



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

12-04

December 10, 2020

The Honorable Ruben P. Gonzalez
El Paso 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 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 eight financial controls and two operating controls with a total of 223 samples. There was one finding 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 black ink, appearing to read "Edward A. Dion".

Edward A. Dion
County Auditor

EAD:HM:ya

cc: Mrs. Betsy Keller, Chief Administrator
Mrs. Christina L. Ford, Assistant County Attorney



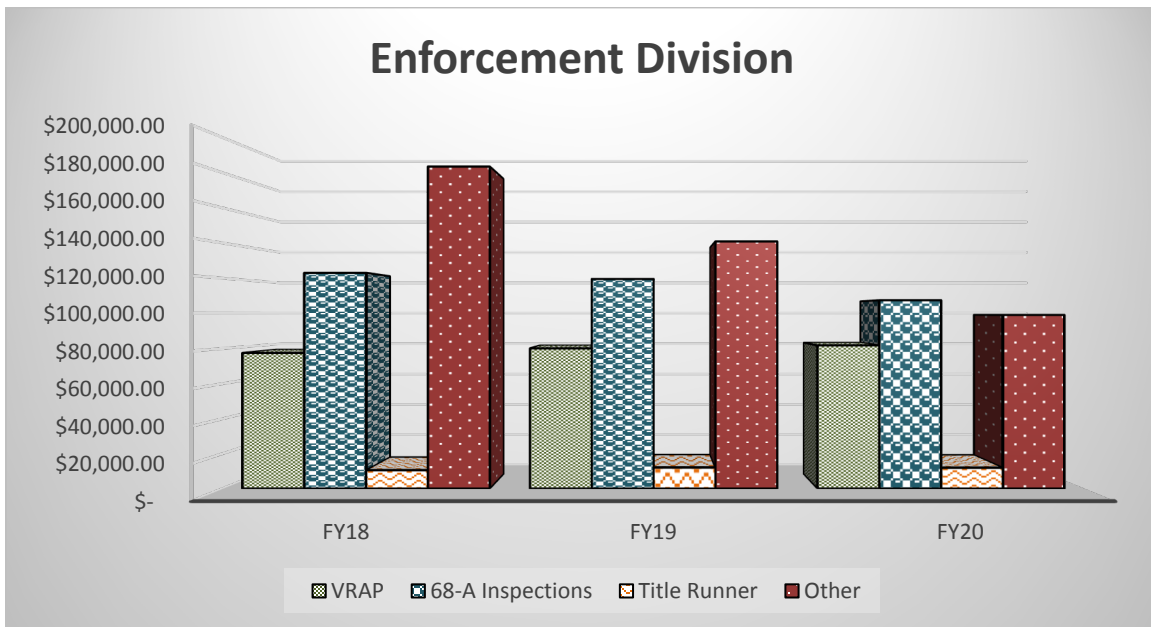
**Tax Office Enforcement Division
For the period of August 2019 to July 2020**



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 projects 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. Other programs focus on recouping forgone revenue due to registration fraud, recovery of stolen vehicles through VRAP, and to provide consumer protection from unscrupulous dealers or individuals selling vehicles without titles. Collections by the Tax Office Enforcement Division for 2018, 2019, and 2020 are illustrated below. The "other" portion consists of vehicle registrations due to consumer complaints, title fraud/tax evasion, and curbstoning. The VIT collections are not included as those collections are on behalf of the City of El Paso and are not deposited with the County.



Source: MUNIS

The audit was performed by Hadi Medina, internal auditor. The scope of the last audit performed was August 2018 to July 2019 and the last audit report was issued November 8, 2019.

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.

Business Objective	Control Assessment
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	Unsatisfactory
10. Functioning appropriate local vehicle usage controls	Satisfactory



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SCOPE

The scope of the audit is August 2019 through July 2020. Due to the Covid-19 pandemic and associated Stay Home Work Safe order, no surprise cash count was conducted.

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*.
- 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*.
- Reviewed a sample of weekly vehicle mileage logs for completeness, accuracy, and proper authorization.

RESULTS

Listed below are controls and findings summaries, with findings listed from highest to lowest risk. Please see the *Findings and Action Plans* section of this report for related details and management action plans for the current findings. There were no prior audit findings.

Controls Summary	
Good Controls	Weak Controls
<ul style="list-style-type: none"> • Maintain and follow department policies and procedures (Obj. 1) • Reconciliation of bank accounts (Obj. 2) • Mail log controls (Obj. 3) • Cash handling procedures (Obj. 4) • Check disbursement controls (Obj. 5) • Timely deposit controls (Obj. 6) • Title runner controls (Obj. 7) • Manual receipt controls (Obj. 8) • 68-A revenue recognition controls (Obj. 9) • Vehicle usage controls (Obj. 10) 	<ul style="list-style-type: none"> • 68-A revenue recognition controls (Obj. 9)
Findings Summary	
<ol style="list-style-type: none"> 1. The County Tax Assessor-Collector has not refunded or escheated pre-payments made for 68-A inspections for which the consumer failed to show up to their scheduled appointments. 	



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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 met all but one of the audit objectives and should continue working on weak controls reported. Implementation of the recommendation provided in this report should assist the Enforcement Division in producing complete and accurate financial reports by strengthening their internal control structure.



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FINDINGS AND ACTION PLANS

Current Audit Findings & Action Plans

Finding #1		Risk Level H	
<p>68-A Inspections: The Tax Office Enforcement Division has not refunded any of the pre-collected fees to consumers who did not show up to their scheduled appointments. All fees that belong to consumers who missed their appointments should be refunded to avoid any legal risks to El Paso County.</p> <p>In January 2017, the Tax Office Enforcement Division began pre-collecting 68-A inspection fees at the time an appointment was scheduled to prevent no-shows. These funds are initially deposited into a deferred revenue account and are recognized once the inspection is conducted.</p> <p>The Tax Office proposed to keep a portion of the pre-collected fees for the no-shows being that they had already conducted the majority of the work. The question was presented to El Paso County Attorney whether the Tax Office can keep a portion of the 68-A inspection fee for customers who are no-shows to their appointments. An opinion (O18418) was issued on November 1, 2018 and conclude: "The El Paso County Tax Assessor-Collector cannot keep any portion of the pre-paid fee for 68-A vehicle inspections when they do not complete the inspection. A consumer who does not show up for their appointment is entitled to have the fee returned, or in the alternative, the fee would escheat to the State of Texas."</p> <p><i>Transportation Code 501.0321 (e)</i> states "The department or another entity that provides the inspection under this section may impose a fee of not more than \$40 for the inspection." If consumers decide to take legal action in violation of the statute due to collection of fees without completion of the inspection, the County could face a number of lawsuits and risk the loss of County funds.</p>			
Recommendation			
<p>The El Paso County Tax Assessor-Collector should ensure immediate action is taken to comply with the County Attorney's opinion. We recommend they determine a reasonable time frame for customers to complete their requested inspections and refund all pre-collected fees that fall outside of that time frame on an ongoing basis.</p>			
Action Plan			
Person Responsible	El Paso County Tax Assessor-Collector	Estimated Completion Date	February 2021
<p>The El Paso County Tax Assessor-Collector disagrees with the County Attorney's opinion regarding this matter and would like to further discuss Opinion 18418 with the County Attorney's Office to present additional facts. The action plan is to schedule an appointment with County Attorney within the next six weeks and any changes to current procedures will be evaluated after such meeting.</p>			