



COUNTY OF EL PASO  
OFFICE OF THE COUNTY AUDITOR

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11-25

November 8, 2023

The Honorable Ruben P. Gonzalez  
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 – Auto Registration financial records for January 2021 through December 2023 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 11 financial controls and 3 operational controls using 1000 samples. The audit report includes 2 findings as a result of the audit procedures. 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 black ink, appearing to read "Barbara A. Parker".

for  
Barbara A. Parker  
County Auditor

EAD:RB:ya

cc: Ms. Betsy Keller, Chief Administrator



**County Tax Office  
Auto Registration Audit  
January 2021 through December 2022**

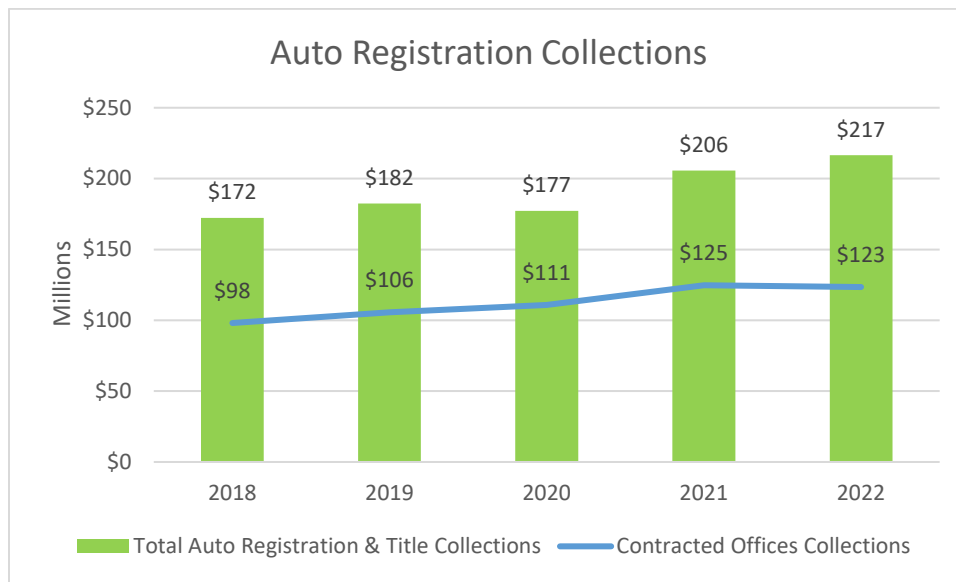


**EXECUTIVE SUMMARY**

**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 11 contracted offices conveniently located throughout the city. The audit was performed by Ruth Bernal, internal auditor senior. The prior Tax Office – Auto Registration audit was issued July 21, 2021.

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 five 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.

| <b>Business Objective</b>  | <b>Control Assessment</b> |
|--|---------------------------|
| 1. Documented Policies and Procedures  | Satisfactory              |
| 2. Timely deposits of daily collections in accordance with <i>Local Government Code §113.022</i> . | Satisfactory              |
| 3. Functioning appropriate cash controls.  | Need Improvement          |
| 4. Complete and accurate bank reconciliations.   | Need Improvement          |
| 5. Tax Assessor- Collector compliance with education requirements of <i>Tax Code §6.31</i>         | Satisfactory              |
| 6. Maintain of supporting documentation.   | Satisfactory              |

**SCOPE**

The scope of this audit is January 2021 through December 2022. Contracted offices are not included in the scope of this audit.



**County Tax Office  
Auto Registration Audit  
January 2021 through December 2022**



**EXECUTIVE SUMMARY**

**METHODOLOGY**

To achieve the audit objectives, we:

- Reviewed collections policies and procedures.
- Performed surprise cash counts as per *Local Government Code §115.0035*.
- Reviewed a sample of daily close out cash counts for completeness and accuracy.
- Reviewed a sample of daily deposits and verified they were deposited in compliance with *LGC §113.022*.
- Reviewed a sample of weekly transfers to Cash Management Audit division to verify that transfers were performed timely according to *Transportation Code §502.198*.
- Reviewed a sample of bank reconciliations for completeness and accuracy.
- Reviewed a sample of credit card transactions match to tender type indicated on RTS.
- Compared a sample of Auto Summary reports with corresponding RTS reports to verify accuracy of monthly reports.
- Requested the state compliance reviews of the plates and placards to verify that Tax Office is maintaining inventory adequately.
- Tested a sample of refunds for proper authorization and adequate supporting documentation.
- Tested a sample of expenses for proper authorization.
- Tested a sample of Non-Sufficient Funds checks (NSF) if they were recuperated.
- Reviewed Tax Assessor-Collector's training certificates for compliance with *Tax Code §6.231*.

**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"> <li>• Documented policies and procedures (Obj. 1)</li> <li>• Timely deposits (Obj. 2)</li> <li>• Education requirements (Obj.5)</li> <li>• Maintain supporting documentation (Obj. 6)</li> </ul>   | <ul style="list-style-type: none"> <li>• Functioning appropriate cash controls. (Obj. 3)</li> <li>• Complete and accurate bank reconciliations (Obj. 4)</li> </ul> |
| Finding Summary   |  |
| <ol style="list-style-type: none"> <li>1. Overages and shortages are not reported to Cash Management Audit division.</li> <li>2. Recycle plates proceeds are not reported nor submitted to the County Treasury.</li> <li>3. Bank reconciliations were not prepared within a reasonable time frame.</li> </ol> |  |

**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.



**County Tax Office Audit  
Auto Registration Audit  
January 2021 through December 2022  
FINDINGS AND ACTION PLANS**



**Prior Audit Findings Summarized with Current Status**

**Status**

**H Closed**

**1. Finding:** A sample of daily cashier reconciliations was tested to ensure cash handling controls were functioning properly. The following was observed:

- 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 receipting 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.

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 information for researching discrepancies. Lack of proper documentation may increase the risk of incorrect information reporting and possible fraud.

**Recommendation:** 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.

**Action Plan:** 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.

**H Closed**

**Finding:** – 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:

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%) of 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.

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.

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.



**County Tax Office Audit  
Auto Registration Audit  
January 2021 through December 2022  
FINDINGS AND ACTION PLANS**



**Status**

**Recommendation:** We recommended the Tax Office follow existing procedures or evaluate and update their payments received by mail procedures and documents utilized for proper acknowledgement, recording and management approval to ensure they are still efficient.

**Action Plan:** 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.

**Current Audit Findings & Action Plans**

| Finding #1   |                        | Risk Level <span style="color: red;">H</span> |                    |                        |                           |                   |   |  |  |  |
|--|------------------------|---|--------------------|------------------------|---------------------------|-------------------|---|--|--|--|
| <p><b>Overage and shortages monthly reporting</b> – Office cash overages and shortages have not been reported to the Auditor’s Office since April 2020, even after repeated requests for information. Per County Auditor Cash Handling Policy, the El Paso County Attorney has determined that Texas courts have strictly enforced the obligation of a public officer to account for and pay over all public money received. Further, shortages may not be forgiven or offset with overages. The Tax Office submits fee reports on a weekly and monthly basis, in which overages and shortages are to be reported.</p> |                        |   |                    |                        |                           |                   |   |  |  |  |
| <p><b>Recommendations</b></p> <p>Tax Office must report the cash overage and shortages on the weekly and monthly reports submitted to the Auditor’s Office for transparency reporting and policy compliance.</p>   |                        |   |                    |                        |                           |                   |   |  |  |  |
| <p><b>Action Plan</b></p> <table border="1"> <thead> <tr> <th>Person Responsible</th> <th>Tax Assessor-Collector</th> <th>Estimated Completion Date</th> <th>November 30, 2023</th> </tr> </thead> <tbody> <tr> <td colspan="4"> <p>Although the Tax Assessor does not agree that these public funds are County Funds, but believes they belong to the State under TRC 502.198, the Tax Office will provide overage and shortage reports on a monthly basis.</p> </td> </tr> </tbody> </table>   |                        |   | Person Responsible | Tax Assessor-Collector | Estimated Completion Date | November 30, 2023 | <p>Although the Tax Assessor does not agree that these public funds are County Funds, but believes they belong to the State under TRC 502.198, the Tax Office will provide overage and shortage reports on a monthly basis.</p> |  |  |  |
| Person Responsible   | Tax Assessor-Collector | Estimated Completion Date                     | November 30, 2023  |                        |                           |                   |   |  |  |  |
| <p>Although the Tax Assessor does not agree that these public funds are County Funds, but believes they belong to the State under TRC 502.198, the Tax Office will provide overage and shortage reports on a monthly basis.</p>  |                        |   |                    |                        |                           |                   |   |  |  |  |

| Finding #2  |                        | Risk Level <span style="color: red;">H</span> |                    |                        |                           |         |  |  |  |  |
|---|------------------------|---|--------------------|------------------------|---------------------------|---------|--|--|--|--|
| <p><b>Recycled License Plates</b> – Recycled surrendered license plate proceeds are not reported nor submitted to the County Treasury. Per office procedures, license plates surrendered to the County Tax Office, are defaced and disposed of via a local recycling center. When questioned regarding the fees collected, the Tax Assessor cited the Texas Department of Motor Vehicle Registration manual, which allows for plate recycling, but does not state procedures for proceed collections and submission. These funds are remitted to neither the State nor the County and instead are used for internal office purposes. Collections from whatever source when involving the duty of a public officer must be reported and remitted to the County Treasurer per County Cash Handling Policy and Article 16, Section 61 of the Texas Constitution.</p> |                        |   |                    |                        |                           |         |  |  |  |  |
| <p><b>Recommendations</b></p> <p>We recommend proceeds from recycled surrendered plates be submitted and reported to the County Treasury in a timely matter.</p>  |                        |   |                    |                        |                           |         |  |  |  |  |
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| Person Responsible  | Tax Assessor-Collector | Estimated Completion Date                     | Pending            |                        |                           |         |  |  |  |  |
| <p>The Tax Assessor does not agree with the recommendation and requests that an opinion regarding the origination and use of the stated proceeds be sought from the County Attorney.</p>  |                        |   |                    |                        |                           |         |  |  |  |  |