



COUNTY OF EL PASO
OFFICE OF THE COUNTY AUDITOR

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07-15

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 Licensing Division and Ad Valorem account financial records for April 2019 through February 2021 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 5 financial controls and 3 operational controls using 267 samples. There were no findings 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,

A handwritten signature in black ink, appearing to read "Edward A. Dion".

Edward A. Dion
County Auditor

EAD:RB:ya

cc: Ms. Betsy Keller, Chief Administrator



County Tax Office
Licensing Division & Ad Valorem Account Audit
 April 2019 through February 2021.



EXECUTIVE SUMMARY

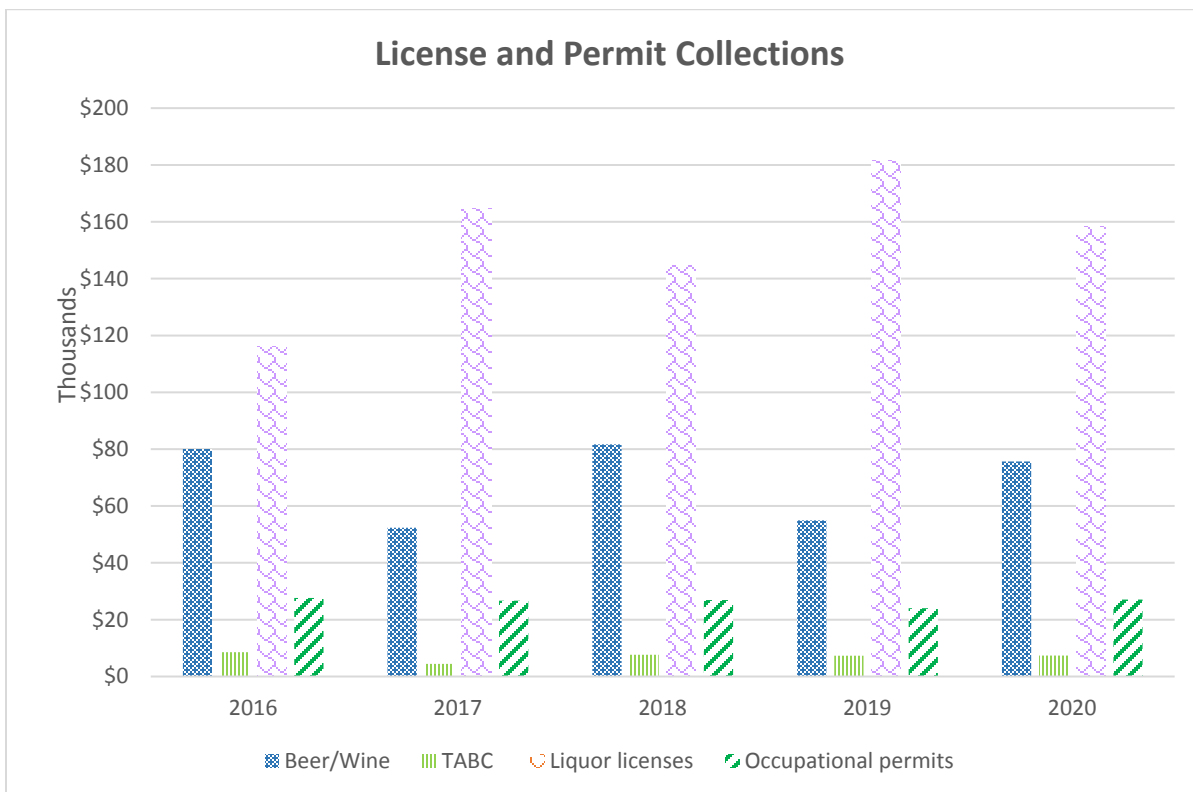
BACKGROUND

The Tax Office Licensing Division collects taxes on bingo award fees, occupational permits on coin-operated machines, hotel/motel occupancy, County liquor licenses, 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 County Tax Assessor-Collector is required to collect taxes on property in the county for the county and, under certain conditions, for another taxing unit (Tax Code Sec. 6.23). Currently, the City of El Paso collects property taxes for all taxing entities by interlocal agreement between the County of El Paso, The City of El Paso, and 38 other taxing entities formed back in 1986 to better serve the citizens of El Paso, County. The City also distributes the taxes to the appropriate taxing entities. The County Tax office also collects property tax payments from walk in customers and sends those payments to the City per the interlocal agreement. The City reports all property taxes to the County Tax Assessor-Collector who accepts, approves and deposits the County's property taxes into the County depository. Despite COVID-19 closures and restrictions, Tax Office maintained their business operations and had the highest property taxes collection ever of face to face payments since the City office was closed to walk in traffic. (See Graph 3 below).

The current County 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 September 17, 2019.

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



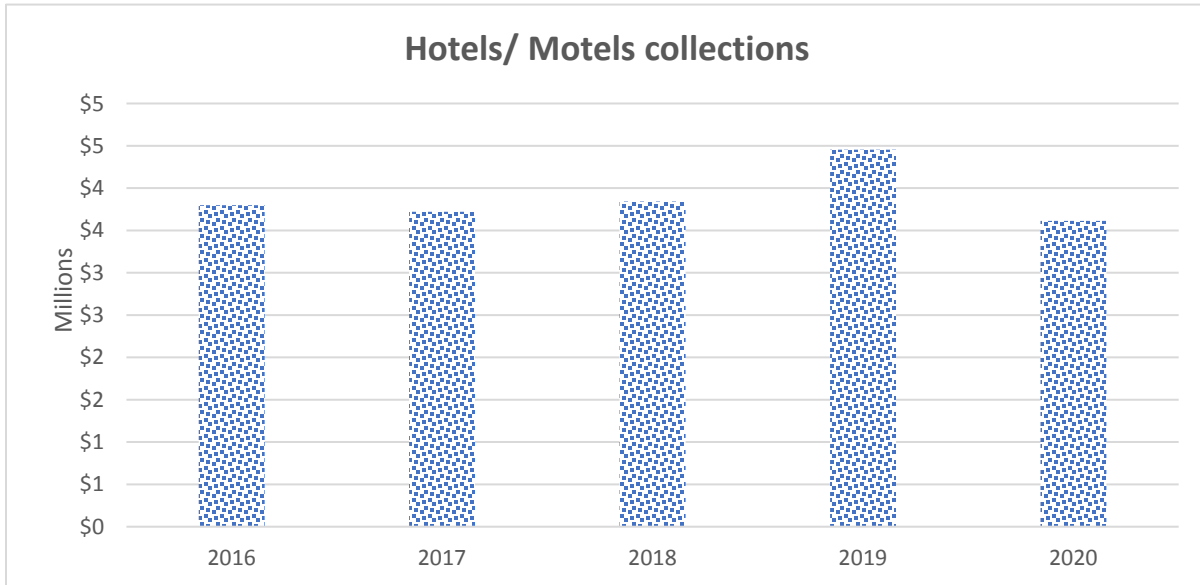
Graph 1 Source: Tax Office end of year report



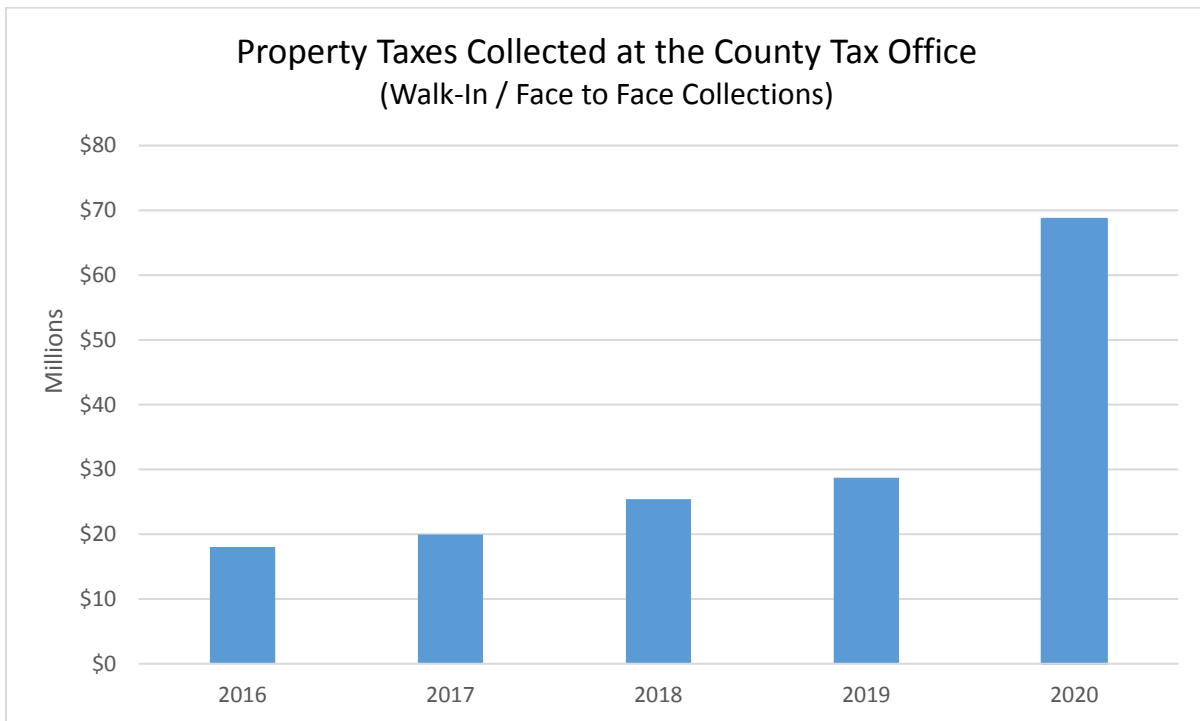
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Graph 2 Source: Tax Office end of year report



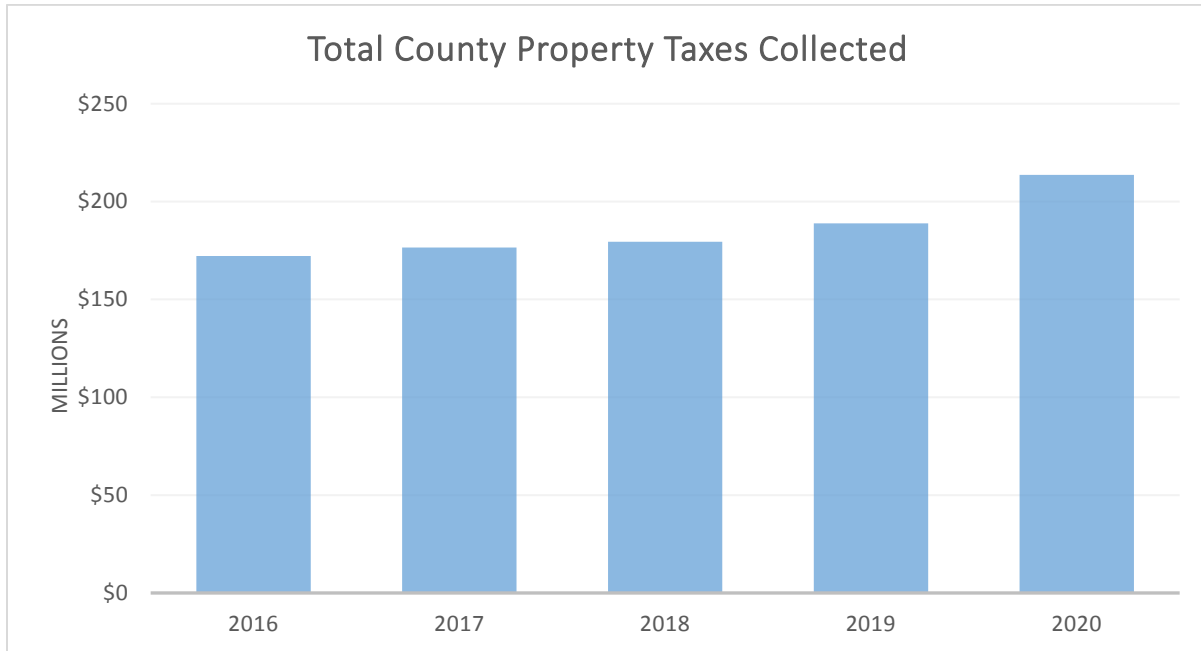
Graph 3 Sources: Tax Office records



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Graph 4 Source: Tax Office end of year 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. Timely deposits of daily collections in accordance with <i>Local Government Code (LGC) § 113.022</i> .	Satisfactory
2. Functioning appropriate cash controls.	Satisfactory
3. Maintain proper supporting documentation of transactions.	Satisfactory
4. Complete and accurate monthly bank reconciliations for the Ad Valorem account.	Satisfactory
5. Accuracy of reports generated by Tax office.	Satisfactory
6. Appropriate internal controls for refunds.	Satisfactory

SCOPE

The scope of this audit is April 2019 through February 2021.

METHODOLOGY

To achieve the audit objectives we:

- Tested a sample of deposited collections to ensure compliance with *LGC § 113.022*;
- Tested a sample of cash counts for completeness and dual control verification;
- Tested a sample of Beer and wine collections to verify information posted was in accordance with statement declaration by tax payers;
- Reviewed Bingo tax procedures for proper internal controls;
- Reviewed bank reconciliations for completeness and accuracy;
- Compared Beer-Wine Auditors report generated by Tax Office to Tyler cashing deposit reports to determine the accuracy of reports;



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- Reviewed Refund procedures for proper internal controls.

RESULTS

Listed below are control and finding summaries, with observations listed from highest to lowest risk. There were no findings identified in this audit. Please see the Findings and Action Plans section of this report for the status of prior audit management actions plans.

Control Summary	
Good Controls	Weak Controls
<ul style="list-style-type: none"> • Timely deposit of collections. (Obj. 1) • Functioning cash controls (Obj. 2) • Maintain supporting documentation of transactions (Obj. 3) • Complete and accurate monthly bank reconciliations for the Ad Valorem account.(Obj. 4) • Accuracy of reports generated by Tax Office (Obj. 5) • Refunds appropriate internal controls (Obj. 6) 	
Finding Summary	
None	

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

Tax Office met all objectives of this audit. Internal controls are adequate to ensure proper preparation of the Tax Office – Licensing division financial reports. Processes documented appear to be operating efficiently.



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FINDINGS AND ACTION PLANS

Prior Audit Findings Summarized with Current Status

Status

H Closed

1. **Finding: 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.

Recommendation: 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: Tax Office destroyed the prior year decals on August 20, 2019. Policies and procedures will be updated to include replacement procedures for decals.