



COUNTY OF EL PASO  
OFFICE OF THE COUNTY AUDITOR

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11-40

November 19, 2021

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 eight financial controls and four operating controls with a total of 217 samples. There was one finding noted as a result of the audit procedures, which was a prior audit finding. 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: Mrs. Betsy Keller, Chief Administrator  
Mrs. Jo Anne Bernal, County Attorney



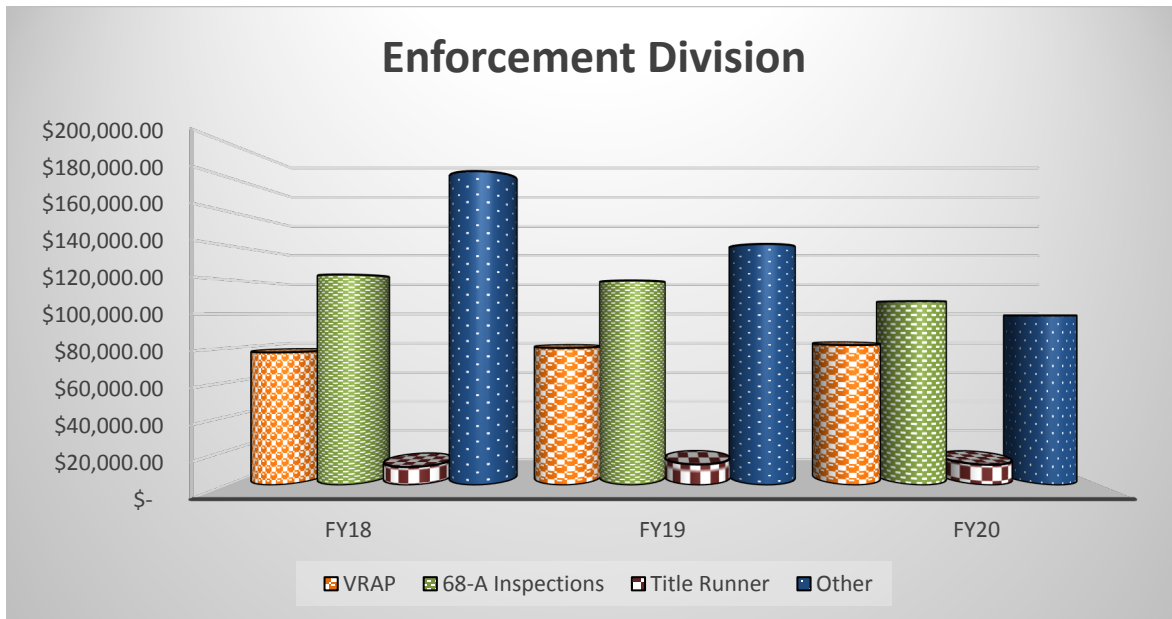
**Tax Office Enforcement Division  
For the period of August 2020 to July 2021**



**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. The Vehicle Inventory Tax Collection involves the prepayment procedure in accordance with Texas Property Tax Code §23.125 to ensure all licensed automobile dealers report and pay their taxes. Statements and tax prepayments must be filed and submitted to the Tax Office by the 10<sup>th</sup> of each month. Civil and criminal penalties are enforced by the Tax Office for failure to file the required declarations and statements timely. The monies are deposited into an escrow account managed by the Tax Office for the purpose of an annual payment for estimated Special Vehicle Inventory taxes to the City of El Paso. Any refunds for overestimations are processed by the County Tax Office. 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. Due to the Covid-19 pandemic, there was a 15% decrease in collections for FY20.



Source: MUNIS

The audit was performed by Hadi Medina, internal auditor. The scope of the last audit performed was August 2019 to July 2020 and the related audit report was issued December 10, 2020.

**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



**Tax Office Enforcement Division  
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**EXECUTIVE SUMMARY**

<b>Business Objective</b>	<b>Control Assessment</b>
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
11. Peace Officer education compliance with <i>Occupations Code § 1701.351</i>	Satisfactory
12. Peace Officer weapon proficiency compliance with <i>Occupations Code § 1701.355</i>	Satisfactory

**SCOPE**

The scope of the audit is August 2020 through July 2021. 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 all 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 all 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.
- 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. Please see the *Findings and Action Plans* section of this report for related details and management action plans for the current finding and status update for the prior audit finding.

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



**Tax Office Enforcement Division  
For the period of August 2020 to July 2021**



**EXECUTIVE SUMMARY**

**Findings Summary**

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 (prior audit issue).

**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.



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



**FINDINGS AND ACTION PLANS**

**Prior Audit Findings Summarized with Current Status**

**H Open**

1. **Finding:** 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.

**Recommendation:** 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.

**Action Plan:** 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. **STATUS:** *As of September 2021, The El Paso County Tax Assessor-Collector has not received a response from County Attorney.*



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



**FINDINGS AND ACTION PLANS**

**Current Audit Findings & Action Plans**

Finding #1		Risk Level <span style="color: red; font-weight: bold;">H</span>
<p><b>68-A Inspections:</b> 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, as per County Attorney opinion O18418. All fees that belong to consumers who missed their appointments should be refunded to avoid any legal risks to El Paso County.</p>		
	<b>Unclaimed Inspections</b>	<b>Total Amount</b>
<b>FY17</b>	213	\$ 8,525.00
<b>FY18</b>	251	\$ 10,040.00
<b>FY19</b>	95	\$ 3,800.00
<b>FY20</b>	220	\$ 8,800.00
<b>Grand Total</b>	<b>779</b>	<b>\$ 31,165.00</b>
<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 (repeat finding).</p>		
<b>Recommendation</b>		
<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>		
<b>Action Plan</b>		
<b>Person Responsible</b>	<b>El Paso County Tax Assessor-Collector</b>	<b>Estimated Completion Date</b>
		<b>November 2022</b>
<p>The El Paso County Tax Assessor-Collector disagrees with the County Attorney’s opinion regarding this matter and has requested a review of Opinion 18418 with the County Attorney’s Office to take into account additional operational facts. As of September 2021, the Tax Office has scheduled many appointments and met on several occasions with the County Attorney in regards to the request to evaluate and issue a new opinion regarding the validity of the outdated opinion referenced above. To date, November 18, 2021, the County Attorney has not yet provided an opinion as to the validity of Opinion 18418 in today’s work environment as requested. The action plan is to wait for the County Attorney to respond with a written opinion as requested.</p>		