



El Paso County
OFFICE OF THE COUNTY AUDITOR

05-29

May 28, 2025

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 January 2024 through December 2024 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 five financial controls and one operating control with a total of 92 samples. There was one finding 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,

Barbara Parker
County Auditor

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Attachments

cc: Ms. Betsy Keller, Chief Administrator





Tax Office
Licensing Division & Ad Valorem Account Audit
January 2024 through December 2024



EXECUTIVE SUMMARY

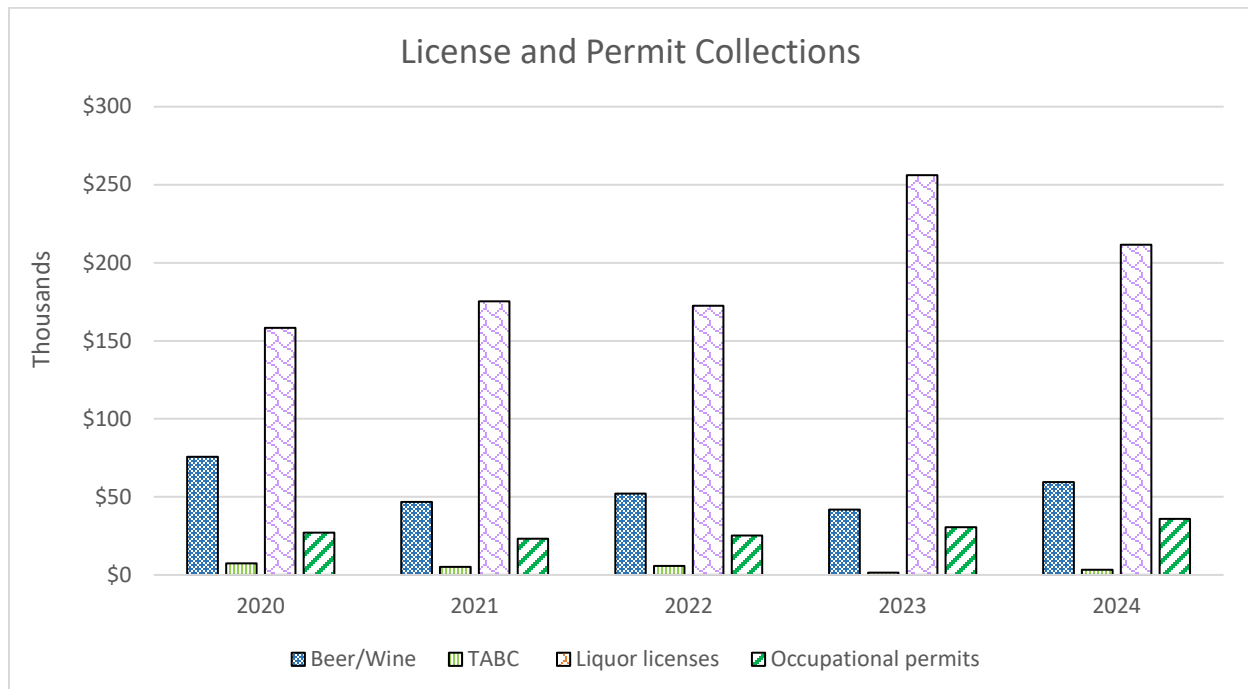
BACKGROUND

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. The Tax Office also receives a monthly 5% beer application fee commission from the Texas Alcoholic Beverage Commission (TABC).

The County Tax Assessor-Collector is also required to collect taxes on property in El Paso County for the County and, under certain conditions, for other taxing units (Tax Code Sec. 6.23). To better serve the citizens of El Paso County, since 1986 an interlocal agreement between the County of El Paso, The City of El Paso and 38 other taxing entities allows the City of El Paso to collect property taxes for all participating taxing entities. . The City distributes taxes collected to the appropriate taxing entities. The Tax Office collects property tax payments from walk in customers and sends those payments to the City per the interlocal agreement. The City reports and sends County property taxes to the County Tax Assessor-Collector who accepts, approves, and deposits County property taxes into the County's consolidated fund.

The current County Tax Assessor-Collector has been in Office since 2015. The audit was performed by Letty Dominguez, internal auditor certified I. The prior audit report was issued on July 25, 2024, with no findings.

The Tyler Cashiering system is used for departmental daily collections. Data from this system is then uploaded to the Enterprise ERP financial system. The following charts show collections for beer & wine, TABC commissions, liquor licenses, occupational permits, hotel/motel taxes, and property taxes over a five-year period.



Source: El Paso County Funds and Fees of Office Report



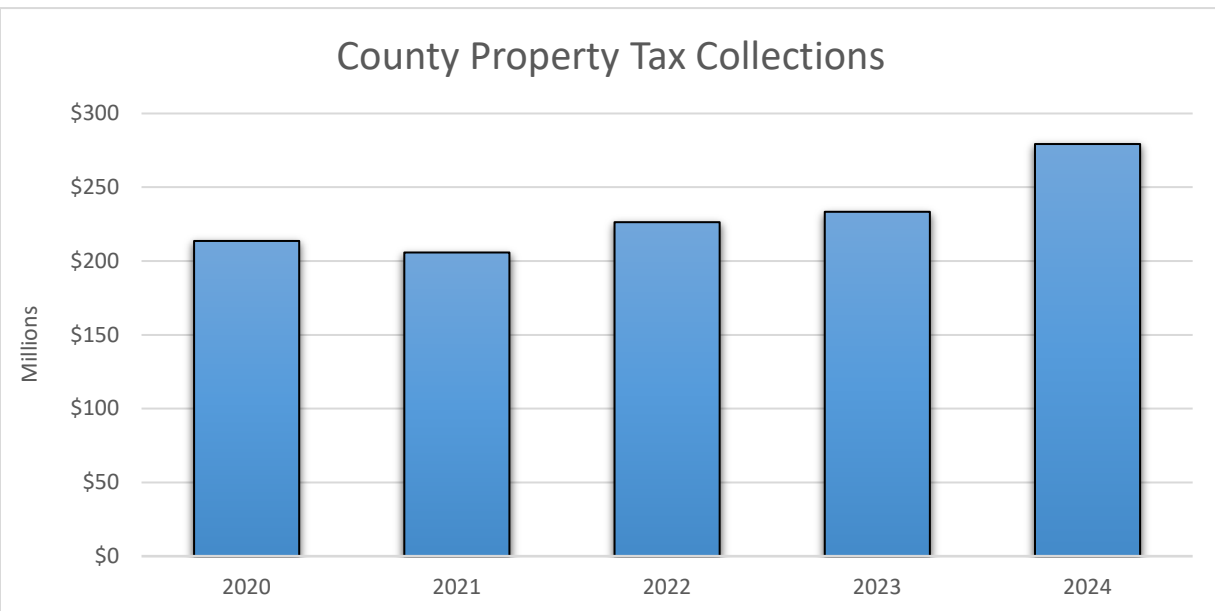
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EXECUTIVE SUMMARY

AUDIT OBJECTIVES

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.

Business Objectives	Control Assessment
1. Functioning appropriate cash controls	Satisfactory
2. Compliance with timely deposit law <i>Local Government Code (LGC) §113.022</i> and complete deposit documentation	Satisfactory
3. Complete, accurate and timely monthly bank reconciliations for the Ad Valorem account	Satisfactory
4. Hotel/motel occupancy taxes are billed and payments are received timely	Satisfactory
5. Compliance with Texas Occupations Code §2001.504 and §2001.508	Needs Improvement
6. Documentation of updated policies and procedures	Satisfactory

SCOPE

The scope of the audit is January 2024 through December 2024.

METHODOLOGY

To achieve the audit objectives, we:

- Performed a surprise cash count in accordance with Local Government Code (LGC) §115.0035
- Tested a sample of deposited collections to ensure compliance with LGC §113.022
- Reviewed bank reconciliations for completeness, accuracy and timeliness
- Compared a sample of Texas Comptroller of Public Accounts hotel/motel taxable receipts to tax office statements and receipts to verify timely receipt of the 2.5% occupancy tax
- Reviewed bingo award fees for accuracy and timely payments to ensure compliance with Texas Occupations Code §2001.504 and §2001.508
- Reviewed policies and procedures for completeness and updates

RESULTS

Listed below are control and finding summaries, with findings listed from highest to lowest risk. There was one finding identified in this audit.

Control Summary	
Good Controls	Weak Controls
<ul style="list-style-type: none">• Functioning appropriate cash controls (Obj. 1)• Timely bank deposits and proper documentation (Obj. 2)• Complete, accurate and timely monthly bank reconciliations for the Ad Valorem account (Obj. 3)• Hotel/motel occupancy tax procedures (Obj. 4)• Documentation of policies and procedures (Obj. 6)	<ul style="list-style-type: none">• Bingo award fee tax procedures (Obj. 5)
Finding Summary	
1. 18% of bingo payments sampled were not compliant with the Texas Occupations Code §2001.504 and §2001.508	



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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 Tax Office Licensing division met five of the current six objectives of this audit. The Tax Office management is aware and has implemented improvements to address the audit finding and improve internal controls. Implementation of the recommendations provided in this report should assist the Tax Office in producing complete and accurate financial reports by strengthening their internal control structure.



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FINDINGS AND ACTION PLANS

Current Audit Findings

Finding #1		Risk Level M	
<p><u>Bingo Award Fees</u> - Eleven bingo award fee payments (100% of population) were reviewed for timely payment, accuracy, and statutory compliance. Two sampled payments (18%) were not paid in a timely manner, and no penalties or interest were assessed as required by the Texas Occupations Code <i>§2001.504 and §2001.508</i>. One sampled payment was within the 5-day grace period. The grace period allowance has been included in the updated policies and procedures. The second payment did not collect \$181.24 in late fees. Furthermore, policies and procedures for assessing penalties and interest are not documented. Failure to properly assess and bill for penalties and interest on Bingo Award Fee quarterly statements could result in uncollected revenue.</p>			
Recommendation			
<p>The Tax Office should revise the Bingo Award Fees quarterly statement to include penalties and interest and collection attempts should be made on late fees. Late fee penalty billing and collection procedures should be documented in the Tax Office policies and procedures manual.</p>			
Action Plan			
Person Responsible	Patricia Ozuna	Estimated Completion Date	4/23/2025
<p>The Tax Office accepted the recommendation to revise the quarterly statement and has implemented the changes. The Tax Office indicated they will not attempt to collect on the owed fees and interest.</p>			