



COUNTY OF EL PASO
OFFICE OF THE COUNTY AUDITOR

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07-13

July 22, 2021

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 – Auto Registration financial records for March 2019 through December 2020 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 and one operational control using 344 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,

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

Edward A. Dion
County Auditor

EAD:RB:ya

cc: Ms. Betsy Keller, Chief Administrator



**County Tax Office
Auto Registration Audit
March 2019 through December 2020**

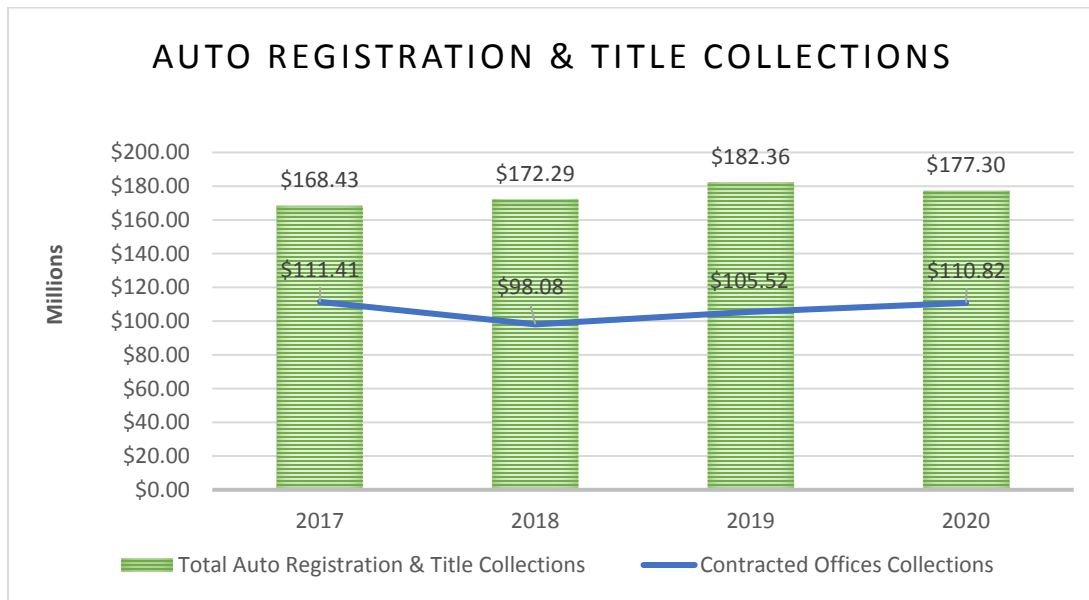


EXECUTIVE SUMMARY

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, 6 branches, and 12 contracted offices conveniently located throughout the city. Despite COVID-19 closures and restrictions, the Tax Office maintained their business operations. The audit was performed by Ruth Bernal, internal auditor senior. The prior Tax Office – Auto Registration audit was issued September 17, 2019.

Financial reports are generated from the Registration and Title System (RTS), a state-wide cashiering 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 four fiscal years.



Source: Tax Office Automotive Summary monthly report and RTS reports

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. Functioning cash handling internal controls.	Need Improvement
2. Timely deposits of daily collections in accordance with <i>Local Government Code §113.022</i> .	Satisfactory
3. Complete and accurate bank reconciliations.	Satisfactory
4. Adequate internal controls for auto registration inventory.	Satisfactory
5. Refunds have proper internal controls.	Satisfactory
6. Adequate internal controls for payments received by mail.	Need Improvement



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EXECUTIVE SUMMARY

SCOPE

The scope of this audit is March 2019 through December 2020. 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:

- Tested a sample of cash counts for completeness and accuracy;
- Compared a sample of Auto Summary reports with corresponding RTS reports to verify accuracy of monthly reports;
- Tested a sample of daily deposits and verified they were deposited in compliance with *LGC §113.022*;
- Tested a sample of bank reconciliations for completeness and accuracy;
- Reviewed auto registration inventory procedures for appropriate controls;
- Tested a sample of refunds for proper authorization and adequate supporting documentation;
- Tested a sample of payments received by mail for adequate internal 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.

Control Summary	
Good Controls	Weak Controls
<ul style="list-style-type: none"> • Timely deposits (Obj. 2) • Complete and accurate bank reconciliations (Obj. 3) • Auto registration inventory procedures (Obj. 4) • Refunds internal controls (Obj.5) 	<ul style="list-style-type: none"> • Functioning cash handling internal controls. (Obj. 1) • Payments received by mail procedures. (Obj. 6)
Finding Summary	
<ol style="list-style-type: none"> 1. Incorrect daily cashier reconciliation information recording and reconciliation. 2. Payments received by mail forms are not properly filled out, nor reviewed. 	

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 four of the six objectives of this audit. Implementation of the recommendations provided in this report should assist in strengthening the internal control structure.



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FINDINGS AND ACTION PLANS**



Prior Audit Findings Summarized with Current Status

Status

H Open
(See
Finding
2)

1. **Finding:** Payments by mail - 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. Check or money order numbers are not included on remittance advice slips. Mail log reviews by a second person are not documented.

Recommendation: Management should consider implementing the following:

- 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.
- Check or money order numbers are not included on remittance advice slips.
- Mail log reviews by a second person are not documented.

Action Plan: 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.

H Closed

2. **Finding:** 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.

Recommendation: 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.

Action Plan: 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. **Status:** A copy of the letter issued on June 29, 2020, by the Texas Department of Motor Vehicles for the review conducted on May 2020 resulted in finding of "No Concerns" was provided instead.



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Current Audit Findings & Action Plans

Finding #1			Risk Level H
<p>Daily Collection Cash Counts: Collections are reconciled and deposited on a daily basis, however, monies owed to the County are transferred on a weekly basis. A sample of two weekly transfers, one in May 2020 and another in July 2020; consisting of 245 daily cash counts; were tested to ensure cash handling controls were functioning properly. The following was observed:</p> <ol style="list-style-type: none"> Daily cashier reconciliations Automated Cleaning House (ACH) payments were not properly recorded on the reconciliation sheet. The ACH amount recorded on the reconciliation sheet from the RTS Payment Report included processing and handling fees kept by car dealers submitting payment for vehicle registrations. Further, with the incorrect ACH amount listed; the footed amount does not add up and gives the impression of being force balanced. Multiple vehicle registrations paid by one form of payment may be divided among the clerks in order to expedite the registration process. However, the payment is only recorded on the initially receiving clerk's cash count sheet; leaving the other clerks with a lack of guidance as to how to document their work performed in order to balance at the end of the day. <p>Daily cashier reconciliations are an important internal control to help prevent losses. It is vital that cash counts be properly documented since they provide evidence of what has transpired as well as provides information for researching discrepancies. Lack of proper documentation may increase the risk of incorrect information reporting and possible fraud.</p>			
Recommendations			
<p>The amount listed on the RTS payment section of the reconciliation sheet must be net of dealer fees in order to reconcile to the true amount of fees collected. Any discrepancies must be explained and documented. In the event high volumes of work are distributed among several clerks; a standard procedure should be documented and communicated to staff in order to offer guidance and consistent cash count documenting protocols.</p>			
Action Plan			
Person Responsible	Chief Deputy	Estimated Completion Date	08/01/2021
<p>The Reconciliation forms have been updated with labels consistent with the State's reporting system and to include adjustments required to reconcile the daily work. When work bundles paid with one check are split between multiple clerks, the work process and reconciling procedure will require each clerk to identify all adjustments and discrepancies needed to ensure accurate and transparent reconciliation.</p>			



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Finding #2		Risk Level M	
<p>Payments received by mail – A sample of 10 days containing 21 ledgers and corresponding logs were sampled to ensure compliance with procedures, completeness and accuracy. While reviewing the sample the following was observed:</p> <ol style="list-style-type: none"> 1. Rejected plate information listed on the Mail in Registration Tracking Ledger does not match the plate information listed on the Problem mail Log. 2. Six (29%) of the 21 ledgers tested were missing either employee or supervisor initials acknowledging completion and management review. 3. Ten (48%) mail in tracking ledgers tested were lacking a documented time noting when the employee finished processing their corresponding bundle of payments. 4. Certain areas on the Problem Mail Logs are incomplete and the logs lack documentation noting review by management. <p>As documented in the office policies and procedures, the Tax Office prepares a daily Mail in Registration Tracking Ledger for bundles of payments received by mail. The ledger contains information such as the employee name, number of renewals, and plate numbers rejected among other information. The information listed related to the number of plates rejected is also recorded on the Problem mail Log.</p> <p>It is important for payments received by mail to be properly processed and documented due to the payee not being present and the lack of a printed receipt at the time of recording and collection. Following controls documented in procedures serves to protect the County from payment disputes and mitigates the risk of fraud or theft. This is a repeating finding.</p>			
Recommendations			
<p>Once again, it is recommended the Tax Office follow existing procedures or evaluate and update their payments received by mail procedures and documents utilized to ensure proper acknowledgement, recording and management approval to ensure they are still efficient.</p>			
Action Plan			
Person Responsible	Chief Deputy	Estimated Completion Date	08/01/2021
<p>The mail in procedures and forms/logs utilized will be updated to correctly reflect and document the application of the mail-in work processes and procedures. Complete documentation of the mail-in work ledgers/logs will be emphasized with Clerks and Managers.</p>			