles without titles. Sales tax collections have increased due to new salvage titling review initiative. Collections by the Tax Office Enforcement Division for 2017, 2018, and 2019 are illustrated below. The "other" portion consists of consumer complaints, title fraud/tax evasion, and curbstoning.



Source: MUNIS

The audit was performed by Hadi Medina, internal auditor. The most recent prior audit report was issued on October 1, 2018, and had no findings.

**AUDIT OBJECTIVES**

The audit evaluated the adequacy of controls and processes to achieve key business objectives related to the Enforcement Division's financial reports. Following are the business objectives and related control assessments.

<b>Business Objective</b>	<b>Control Assessment</b>
1. Adherence to documented policies and procedures	Satisfactory
2. Timely completion of bank reconciliations for Escrow and Discretionary accounts	Satisfactory
3. Accuracy of mail log information and timely posting	Satisfactory
4. Functioning appropriate cash controls	Satisfactory
5. Compliance with discretionary account disbursement limitations	Satisfactory
6. Timely deposits of collections in accordance with <i>Local Government Code 113.022</i>	Satisfactory
7. Compliance with title runner application fee and requirements	Satisfactory
8. Appropriate and timely posting of manual receipts	Satisfactory
9. Appropriate recognition of 68-A inspection fee revenue	Satisfactory
10. Compliance with VIT penalization process in accordance with <i>Tax Code §23.122</i>	Satisfactory
11. Adequate non-financial security and operational measures	Satisfactory
12. Functioning appropriate local vehicle usage controls	Satisfactory
13. Peace Officer education compliance with <i>Occupations Code § 1701.351</i>	Satisfactory
14. Peace Officer weapon proficiency compliance with <i>Occupations Code § 1701.355</i>	Satisfactory



**Tax Office Enforcement Division**



**EXECUTIVE SUMMARY**

**SCOPE**

The scope of the audit is August 2018 through July 2019.

**METHODOLOGY**

To achieve the audit objectives we:

- Reviewed policies, procedures, and applicable statutes.
- Reviewed monthly reconciliations from QuickBooks financial reports to the bank statements for the V.I.T. Escrow and Discretionary accounts.
- Tested a sample of mail log payments to determine deposit completeness, accuracy, and timeliness in compliance with *Local Government Code (LGC) §113.022*.
- Performed a surprise cash count in accordance with *LGC §115.0035*.
- Tested a sample of the Discretionary account disbursements for proper documentation and approval in accordance with *Tax Code (TC) §23.121*.
- Traced a sample of deposit slips to the financial accounting system for compliance with *LGC §113.022*
- Traced a sample of title runner application fee payments for proper documentation requirements and application fee in accordance with *Transportation Code (TC) §520.054 and Texas Administrative Code, Title 43, Part 12, Chapter 325, Rule §325.1*.
- Tested a sample of manual receipts for appropriate and timely posting.
- Traced a sample of 68-A Inspection daily transactions from the deferred revenue account to the point it is recognized as revenue for proper recognition in accordance to *TC §501.0321*.
- Tested a sample of imposed and paid VIT penalties for proper documentation and validity in accordance with *TC §23.122*.
- Observed current security and operational processes and controls.
- Reviewed a sample of weekly vehicle mileage logs for completeness, accuracy, and proper authorization.
- Reviewed Enforcement Division peace officer’s continuing education training in compliance with *Occupations Code (OC) §1701.351*.
- Reviewed Enforcement Division peace officer’s weapon proficiency in compliance with *OC §1701.355*.

**RESULTS**

Listed below are controls and findings summaries, with findings listed from highest to lowest risk.

<b>Controls Summary</b>	
<b>Good Controls</b>	<b>Weak Controls</b>
<ul style="list-style-type: none"> <li>• Reconciliation of bank accounts (Obj. 1)</li> <li>• Mail log controls (Obj. 2)</li> <li>• Cash handling procedures (Obj. 3)</li> <li>• Check disbursement controls (Obj. 4)</li> <li>• Timely deposit controls (Obj. 5)</li> <li>• Title runner controls (Obj. 6)</li> <li>• Manual receipt controls (Obj. 7)</li> <li>• 68-A revenue recognition controls (Obj. 8)</li> <li>• Dealer’s Motor VIT Statement penalty controls (Obj. 9)</li> <li>• Non-financial security and operational controls (Obj. 10)</li> <li>• Maintain and follow department policies and procedures (Obj. 11)</li> <li>• Vehicle usage controls (Obj. 12)</li> <li>• Peace officer compliance with educational and weapon proficiency requirements (Obj. 13 and 14)</li> </ul>	
<b>Findings Summary</b>	
None	



## Tax Office Enforcement Division



### EXECUTIVE SUMMARY

#### **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 Enforcement Division continues to implement improvements in their operations and have met all the objectives of this audit. Therefore, no recommendations were provided in this report.