



**DALLAS COUNTY
COUNTY AUDITOR**

Memorandum

TO Honorable John R. Ames, CTA
Tax Assessor - Collector

FROM Virginia Porter *Virginia Porter*
County Auditor

SUBJECT Tax Office – Review for Period Ending December 2011

DATE Issued: May 10, 2012
Released: July 13, 2012

SCOPE

We performed ongoing reviews on the financial records and operational processes of the Dallas County Tax Office for the 2011 calendar year. The Tax Assessor-Collector collects ad valorem taxes, vehicle registration fees, vehicle surcharges, certificate of title fees, vehicle sales taxes, title service and runner license fees, beer and wine license fees, liquor fees, occupation sticker fees, scofflaw fees, and special inventory taxes. Approximately \$3.7 billion in receipts were collected and processed by the Tax Office during the fiscal year ending September 30, 2011.

PROCEDURES

Internal control issues on operations are evaluated on an ongoing basis with exceptions briefed to key staff of the Tax Assessor-Collector and the County Auditor throughout the year. Controls are categorized and evaluated using risk assessment techniques. A random sampling of the total activity was selected for certain procedures, while others were reviewed in their entirety. Review steps included, but were not limited to the following:

A. Appraisal & Collection Technologies (ACT) System - Property Tax Levy Processing

- Program enhancement
- Remittances to other entities and delinquent tax collection law firm
- Monthly ad valorem tax collection reports
- Internet collections of property taxes
- Refunds generated to reapply payments posted to the United Governmental Services Association (UGSA) / ACT systems

B. Accounting / Reconciliation

- Bankruptcy payments received from trustees
- Bank reconciliations and Automated Clearing House (ACH) transfers
- Proofs of Cash
- Refunds to taxpayers and overpayments
- Undisbursed refunds
- Weekly Registration and Title System (RTS) reports and related ACH transfers
- Manual NSF processing
- Remittance Processing System (RPS) processing

C. Security – Cash and Technology

- Security for ACT tax system, including authorization for voided transactions
- Manual cash handling procedures
- System voids
- Online processing
- Remittance processing system

D. Tax Exemptions & Abatements

- Tax increment finance (TIF) districts
- Abatements and historic exemptions
- Agriculture (AG) rollbacks

E. Employee Development and Training:

- Training and procedures on applications, billings and payments for liquor, beer and wine
- Incentive programs for Motor Vehicle (MV) and Customer Care Center (CCC)

F. Non-Property Tax Activity

- Special inventory
- Beer and wine
- Vehicle registration
- Third-party reports and remittance of internet collections of MV registrations
- Special tax
- Purchasing procedures
- Contracts
- Scofflaw

FY2011 Statistical Information

- Over \$3.7 billion in receipts processed
- Over 797,821 property tax accounts
- Over 2,084,000 registration transactions
- Over 588,000 title transactions
- 69 entity property tax or special assessment collections
- Over 33,000 credit /debit card transactions
- Over 24,000 e-checks transactions

Our Consideration of the control environment over financial reporting incorporated a review of standard risk elements:

- Authority and responsibility
- Size and complexity of operations
- Management philosophy
- Organizational structure
- Technology policies
- Other economic and political issues

While inherent risks for the property tax and MV divisions are high due to approximately \$3.7 billion in receipts processed, significant contracts, and extensive regulatory codes, the attitude and action of management provide discipline and structure.

No irregularities or intentional misstatement or omission in fraudulent or misleading statements were identified during our review. However, we have identified processes with differing risk factors for consideration by management. Overall risks are considered normal or low unless otherwise noted.

FINDINGS, OBSERVATIONS AND DISCLOSURES

A. ACT System - Property Tax Levy and Collections Processed

1. Backdated payments – Waivers of penalty and interest are approved by management after review of supporting documentation. Payments received after the delinquency date, but recorded in ACT with backdated receipts were minimal. Reasons noted for backdating included: lost or returned check / payment not processed; tax statement not received; refunded in error; and DCAD clerical error.
2. Pre-conversion refunds – The system conversion from UGSA to ACT in July 2008 included overpayments or erroneous payments pending refund within UGSA that were transferred to ACT, and considered pre-conversion refunds. Beginning in fiscal year 2011, letters were sent to the taxpayer on the affected accounts requesting proof of payment. These refunds are greater than 3 years old and require a special briefing per the property tax code. As of April 3, 2012, there was approximately \$4.88 million outstanding as pre-conversion refunds.
3. Levy adjustments – The 2011 Certified Tax Roll received from DCAD and other appraisal districts were uploaded into ACT on October 3, 2011. Supplemental monthly tapes from DCAD containing levy adjustments (taxable value / exemption changes), address changes, and deed transfers were also uploaded into ACT. Manual input of levy adjustments were performed for Ellis, Kaufman and Rockwall counties. Also, certain manual input of levy adjustments, including agreed judgments from DCAD, were performed due to potential Tax Code penalties when refunds are not made within the statutory timeframes.
4. Agreed judgments – Over 1,000 property appraisal cases affecting 4,700+ accounts were filed against DCAD, resulting in a \$3.5 million reduction of the 2010 Dallas County taxable levy after entry of final agreed judgments by the court. As of February 9, 2012, 753 property appraisal cases affecting 2,598 accounts were filed against DCAD. Tax Office workload is increased to process not only levy adjustments, but any potential refunds as well.

B. Accounting / Reconciliation

1. Refund of overpayments or erroneous payments over \$5,000 – 140 refund requests (22,438 Account 715 checks printed in FY2011) totaling approximately \$1.2 million were submitted by the Tax Office for review including 54 which required special briefings for unclaimed refunds over three years old. Procedures implemented by the Property Tax Refund Manager have improved the overall refund process.
2. Over disbursements to entities – As of September 30, 2011, approximately \$143,115 remained as a balance due from the entities. As of November 30, 2011, the balance due had been reduced to \$62,762. These overpayments include old unadjusted remittance errors and current processing of agreed judgments which lowers the taxable value / levy on accounts previously paid. The ACT system recognizes credits created by levy adjustments immediately, reducing remittances available from current collections and places the credit in a “refund bucket.”
3. Unclaimed funds – Property Tax Refund Account 715 – A review of outstanding checks from the Property Tax Refund Account 715 register revealed 4,151 outstanding checks (100% of population) totaling \$3.75 million as of September 30, 2011. We noted the following for checks greater than three years old: 349 checks that were \$100 or less, totaling \$13,799; and 429 checks that were greater than \$100, totaling \$423,115. In June 2011, 1097 old outstanding checks totaling \$754,729 were escheated to the County by the Tax Office.

In June 2011, the Tax Office transferred unclaimed overpayments totaling \$5,008,603 to the General Fund.

Status: As of 03-20-2012, the Tax Office created a formal Outstanding Check Write-off procedure.

4. Unclaimed funds – Registration, Title, and Sales Tax Account 710 - A review of outstanding checks from the Registration, Title, and Sales Tax Account 710 register revealed 2,800 outstanding checks totaling \$194,153 as of September 30, 2011. We noted the following for checks greater than three years old: 1,621 checks that were \$100 or less, totaling \$50,173; and 167 checks that were greater than \$100, totaling \$74,203. In addition, old checks from substation accounts totaling \$5,787 remain outstanding.

Documentation to support research on the outstanding checks to determine the proper disposition was not evidenced.

5. Unclaimed funds – Beer & Wine Account 713 - A review of outstanding checks from the Beer & Wine Account 713 register revealed six outstanding checks (100% of population) totaling \$930 as of September 30, 2011. We noted the following for checks greater than three years old: two checks that were \$100 or less, totaling \$92; and three checks that were greater than \$100, totaling \$833.

Documentation to support research on the outstanding checks to determine the proper disposition was not evidenced.

Status: As of 03-20-2012, the Tax Office created a formal Outstanding Check Write-off procedure.

6. Unclaimed funds – Special Inventory Tax (SIT) Account 718 - A review of outstanding checks from the Special Inventory Tax Account 718 register revealed 121 outstanding checks (100% of population) totaling \$57,978 as of September 30, 2011. We noted the following for checks greater than three years old: 76 checks that were \$100 or less, totaling \$1,843; and 29 checks that were greater than \$100, totaling \$33,641.

Documentation to support research on the outstanding checks to determine the proper disposition was not evidenced.

Status: As of 03-20-2012, the Tax Office created a formal Outstanding Check Write-off procedure.

7. Unclaimed funds – Undisbursed Funds Account 719 - A review of outstanding checks from the Undisbursed Funds Account 719 register revealed seven (7) outstanding checks (100% of population) totaling \$2,350 as of September 30, 2011. We noted the following for checks greater than three years old: two checks that were \$100 or less, totaling \$105; and five checks that were greater than \$100, totaling \$2,245.

Documentation to support research on the outstanding checks to determine the proper disposition was not evidenced.

Status: As of 03-20-2012, the Tax Office created a formal Outstanding Check Write-off procedure.

Bank reconciliations (modified to account for lack of ledger control balances) are completed timely with supervisory review noted. While current reconciling items are investigated and cleared timely, old reconciling items remain unresolved for most accounts.

On June 30, 2011, approximately \$6.9 million of uncollectable receivables from personal property accounts for tax years 2001 through 2006 were transferred to the dead / inactive roll. Property Tax Code Section 33.05 (a) (1) states in part that personal property may not be seized and a suit may not be filed to collect a tax on personal property that has been delinquent more than four years.

C. Security – Cash and Technology

Internal controls – payment processing / handling - Review of daily close out reports and deposit transactions revealed material compliance with limited cash shortages noted.

Status: All funds were subsequently recovered or shortages repaid by staff.

Procedures to detect counterfeit bills and affirm cashier responsibility are documented and monitored by supervisory staff. Three bank debits for \$100 each were recorded on Property Tax Account 714 in FY2011 with one noted as a counterfeit bill by Tax Office staff.

Manual Receipt Books – Incomplete controls related to tracking and monitoring of manual receipt books were noted.

System Controls: Roles / Rights – ACT report ‘Dallas County List of the Users and Granted Roles’ (User Access List) is not reviewed on a periodic basis. One generic user name (DC01) used by various law firm programmers with complete system rights as of February 20, 2012. Some users were granted unnecessary rights in correlation with job functions/descriptions. Eleven instances of law firm staff with ‘Cashier’, ‘Clerk’, and/or ‘Roll Maintenance’ roles active in Production.

E-Commerce Payment - On September 7, 2010, Commissioners Court approved (Court Order No. 2010-1499) a contract with JPMorgan Chase Bank to provide electronic payment processing services for the Tax Office through acceptance of credit card, debit card, and e-checks for the payment of property taxes or other services. The Tax office receipted approximately 57,882 e-commerce payments totaling over \$198 million for FY2011.

Security Enhancements – In November 2011, the Tax Office completed security enhancements to their operations with the installation of 107 cameras and 27 door access readers at their downtown and substation locations. The asset purchase and installation costs totaled approximately \$460,000 with annual maintenance costs projected to be approximately \$20,000. Annual maintenance costs include automatic software upgrades and a one-year warranty on the hard assets, as well as, the labor cost.

D. Tax Exemptions, Abatements and TIFs

The County disbursed a total of \$2,928,599 to Tax Increment Financing (TIF) Districts during calendar year 2011 for the Tax Year 2010 increment.

E. Employee Development and Training

Employee incentives - A total of \$156,538 was spent on employee incentive programs for fiscal year 2011. The Motor Vehicle section received \$135,212 in incentive pay and benefits for 101 employees during the year, averaging \$1,339 per employee. The Customer Care Center (CCC) section received \$21,326 in incentive pay and benefits for 17 employees during the year, averaging \$1,254 per employee.

F. Non-Property Tax activity

Special Inventory Tax (SIT) Account 718 – Interest earned on the Special Inventory funds (Account 718) in the amount of \$13,343 was spent on travel and conference expenses and office construction costs during the 2011 calendar year for Tax Office administrative staff without allocating expenses that are directly or indirectly related to the administration of the account. Property Tax Code Section 23.122 states the funds may be used to defray the cost of administration of the prepayment procedure and may not be used for general office expenses of the Tax Assessor - Collector unrelated to the cost of administering the program.

FY2011 Special Inventory Tax budget included salary allocations for positions with involvement in the special inventory prepayment process not specifically justified.

Beginning 2010, a new program to track the escrow receipts from the dealers, “Special Inventory Tax” (SIT), was developed with the assistance of the law firm that handles the ACT property tax software system. The program interacts with the property tax system, allowing for efficiencies through task automation. The program is operational and was successfully used to account for the 2011 escrow receipts. The escrow disbursements to the taxing entities were effected through the ACT system. Program enhancements and testing are still on going.

Motor vehicle sales tax collections and remittances to State Comptroller – Wire transfers to the State for sales tax collections were not made in accordance (daily as collected) with Tax Code § 152.121(a)(3). Settlement of the sales tax collections take place from four to seven business days after the effective RTS receipts dates.

Scofflaw Program – As of September 30, 2011, six cities have entered into contracts under Section 702.003 of the Texas Transportation Code with Dallas County to submit information on offenders who owe fines and fees to the cities. The records of such vehicle owners are flagged (‘scofflaw’) by TXDOT. In accordance with the statutes, the Assessor-Collector may refuse to register such vehicles until the fines and fees are paid (to the participating cities / to justice of the peace courts for county traffic cases) or other arrangements have been made. Service fees of \$163,957 were earned and billed for the period ended September 30, 2011 with service fee revenue received deposited to the County’s general fund.

Registration Renewals – Subcontractors’ Work Processing – Additional internal controls were implemented during calendar year 2011 to include supervisory maintenance and review of the subcontractor’s database in order to timely identify missing or unaccounted receipt transactions (gaps in weekly work).

Title Service License and Title Service Runner Fees – The Tax Office established a Motor Vehicle Title Services and Title Services Runner License policy effective September 1, 2006, in accordance with Transportation Code §502.051 thru 520.063. The policy includes a schedule of fees for annual licenses and replacement photo identification fees. The funds are deposited and retained in the Registration, Title, and Sales Tax Account 710. Expenses for background checks and facilities have been paid by the Tax Office from collected funds. As of September 30, 2011, a balance of \$201,126 remains in Account 710. General Fund revenue and expenditures are understated when activity occurs outside of the County’s official financial system. Current practice is not in compliance with V.T.C.A., L.G.C., § 111 and 112, or Generally Accepted Accounting Principles (GAAP).

Registration by mail or electronic means – service charge – The Tax Office collects a \$1 fee from each applicant in accordance with Transportation Code, § 502.101 for motor vehicle registrations by mail or electronic means. The statute indicates that the service charge shall be used to pay the costs of handling and postage to mail the registration receipt and insignia to the applicant. Collected funds are deposited

and retained in the Registration, Title, and Sales Tax Account 710. Postage paid directly from Account 710 is periodically loaded to the motor vehicle section postage meter for the postage costs of returning the registration receipt and insignia to the customer. UPS parcel package expenses unrelated to the collection of the \$1 registration service charge are also paid from the retained funds. Most of the excess postage funds are transferred annually to the General Fund to offset the handling costs. In November 2011, the Tax Office transferred \$100,000 to the General Fund. As of December 2011, a balance of \$210,404 remained in Account 710. Postage needs not associated with registering by mail or the Internet should be included in the annual budget. General Fund revenue and expenditures are understated when activity occurs outside of the County's official financial system

RECOMMENDATIONS

Specific recommendations regarding management responsibility for establishing and maintaining internal controls are included in the attached findings / observations templates and should be read in conjunction with this letter.

Most matters of internal control can be adequately addressed by reconciliation objectives and quality control review processes. Cash handling and system security weaknesses can be addressed by supervisor review and segregation of duties.

TAX OFFICE RESPONSES

The Dallas County Tax Office respectfully submitted responses to each of the 13 attached Observations / Findings. We agreed with nine of the item, disagreed with two, and one we both agreed and disagreed with. As in past years, we appreciate working together with the Auditor's Office and recognize the value of that good relationship. We encourage the Auditor's Office to continue to be diligent in their efforts of making a better Dallas County for all Citizens while remembering the enormous scope and magnitude of the volume of transactions and dollars that the Tax Office works with on a daily basis. We believe all the items mentioned in this audit are of importance, but recognized that there are no material deficiencies and that many of the items mentioned have already been discussed between the two departments and changes have been made where needed and based upon realistic resources. It is an art to run a department as large as the Dallas County Tax Office on the limited resources provided and remain diligent in the pursuit of Excellent Service, Innovative Technology and Quality Collections. We are pleased to strive for that perfection daily.

SUMMARY

This report is intended for the information and use of the Tax Office. Our review was conducted on a test basis and was not designed to identify all deficiencies in internal control. The results of the review did not note any significant deficiencies.

Management is responsible for the establishment and maintenance of effective internal control and compliance with applicable laws, regulations, and contracts. Ongoing risks are inherent in the property tax and motor vehicle divisions due to the high dollar transactions, volume of transactions, complexity of both contracts and laws and the reliance on technology.

Processing errors are minimal considering volume. Emphasis on outlined procedures by management should provide for improved departmental processes. Implementation of the recommendations should strengthen internal control and compliance with Dallas County policies and procedures and State statutes.

cc: Commissioners Court
Ryan Brown, OBE
Honorable Judge Martin Lowy, LADJ



Finding / Observation Number: 2011-TD-01-A1
Date: April 6, 2012
Audit: Tax Office
Auditor(s) Assigned: MB / TG

<p>Finding / Observation:</p>	<p>ACT System - Backdated Payments</p> <p>Review of approximately 40,000 property tax payments (excludes lockbox postings of mortgage tapes, credit card payments, and matched mail payments) from the Daily Deposit Proof Teller reports posted to the ACT system after the delinquency date revealed <u>minimal</u> 144 (0.36%) <u>payments backdated</u> without assessment of penalty and interest. Processing risks are identified regarding backdating and addressed by management.</p>
<p>Workpaper Reference: (or other method by which finding / observation was identified)</p>	<p>Daily Deposit Proof Teller reports</p> <p>Penalty & Interest audit on-line worksheets reflecting 144 backdated property tax payments totaling \$1,006,325.</p> <ol style="list-style-type: none"> 1. Tax Office refunded = 46 (31.94%) 2. Taxpayer did not receive statement / statement error = 27 (18.75%) 3. Tax Office lost check / taxpayer payment not processed = 21 (14.58%) 4. DCAD clerical error = 20 (13.9%) 5. Tax Office returned check = 11 (7.64%) 6. Other = 19 (13.19%)
<p>Condition: (Describe the current condition)</p>	<p>Property tax payments are remitted via the U.S. mail or through other mail courier services, paid in person at the downtown or substation offices by cash, check, money order, or cashiers check, or paid online via "electronic payment". Cash payments received by the tellers are counted in the presence of the payer. Tellers handling over-the-counter payments review payment documentation including tax statements presented by the taxpayer. The ACT system is accessed for receipting payments. Tax payments are posted to the correct account with an effective date that corresponds to the business date received. Computer receipts and any change from cash payments are provided to the customers by the tellers. Posting accuracy is high.</p> <p>A large volume of mailed taxpayer payments are received towards the end of January each year. Payments postmarked prior to the delinquency date but not received until after January 31st, require special handling and posting with an effective date of January 31st for payments posted in February. Most mail payments are processed through the Remittance Processing System (RPS). Other mail payments are processed by tellers and other staff within the Property Tax Section. Mismatched payment coupons are generally detected to prevent unclear payments posted to the wrong account(s). Misapplied payments may trigger refunds to be issued in error or accounts to reflect past due balances.</p> <p>Successful "electronic payments" (from Internet applications) are uploaded to ACT through an established interface process using date of payment. Occasionally, payments may be rejected by ACT requiring research by Tax Office staff to resolve. Certain conditions may cause Internet "electronic payments" to appear completed and provide a confirmation number to the payer, but fail funds settlement by the issuing card bank.</p> <p>The ACT system contains system functionality that allows delinquency dates to be</p>



	<p>established for original certified rolls and supplemental processing. Calculated tax base levy balances due are reflected in ACT, including any unpaid penalty and interest, and other fees. Certain user rights/roles allow backdating of payment effective dates. Circumstances may warrant backdating. Processes include supervisor review and documentation are established, but inherent weaknesses exist within the system.</p>
<p>Criteria: (Describe the optimal condition)</p>	<p>Standard accounting and system control procedures require daily reconciliation and balancing of collected funds with receipts promptly issued for the amount of funds tendered, all funds received properly secured, and deposited consistent with state law.</p> <p>Management review of payment reports especially with respect to backdating payments should occur testing all payment date overrides in accordance with statute. Assigned duties for cash controls are adequately separated.</p> <p>E-Commerce requires information processing controls to test that transactions completed through computerized applications are valid, properly authorized, and completely and accurately processed and reported.</p> <p>According to V.T.C.A., L.G.C., § 130.003. PAYMENT CONDITIONAL. (a) The acceptance of a check or credit card invoice for the payment of a fee or tax does not constitute payment of the tax of fee. The fee or tax is not considered paid until the check is honored by the bank on which the check is drawn or the credit card invoice is honored by the issuer.</p> <p>According to Tax Code, § 1.06. EFFECT OF WEEKEND OR HOLIDAY. If the last day for the performance of an act is a Saturday, Sunday, or legal state or national holiday, the act is timely if performed on the next regular business day.</p> <p>According to Tax Code, § 1.07. DELIVERY OF NOTICE. c) A notice permitted to be delivered by first-class mail by this section is presumed delivered when it is deposited in the mail. This presumption is rebuttable when evidence of failure to receive notice is provided.</p> <p>According to Tax Code, § 1.08. TIMELINESS OF ACTION BY MAIL. When a property owner is required by this title to make a payment or to file or deliver a report, application, statement, or other document or paper by a specified due date, his action is timely if:</p> <ol style="list-style-type: none"> (1) it is sent by regular first-class mail, properly addressed with postage prepaid; and (2) it bears a post office cancellation mark of a date earlier than or on the specified due date and within the specified period or the property owner furnishes satisfactory proof that it was deposited in the mail on or before the specified due date and within the specified period. <p>According to Tax Code, § 31.01. TAX BILLS. (a) Except as provided by Subsections (f) and (i-1), the assessor for each taxing unit shall prepare and mail a tax bill to each person in whose name the property is listed on the tax roll and to the person's authorized agent. The assessor shall mail tax bills by October 1 or as soon thereafter as practicable.</p> <p>(g) Except as provided by Subsection (f) of this section, failure to send or receive the tax bill required by this section does not affect the validity of the tax, penalty, or interest, the due date, the existence of a tax lien, or any procedure instituted to collect a tax.</p> <p>According to Tax Code, § 31.02. DELINQUENCY DATE. (a) Except as provided by Subsection (b) of this section and by Sections 31.03 and 31.04 of this code, taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.</p>



	<p>According to Tax Code, § 31.06. MEDIUM OF PAYMENT. (a) Except as provided by Section 31.061, taxes are payable only as provided by this section. A collector shall accept United States currency or a check or money order in payment of taxes and shall accept payment by credit card or electronic funds transfer.</p> <p>(b) Acceptance by a collector of a check or money order or of payment by credit card constitutes payment of a tax as of the date of acceptance if the check, money order, or credit card invoice is duly paid or honored. If the check, money order, or credit card invoice is not duly paid or honored, the collector shall deliver written notice of nonpayment to the person who attempted payment by check, money order, or credit card. Until payment is made in full by cash or by a check, money order, or credit card that is duly paid or honored, the lien securing payment of the tax remains in effect, whether or not the person receives notice of nonpayment.</p>		
Cause: (Describe the cause of the condition if possible)	Large volume of payments during peak tax season.		
Effect: (Describe or quantify any adverse effects)	Uncollected penalty & interest.		
Recommendation: (Describe corrective action)	<p>Continue management review and staff training.</p> <p>Payment posting procedures should include:</p> <ul style="list-style-type: none"> • Property tax levies, penalties and interest, and other fees are properly assessed, collected, and receipted to the correct tax account based on state law and contractual obligations. • Backdating functionality within ACT is limited to supervisory staff with adequate documentation retained to support backdated payment postings or authorized for tellers on an exception basis during peak tax season. 		
Responsible Department / Organization(s) and Individual(s):	Tax Office		
Management's Response:	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	Respondent: Shirley Jacobson, Chief Deputy Date: 5/25/2012
Comments:	Backdating property tax payments is necessary in required circumstances and as noted above, backdating is minimal. The Tax Office will continue management review over the backdating of payments and authorize as appropriate.		
Disposition:	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration



Finding/Observation Number: 2011-TD-01-A2
 Date: April 6, 2012
 Audit: Tax Office
 Auditor(s) Assigned: TG, AT

<p>Finding/Observation:</p>	<p>ACT System Processing – Pre-Conversion Overpayments/Erroneous Payments</p> <p>A review ACT data for pre-conversion overpayments and erroneous payments as of April 03, 2012 revealed:</p> <ul style="list-style-type: none"> • 6,245 accounts totaling approximately \$4.88 million remain undisbursed from “8017” (RR – Research Required) and “8021” (Escrow for Converted Overpayments) • One account with a negative balance of <\$5,346.56> in “8018” (RL – Refund Letters sent) <p>Response: Negative balance is the result of a duplicate transfer of funds to the County.</p>
<p>Workpaper Reference: (or other method by which finding was identified)</p>	<p>Review of refunds Discussion with Director of Tax Accounting and Property Tax Refund Manager</p>
<p>Condition: (Describe the current condition)</p>	<p>During the 2008 system conversion from the UGSA system to the ACT system, UGSA information was loaded into ACT. Tax Office IT staff and LGBS IT staff used system control totals to validate and balance data migrated to ACT. Pre-conversion overpayments or erroneous payments totaling approximately \$22.5 million were moved into three refund buckets “8017” (RR - Research Required), “8018 (RL – Refund Letters sent) and “8021” as part of the 2008 UGSA to ACT system conversion. Converted UGSA payment transactions are recorded in ACT under the Deposit Status screen. While converted UGSA payment data transfer was partially incomplete (incomplete information for refunds {e.g. name, address, etc.}), a backup file of UGS historical data is available for research by Tax Office staff.</p> <p>\$5,008,603 in unclaimed overpayments over three years old was transferred to the General Fund in June 2011.</p>
<p>Criteria: (Describe the optimal condition)</p>	<p>Quality assurance practices test for conversion accuracy and allow for manual correction of identified anomalies.</p> <p>Tax Code Sec. 31.11. REFUNDS OF OVERPAYMENTS OR ERRONEOUS PAYMENTS.</p> <p>(a) If a taxpayer applies to the tax collector of a taxing unit for a refund of an overpayment or erroneous payment of taxes, the collector for the unit determines that the payment was erroneous or excessive, and the auditor for the unit agrees with the collector’s determination, the collector shall refund the amount of the excessive or erroneous payment from available current tax collections or from funds appropriated by the unit for making refunds. However, the collector may not make the refund unless:</p> <p>(1) in the case of a collector who collects taxes for one taxing unit, the governing body of the taxing unit also determines that the payment was erroneous or excessive and approves the refund if the amount of the refund exceeds:</p> <p>(A) \$5,000 for a refund to be paid by a county with a population of two million or more; or (B) \$500 for a refund to be paid by any other taxing unit; or</p> <p>(2) in the case of a collector who collects taxes for more than one taxing unit, the governing body of the taxing unit that employs the collector also determines that the payment was erroneous or excessive and approves the refund if the amount of the refund exceeds:</p> <p>(A) \$5,000 for a refund to be paid by a county with a population of two million or more; or (B) \$2,500 for a refund to be paid by any other taxing unit.</p>



	<p>(b) A taxing unit that determines a taxpayer is delinquent in ad valorem tax payments on property other than the property for which liability for a refund arises may apply the amount of an overpayment or erroneous payment to the payment of the delinquent taxes if the taxpayer was the sole owner of the property:</p> <p>(1) for which the refund is sought on January 1 of the tax year in which those taxes were assessed; and</p> <p>(2) on which the taxes are delinquent on January 1 of the tax year for which those taxes were assessed.</p> <p>(c) Except as provided by Subsection (c-1), an application for a refund must be made within three years after the date of the payment or the taxpayer waives the right to the refund. A taxpayer may apply for a refund by filing:</p> <p>(1) an application on a form prescribed by the comptroller by rule; or</p> <p>(2) a written request that includes information sufficient to enable the collector and the auditor for the taxing unit and, if applicable, the governing body of the taxing unit to determine whether the taxpayer is entitled to the refund.</p> <p>(c-1) The governing body of the taxing unit may extend the deadline provided by Subsection (c) for a single period not to exceed two years on a showing of good cause by the taxpayer.</p> <p>(d) The collector for a taxing unit shall provide a copy of the refund application form without charge on request of a taxpayer or a taxpayer's representative.</p> <p>(e) An application for a refund must:</p> <p>(1) include an affirmation by the taxpayer that the information in the application is true and correct; and</p> <p>(2) be signed by the taxpayer.</p> <p>(f) This subsection applies only to a refund that is required to be approved by the governing body of a taxing unit. The presiding officer of the governing body of the taxing unit is not required to sign the application for the refund or any document accompanying the application to indicate the governing body's approval or disapproval of the refund. The collector for the taxing unit shall indicate on the application whether the governing body approved or disapproved the refund and the date of the approval or disapproval.</p> <p>(g) If a taxpayer submits a payment of taxes that exceeds by \$5 or more the amount of taxes owed for a tax year to a taxing unit, the collector for the taxing unit, without charge, shall mail to the taxpayer or the taxpayer's representative a written notice of the amount of the overpayment accompanied by a refund application form.</p> <p>(h) This section does not apply to an overpayment caused by a change of exemption status or correction of a tax roll. Such an overpayment is covered by Section 26.15 or 42.43, as applicable.</p> <p>(i) Notwithstanding the other provisions of this section, in the case of an overpayment or erroneous payment of taxes submitted by a taxpayer to a collector who collects taxes for one or more taxing units one of which is a county with a population of two million or more:</p> <p>(1) a taxpayer is not required to apply to the collector for the refund to be entitled to receive the refund if the amount of the refund is at least \$5 but does not exceed \$5,000; and</p> <p>(2) the collector is not required to comply with Subsection (g) unless the amount of the payment exceeds by more than \$5,000 the amount of taxes owed for a tax year to a taxing unit for which the collector collects taxes.</p>
<p>Cause: (Describe the cause of the condition if possible)</p>	<p>N/A</p>
<p>Effect: (Describe or quantify any adverse effects)</p>	<p>Additional staff time to research converted payment details in the historical UGSA database.</p>



Recommendation: (Describe corrective action)	Continue corrective action plan monitoring ACT data and research converted overpayments / erroneous payments as appropriate for refund to the applicable party or escheatment to the County. Information / data controls should be developed and monitored to help ensure that transactions are complete, valid, properly authorized, and accurate.			
Responsible Department / Organization(s) and Individual(s):	Tax Office LGBS			
Management's Response:	<input checked="" type="checkbox"/> Agree	<input checked="" type="checkbox"/> Disagree	Respondent: Shirley Jacobson, Chief Deputy	Date: 6/4/2012
Comments:	<p>The Tax Office agrees that these refunds should have been worked previously, but unfortunately, the ACT system did not have full functionality to do so at the time of conversion. The Tax Office disagrees that these refunds should have already been completed as it was difficult to assess which accounts received letters previously and which did not. It should be noted that in an effort of fairness to the taxpayers, additional attention is being made on these refunds as time and resources permit. Please note that these remaining refunds have been and continue to be worked. Letters are being sent to the taxpayers as required by the Texas Property Tax Code because it was difficult to determine if letters had been sent prior to the conversion. It should be noted that the letters which have been sent were prioritized based on descending amounts; consequently, the remaining outstanding pre-conversion refunds should be in amounts less than \$500.</p> <p>At the time of the ACT conversion, the system met the basic functions of billing, accepting and receipting tax payments, depositing funds and remitting funds as appropriate to each entity for which we collect on a daily basis. The Tax Office was prepared to deal with refund issues that we knew would result from this conversion approach.</p> <p>Monitoring and quality control are performed by the Refunds Manager who ensures that each refund is valid, accurate, and authorized. This process will remain in place until all items have been concluded, under the direction of the Director of the Property Tax Department.</p>			
Disposition:	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration	



Finding/Observation Number: 2011-TD-01-A3
Date: May 4, 2012
Audit: Tax Office
Auditor(s) Assigned: TM & TG

<p>Finding/Observation:</p>	<p>ACT System Processing – Supplemental Levy Adjustments</p> <p>Comparison of approximately 13,000 accounts on ACT to DCAD revealed material compliance with limited exceptions noted:</p> <ul style="list-style-type: none"> • Two instances of ACT system calculation errors on proration of Over 65 exemptions. Status: Two noted accounts were corrected. • One instance of ACT system calculation error on proration of Homestead exemption on property that became totally exempt during the year. Status: Account was corrected.
<p>Workpaper Reference: (or other method by which finding was identified)</p>	<p>Comparison of ACT to DCAD taxable values for accounts within Tax Increment Finance Districts. Account numbers 280285800W0150000, 00000317194000000, and 00000317197000000.</p>
<p>Condition: (Describe the current condition)</p>	<p>Appraisal districts submit electronic files for monthly supplemental levy adjustments, deed and address changes (8 appraisal districts). Tax Office IT staff review, balance, and load the supplemental files for processing to ACT. Certain levy adjustments including agreed judgments are processed manually to ACT by designated staff due to the time sensitivity of action required. Adjustments that decrease the taxable levy may result in a refund if the accounts have been previously paid in full.</p> <p>Monthly supplemental and adjustment roll reports reflect changes to value, exemptions, taxable value, levy receivable etc. but are not reviewed by management to validate manual adjustments are accurate, complete, or appropriate.</p>
<p>Criteria: (Describe the optimal condition)</p>	<p>Information processing controls should be developed and monitored to help ensure that transactions completed through computerized applications are valid, properly authorized, and completely and accurately processed and reported.</p> <p>Tax Code, Sec. 26.15. CORRECTION OF TAX ROLL. (d) Except as provided by Subsection (e) of this section, if a correction in the tax roll that changes the tax liability of a property owner is made after the tax bill is mailed, the assessor shall prepare and mail a corrected tax bill in the manner provided by Chapter 31 of this code for tax bills generally. He shall include with the bill a brief explanation of the reason for and effect of the corrected bill. (e) If a correction that increases the tax liability of a property owner is made after the tax is paid, the assessor shall prepare and mail a supplemental tax bill in the manner provided by Chapter 31 of this code for tax bills generally. He shall include with the supplemental bill a brief explanation of the reason for and effect of the supplemental bill. The additional tax is due on receipt of the supplemental bill and becomes delinquent if not paid before the delinquency date prescribed by Chapter 31 of this code or before the first day of the next month after the date of the mailing that will provide at least 21 days for payment of the tax, whichever is later.</p>
<p>Cause: (Describe the cause of the condition if possible)</p>	<p>System error – formulas incorrectly programmed. Exception reports (systemic comparison of taxable values per DCAD to ACT) not generated.</p>



Effect: (Describe or quantify any adverse effects)	Potential for taxpayers to be over (under) billed. Additional staff time required to research and resolve.						
Recommendation: (Describe corrective action)	<ul style="list-style-type: none"> • Continue corrective action plan monitoring ACT data and processing updates. • Periodic review by supervisory personnel to determine accuracy and timeliness of levy adjustments. • Research, document, and communicate required ACT programming changes to proration calculations. • Document and communicate development of an exception report comparing taxable values per DCAD to ACT. • Create an ad hoc report to identify other accounts affected by a proration of Over 65 and/or Homestead exemptions. Correct applicable accounts as necessary. 						
Responsible Department / Organization and Individual(s):	Tax Office – IT LGBS - IT						
Management’s Response:	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">Respondent:</td> <td style="width: 30%;">Shirley Jacobson, Chief Deputy</td> <td style="width: 20%;">Date:</td> <td style="width: 20%;">5/22/2012</td> </tr> </table>	Respondent:	Shirley Jacobson, Chief Deputy	Date:	5/22/2012
Respondent:	Shirley Jacobson, Chief Deputy	Date:	5/22/2012				
Comments:	Taxable value and exemption exception reports are created by the Tax Office IT department and reviewed and/or corrected by the Property Tax department. Of the exemptions processed, this is an extremely minimal error ratio of .00023.						
Disposition:	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration				



Finding/Observation Number: 2011-TD-01-B1
Date: March 30, 2012
Audit: Tax Office
Auditor(s) Assigned: TG

<p>Finding/Observation:</p>	<p>Accounting / Reconciliation – Unclaimed Funds over 3 Years Old – Property Tax Refund Account (Fund 715)</p> <p>A review of 4,151 outstanding checks (100% of population) totaling \$3.75 million as of September 30, 2011 from the Property Tax Refund bank account (Fund 715) revealed:</p> <ul style="list-style-type: none"> • 349 checks over three years old and \$100 or less, totaling \$13,799 • 428 checks over three years old and greater than \$100, totaling \$423,015 • Outstanding check cancellation procedures were not documented <p>Status: As of 3/20/2012, the Tax Office created formal outstanding check write-off procedures.</p>
<p>Workpaper Reference: (or other method by which finding was identified)</p>	<p>Review of the Outstanding Check Register for Fund 715 obtained from the Tax Office. Discussion with the Directors of Tax Accounting and Process Initiative Management Review and Accounting personnel regarding the outstanding check list kept by the Tax Office.</p>
<p>Condition: (Describe the current condition)</p>	<p>Data source for Account 715 disbursement activity includes: overpayments or erroneous payments, duplicate payments, and levy adjustments. Deposits are a result of reconciliations and wire transfer from Account 714.</p> <p>Refund batch files are created in ACT pending creation/printing of refund checks from the Tax Ledge system. Basis for refunds include: overpayments or erroneous payments, duplicate payments, and appraisal district levy adjustments. After batches are selected for processing in Tax Ledge, preliminary payment register reports are reviewed by Accounting section staff. On approval, payment register reports (Dallas County Bank Register) are printed from the Tax Ledge system and final data is systemically sent back to ACT updating account records to reflect the check number and amount. Subsequently, checks are mailed to the corresponding payees.</p> <p>Bank reconciliations are completed monthly with supervisory sign-off. As of September 30, 2011, work is in progress regarding 777 checks greater than three years old and outstanding. 1097 old outstanding checks dating prior to January 2008 and totaling \$754,729 were escheated to the County in June 2011.</p>
<p>Criteria: (Describe the optimal condition)</p>	<p>Best practices regarding cash control require that:</p> <ul style="list-style-type: none"> • Disbursements and cancellations should be timely and accurately posted to subsidiary systems. Fund balances must be reconciled against control records and bank statements. Assigned cash handling duties are separated. • Reports and refund requests should be reviewed on an ongoing basis and disbursements should be made to the appropriate parties in a timely manner. • The outstanding check list should be periodically reviewed and researched for checks that have been outstanding for three or more years in accordance with unclaimed property statutes, V.T.C.A., Property Code, § 72 and § 76. <p>Tax Ledge reports and ACT system postings should accurately reflect corresponding disbursement information {payee, check number, check date, and amount(s)} printed on refund checks through the Tax Ledge system.</p> <p>In accordance with Tax Code, Sec. 31.11. REFUNDS OF OVERPAYMENTS OR</p>



	<p>ERRONEOUS PAYMENTS,</p> <p>c) Except as provided by Subsection (c-1), an application for a refund must be made within three years after the date of the payment or the taxpayer waives the right to the refund. A taxpayer may apply for a refund by filing:</p> <p>(1) an application on a form prescribed by the comptroller by rule; or</p> <p>(2) a written request that includes information sufficient to enable the collector and the auditor for the taxing unit and, if applicable, the governing body of the taxing unit to determine whether the taxpayer is entitled to the refund.</p> <p>(c-1) The governing body of the taxing unit may extend the deadline provided by Subsection (c) for a single period not to exceed two years on a showing of good cause by the taxpayer.</p> <p>Sec. 31.111. REFUNDS OF DUPLICATE PAYMENTS. (a) The collector of a taxing unit who determines that a person erred in making a payment of taxes because the identical taxes were paid by another person shall refund the amount of the taxes to the person who erred in making the payment.</p> <p>(b) A refund under Subsection (a) shall be made as soon as practicable after the collector discovers the erroneous payment. The refund shall be accompanied by a description of the property subject to the taxes sufficient to identify the property. If the property is assigned an account number, the collector shall include that number.</p> <p>(c) Each month, the collector shall inform the auditor of each appropriate taxing unit of refunds of taxes made under Subsection (a) during the preceding month.</p> <p>Outstanding check cancellation procedures require:</p> <ul style="list-style-type: none"> • Annual review of the Outstanding Check List • All checks three (3) years old or older must be voided in TaxLedge • A check is written to the General Fund for the amount written-off • Policies and procedures are reviewed and updated annually as necessary
<p>Cause: (Describe the cause of the condition if possible)</p>	<p>Early cutoff for escheating outstanding checks over three years old.</p>
<p>Effect: (Describe or quantify any adverse effects)</p>	<p>Potential delays in revenue recognition.</p>
<p>Recommendation: (Describe corrective action)</p>	<ol style="list-style-type: none"> 1. Escheat analysis and stale dating of outstanding checks should be managed in accordance with unclaimed property statutes, V.T.C.A., Property Code, § 72 and § 76 (website: http://www.window.state.tx.us/up/forms.html), and Tax Code § 31.11 and 31.111. <ol style="list-style-type: none"> a. Management review of outstanding checks should be documented. b. Outstanding checks should be promptly researched / reconciled with proper disposition determined in a timely manner (e.g. 60 days). 2. Outstanding check cancellation procedures should be documented. <ol style="list-style-type: none"> a. The department should maintain a summary level Outstanding Check Cancellation procedure and delineate within the procedure unique handling aspects for any fund. b. Policies and procedures should be reviewed annually, when there is a change in the process or when a new system is implemented, and approved by management. c. A process owner should be assigned the responsibility of reviewing the procedures. The name and title of the process owner should be indicated in the procedures.



	Status Update: As of 3-20-12, the Tax Office created an Outstanding Check Write-Off procedure.		
Responsible Department / Organization(s) and Individual(s):	Tax Office		
Management's Response:	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	Respondent: Shirley Jacobson, Chief Deputy
			Date: 5/22/2012
Comments:	Status Update: As of 3-20-12, the Tax Office created an Outstanding Check Write-Off procedure.		
Disposition:	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration



Finding / Observation Number: 2011-TD-01-B2
Date: April 5, 2012
Audit: Tax Office
Auditor(s) Assigned: TG

<p>Finding / Observation:</p>	<p>Accounting / Reconciliation – Unclaimed Funds over 3 Years Old – Registration, Title, and Sales Tax (RTS) Account (Fund 710)</p> <p>A review of 2,800 outstanding checks (100% of population) totaling \$194,153 as of September 30, 2011 from the RTS bank account (Fund 710) revealed:</p> <ul style="list-style-type: none"> • 739 (516 are over three years old) of the 2,800 outstanding checks totaling \$4,266 were issued for less than \$10 • 1,621 checks over three years old and \$100 or less, totaling \$50,173 <ul style="list-style-type: none"> ○ Of these, there are 535 (33%) checks totaling \$16,518 (32.9%) that are greater than 10 years old • 167 checks over three years old and greater than \$100, totaling \$74,203 <ul style="list-style-type: none"> ○ Of these, there are 58 (34.7%) checks totaling \$17,011 (22.9%) that are greater than 10 years old <p>Documentation to support research on the outstanding checks to determine the proper disposition is not organized and reviewed for consistency.</p> <p>Prior Year – Closed Substation Bank Accounts Twenty-six outstanding checks totaling \$5,787.82 indicated on the “710 SubAccts Outstanding Check List from November 2003” were carried over to Fund 710 from the closure of substation bank accounts. There were nine (9) outstanding checks with a date in 2003, nine (9) in 2002, seven (7) in 2001 and one did not have a date indicated on the list.</p> <p>MV Outstanding Check Write-Off Procedures (Long-Term): Current Check Write-Off – “Short-Term” and “Long-Term” procedures are dated 8-25-2009. Included are two sections of the procedure, “Short-Term” and “Long-Term” that were created in response to the development of department procedures.</p>
<p>Workpaper Reference: (or other method finding was identified)</p>	<p>Review of the Outstanding Check Register for Fund 710 obtained from the Tax Office. Review of 2003 supporting documentation of bank account closings. Discussion with the Director of Process Initiative Management.</p>
<p>Condition: (Describe the current condition)</p>	<p>Data source for Account 710 disbursement activity includes: weekly refunds for vehicle registrations, Remittance Processing System (RPS) refunds, overpayment refunds, postage payments to Pitney Bowes, invoices from UPS, employee refunds, etc.</p> <p>On a monthly basis, Accounting downloads an electronic file formatted to Excel that reflects details (payee, check number, check amount, and date) of the disbursement. The electronic disbursement file is used by a Tax Office accountant to complete monthly bank reconciliations.</p> <p>1,814 (Fund 710 and closed substation accounts) checks are outstanding over three years old without research for escheatment to the state or county.</p>
<p>Criteria: (Describe the optimal condition)</p>	<p>Best practices regarding cash control require that:</p> <ul style="list-style-type: none"> • Disbursements and cancellations should be timely and accurately posted to subsidiary systems. Fund balances must be reconciled against control records and bank statements. Assigned cash handling duties are separated.



	<ul style="list-style-type: none"> • Reconciling items should be researched and resolved timely. • Reports and refund requests should be reviewed on an ongoing basis and disbursements should be made to the appropriate parties in a timely manner. • The outstanding check list should be periodically reviewed and researched for checks that have been outstanding for three or more years in accordance with unclaimed property statutes, V.T.C.A., Property Code, § 72 and § 76. <p>Outstanding check cancellation procedures require:</p> <ul style="list-style-type: none"> • Annual review of the outstanding check list • All checks three (3) years old or older voided in TaxLedge • Funds disbursed for stale dated checks in accordance with unclaimed property statutes • Policies and procedures are reviewed and updated annually as necessary 				
<p>Cause: (Describe the cause of the condition if possible)</p>	<p>Accounting is not performing or documenting their monthly review of the Outstanding Check List. State statutes and department procedures were not being followed. No process owner has been assigned responsibility for this review.</p> <p>No subsequent post-closing review of the closed substation bank accounts was performed or documented.</p>				
<p>Effect: (Describe or quantify any adverse effects)</p>	<p>Potential State inquiry and/or penalty regarding delinquent reporting.</p>				
<p>Recommendation: (Describe corrective action)</p>	<ol style="list-style-type: none"> 1. Escheat analysis and stale dating of outstanding checks should be managed in accordance with unclaimed property statutes, V.T.C.A., Property Code, § 72 and § 76 (website: http://www.window.state.tx.us/up/forms.html). <ol style="list-style-type: none"> a. Management review of outstanding checks should be documented. <ol style="list-style-type: none"> i. If management decides to perform cancellations, consider cancelling the 516 checks that are less than \$10 to reduce the overall number of outstanding checks and research time. Cancellations would reduce potential research costs (516 checks x 2 hours/check x \$15/hour) by approximately \$15,480. b. Outstanding checks should be promptly researched / reconciled with proper disposition determined in a timely manner (e.g. 60 days). 2. Outstanding checks from the closure of the substation bank accounts should be cancelled. 3. The department should maintain a summary level Outstanding Check Cancellation procedure and delineate within the procedure unique handling aspects for any fund. <ol style="list-style-type: none"> a. Policies and procedures should be reviewed annually, when there is a change in the process or when a new system is implemented and approved by management. b. A process owner should be assigned the responsibility of reviewing the procedures. The name and title of the process owner should be indicated in the procedures. <p>Status Update: As of 3-20-12, the Tax Office created an Outstanding Check Write-Off procedure.</p>				
<p>Responsible Department / Organization and Individual(s):</p>	<p>Tax Office</p>				
<p>Management's Response:</p>	<table border="1"> <tr> <td><input checked="" type="checkbox"/> Agree</td> <td><input type="checkbox"/> Disagree</td> <td>Respondent: Shirley Jacobson, Chief Deputy</td> <td>Date: 5-22-12</td> </tr> </table>	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	Respondent: Shirley Jacobson, Chief Deputy	Date: 5-22-12
<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	Respondent: Shirley Jacobson, Chief Deputy	Date: 5-22-12		
<p>Comments:</p>	<p>Status Update: As of 3-20-12, the Tax Office created an Outstanding Check Write-Off procedure.</p>				
<p>Disposition:</p>	<table border="1"> <tr> <td><input checked="" type="checkbox"/> Audit Report</td> <td><input type="checkbox"/> Oral Comment</td> <td><input type="checkbox"/> Deleted From Consideration</td> </tr> </table>	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration	
<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration			



Finding/Observation Number: 2011-TD-01-B3
Date: September 30, 2011
Audit: Tax Office
Auditor(s) Assigned: TG

<p>Finding/Observation:</p>	<p>Accounting / Reconciliation – Unclaimed Funds Over 3 Years Old – Beer & Wine Account (Fund 713)</p> <p>A review of six outstanding checks (100% of population) totaling \$930, unclaimed funds, and beer and wine applications without State approval as of September 30, 2011 from the Beer & Wine bank account (Fund 713) revealed:</p> <ul style="list-style-type: none"> • Two (2) checks over three years old and \$100 or less, totaling \$92. One check was greater than 10 years old. • Three (3) checks over three years old and greater than \$100, totaling \$833. One check was greater than 10 years old. • Old beer and wine application fees exceeding \$40,000 without State approval for permit issuance • Outstanding check cancellation procedures were not documented. <p>Status: As of 3-20-12, the Tax Office created an Outstanding Check Write-Off procedure.</p>
<p>Workpaper Reference: (or other method by which finding was identified)</p>	<p>Review of the Outstanding Check Register for Fund 713 obtained from the Tax Office. Discussion with the Director of Tax Accounting and the Director of Process Initiative Management. Discussion with Accounting department personnel. Review of TABC monthly statements.</p>
<p>Condition: (Describe the current condition)</p>	<p>Beer and wine renewal permit applications are processed by the Tax Office downtown location. This type of permit cannot be renewed more than 30 days in advance of the expiration date. A late fee in the amount of \$100 will be added if the renewal is between the 1st and 30th day following the renewal date. Renewal fees including both State and County fees are receipted by the special handling area of the Tax Office and deposited into the Beer & Wine bank Account (Fund 713). Renewal documentation is sent to the Texas Alcoholic Beverage Commission (TABC) for approval. Once the renewal is approved by TABC, a monthly report/invoice by County is prepared by TABC. The monthly report/invoice is used by the Tax Office to determine the amount to remit to TABC and to Dallas County. <u>Some renewal applications are never approved by TABC with funds remaining in the Beer & Wine bank Account (Fund 713) without refund and/or disbursement to Dallas County or TABC.</u></p> <p>Bank reconciliations are completed monthly with supervisory sign-off. However, aged recon items are not cleared timely. Five checks outstanding greater than three years without research for escheatment to the state or county.</p>
<p>Criteria: (Describe the optimal condition)</p>	<p>Best practices regarding cash control require that:</p> <ul style="list-style-type: none"> • Overpayment and pending distribution reports should be reviewed on a periodic basis and disbursements should be made to the appropriate parties in a timely manner. • The outstanding check list should be periodically reviewed and researched for checks that have been outstanding for three or more years in accordance with unclaimed property statutes, V.T.C.A., Property Code, § 72 and § 76. <p><i>Texas Alcoholic Beverage Code</i> §11.38. Local Fee Authorized. (a) The governing body of a city or town may levy and collect a fee not to exceed one-half the</p>



	<p>state fee for each permit issued for premises located within the city or town. The commissioners court of a county may levy and collect a fee equal to one-half of the state fee for each permit issued for premises located within the county. Those authorities may not levy or collect any other fee or tax from the permittee except general ad valorem taxes, the hotel occupancy tax levied under Chapter 351, Tax Code, and the local sales and use tax levied under Chapter 321, Tax Code.</p> <p>§61.36. Local Fee Authorized. (a) The governing body of an incorporated city or town may levy and collect a fee not to exceed one-half of the state fee for each license, except a temporary or agent's beer license, issued for premises located within the city or town. The commissioners court of a county may levy and collect a fee equal to one-half the state fee for each license, except a temporary or agent's beer license, issued for premises located within the county. Those authorities may not levy or collect any other fee or tax from the licensee except general ad valorem taxes, the hotel occupancy tax levied under Chapter 351, Tax Code, and the local sales and use tax levied under Chapter 321, Tax Code.</p> <p>§11.09. Expiration or Suspension of Permit. (a) A permit issued under this code expires on the second anniversary of the date it is issued, except as provided by Subsections (d) and (e) or another provision of this code. Notwithstanding Section 5.50(b), the commission shall double the amount of fees and surcharges otherwise applicable under this code for a permit with a two-year term.</p> <p>§61.03. Expiration or Suspension of License. (a) Except as provided by Subsections (d) and (e) or another provision of this code, any license except a branch, importer's, importer's carrier's, or temporary license expires on the second anniversary of the date on which it is issued. Notwithstanding Section 5.50(b), the commission shall require double the amount of fees and surcharges otherwise applicable under this code for a license with a two-year term.</p> <p><i>TABC Administrative Rules</i> §33.25. Alcoholic Beverage License and Permit Fees and Surcharges. (a) This rule implements the provisions of §§5.50, 11.09 and 61.03 of the Texas Alcoholic Beverage Code (Code). Section 5.50 authorizes the Texas Alcoholic Beverage Commission (commission) by rule to assess surcharges on all applicants for original or renewal certificate, permit, or license issued by the commission. Sections 11.09 and 61.03 of the Code authorize the commission to issue a license or permit for a two-year term and double the amount of the fees established for each license or permit by the Code or a rule of the commission, and surcharges established in §33.23 of this chapter (relating to Alcoholic Beverage License and Permit Surcharges).</p>
<p>Cause: (Describe the cause of the condition if possible)</p>	<p>A review of outstanding checks and unprocessed funds for the escheat process is not being performed on a yearly basis.</p>
<p>Effect: (Describe or quantify any adverse effects)</p>	<ul style="list-style-type: none"> • Penalties may be assessed by the State for not following escheat statutes. • Policies and procedures not reviewed on an annual basis may cause employees to perform incorrect actions due to old information.
<p>Recommendation: (Describe corrective action)</p>	<p>1. Escheat analysis and stale dating of outstanding checks should be managed in accordance with unclaimed property statutes, V.T.C.A., Property Code, § 72 and § 76 (website: http://www.window.state.tx.us/up/forms.html).</p>



	<p>a. Management review of outstanding checks should be documented.</p> <p>b. Outstanding checks should be promptly researched / reconciled with proper disposition determined in a timely manner (e.g. 60 days).</p> <p>2. The department should maintain a summary level Outstanding Check Cancellation procedure and delineate within the procedure unique aspects for any fund.</p> <p>a. Policies and procedures should be reviewed annually, when there is a change in the process or when a new system is implemented, and approved by management.</p> <p>b. A process owner should be assigned the responsibility of reviewing the procedures. The name and title of the process owner should be indicated in the procedures.</p> <p>Status Update: As of 3-20-12, the Tax Office created an Outstanding Check Write-Off procedure.</p>						
Responsible Department / Organization and Individual(s):	Tax Office						
Management's Response:	<table border="1"> <tr> <td data-bbox="454 877 594 932"><input checked="" type="checkbox"/> Agree</td> <td data-bbox="594 877 760 932"><input type="checkbox"/> Disagree</td> <td data-bbox="760 877 938 932">Respondent:</td> <td data-bbox="938 877 1230 932">Shirley Jacobson, Chief Deputy</td> <td data-bbox="1230 877 1328 932">Date:</td> <td data-bbox="1328 877 1497 932">5-22-12</td> </tr> </table>	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	Respondent:	Shirley Jacobson, Chief Deputy	Date:	5-22-12
<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	Respondent:	Shirley Jacobson, Chief Deputy	Date:	5-22-12		
Comments:	Status Update: As of 3-20-12, the Tax Office created an Outstanding Check Write-Off procedure.						
Disposition:	<table border="1"> <tr> <td data-bbox="454 1012 792 1035"><input checked="" type="checkbox"/> Audit Report</td> <td data-bbox="792 1012 1084 1035"><input type="checkbox"/> Oral Comment</td> <td data-bbox="1084 1012 1497 1035"><input type="checkbox"/> Deleted From Consideration</td> </tr> </table>	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration			
<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration					



Finding/Observation Number: 2011-TD-01-B4
 Date: April 5, 2012
 Audit: Tax Office
 Auditor(s) Assigned: TG

<p>Finding/Observation:</p>	<p>Accounting / Reconciliation – Unclaimed Funds Over 3 Years Old – Special Inventory Tax (SIT) Account (Fund 718)</p> <p>A review of 121 outstanding checks {100% of population} totaling \$57,978 as of September 30, 2011 from the SIT account (Fund 718) revealed:</p> <ul style="list-style-type: none"> • 76 checks over three years old and \$100 or less, totaling \$1,843. <ul style="list-style-type: none"> ○ Of these, there are 36 (47.4%) checks totaling \$884 (48%) that are greater than 10 years old. • 29 checks over three years old and greater than \$100, totaling \$33,641. <ul style="list-style-type: none"> ○ Of these, there are 7 (24.1%) checks totaling \$5,374 (16%) that are greater than 10 years old. • 31 of the 121 checks were issued for less than \$10, totaling \$191. <ul style="list-style-type: none"> ○ Of these, there are 11 (35.5%) checks totaling \$72 (37.7%) that are greater than 10 years old. <p>Prior Year Update: Documented procedures for the administration of this process were incomplete for the period. In the 2010 audit, Tax Office responses indicated, “Effective immediately, on a monthly basis Accounting will begin sending an Excel spreadsheet via email to the Special Collections Manager in the Property Tax Department requesting that the outstanding checks be researched so that Accounting may issue replacement checks, stop payments, etc. as appropriate. <i>This process will be documented both from the Accounting and Special Collections sides.</i>”</p> <p>Status: As of 3-20-12, the Tax Office created an Outstanding Check Write-Off procedure.</p>
<p>Workpaper Reference: (or other method by which finding was identified)</p>	<ul style="list-style-type: none"> • Review of the Outstanding Check Register for Fund 718 obtained from the Tax Office. • Discussion with the Director of Tax Accounting.
<p>Condition: (Describe the current condition)</p>	<p>Data source for Account 718 disbursement activity includes: refunds for dealerships, VIT reports, management requests for disbursement of earned VIT interest (for equipment, conference expenses, software, payroll, etc.), and distribution of motor vehicle inventory tax allocation to governmental entities.</p> <p>Refunds to dealers – After all motor vehicle inventory tax payments are made to the taxing jurisdictions, funds which remain undisbursed from each dealer’s escrow is researched. If a refund is warranted, a refund request is submitted by the VIT clerk to Accounting. Accounting will review the request and process the refund checks through TaxLedge as necessary.</p> <p>Expenditures – Interest earned on funds in the Special Inventory (VIT) 718 bank account can be used in accordance with statute to offset Tax Office costs of the prepayment process. Requests and supporting documentation from Tax Office management are submitted to Accounting with a request to issue a check for the required amount. Accounting will review the request and and process the refund checks through TaxLedge as necessary.</p> <p>Bank reconciliations are completed monthly with supervisory sign-off. However, aged recon items are not cleared timely. 105 checks for both refunds and miscellaneous expenditures are</p>



	<p>outstanding over three years without research for escheatment to the state or to the SIT account. Details are included in the Account 718 bank reconciliation.</p> <p>According to the Director of Tax Accounting, VIT records were migrated from the Hill Country system to the ACT and TaxLedge systems in October 2011. Some of the migrated records do not contain any information other than an amount while others are incomplete, making research difficult.</p>
<p>Criteria: (Describe the optimal condition)</p>	<p>Best practices regarding cash control require that:</p> <ul style="list-style-type: none"> • Disbursements and cancellations should be timely and accurately posted to the VIT system. Fund balances must be reconciled against control records and bank statements. Assigned cash handling duties are separated. • Overpayment and pending distribution reports should be reviewed on a periodic basis and disbursements should be made to the appropriate parties in a timely manner. • The outstanding check list should be periodically reviewed and researched for checks that have been outstanding for three or more years in accordance with unclaimed property statutes, V.T.C.A., Property Code, § 72 and § 76. <p>Outstanding check cancellation procedures require:</p> <ul style="list-style-type: none"> • Annual review of the outstanding check list • All checks three (3) years old or older voided in TaxLedge • Funds disbursed for stale dated checks in accordance with unclaimed property statutes • Policies and procedures are reviewed and updated annually as necessary
<p>Cause: (Describe the cause of the condition if possible)</p>	<p>A review of outstanding checks for the escheat process is not being performed on a yearly basis.</p>
<p>Effect: (Describe or quantify any adverse effects)</p>	<ul style="list-style-type: none"> • Penalties may be assessed by the State for not following escheat statutes. • Outstanding items that are not cleared and proper disposition determined, creates additional costs researching the items. • Outdated policies and procedures may result in employee errors due to incomplete or old information.
<p>Recommendation: (Describe corrective action)</p>	<ol style="list-style-type: none"> 1. Escheat analysis and stale dating of outstanding checks should be managed in accordance with unclaimed property statutes, V.T.C.A., Property Code, § 72 and § 76 (website: http://www.window.state.tx.us/up/forms.html). <ol style="list-style-type: none"> a. Management review of outstanding checks should be documented. <ol style="list-style-type: none"> i. Consideration of research time/costs should be incorporated in decision factors for cancellations to yield potential cost savings. b. Outstanding checks should be promptly researched / reconciled with proper disposition determined in a timely manner (e.g. 60 days). 2. The department should maintain a summary level Outstanding Check Cancellation procedure and delineate within the procedure unique aspects for any fund. <ol style="list-style-type: none"> a. Policies and procedures should be reviewed annually, when there is a change in the process or when a new system is implemented, and approved by management. b. A process owner should be assigned the responsibility of reviewing the procedures. The name and title of the process owner should be indicated in the procedures. <p>Status Update: As of 3-20-12, the Tax Office created an Outstanding Check Write-Off procedure</p>

County Auditor



Dallas County, Texas

Responsible Department / Organization and Individual(s):	Tax Office				
Management's Response:	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	Respondent:	Shirley Jacobson, Chief Deputy	Date: 5-22-12
Comments:	Status Update: As of 3-20-12, the Tax Office created an Outstanding Check Write-Off procedure.				
Disposition:	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration		



Finding/Observation Number: 2011-TD-01-B5
Date: April 5, 2012
Audit: Tax Office
Auditor(s) Assigned: TG

<p>Finding / Observation:</p>	<p>Accounting / Reconciliation – Unclaimed Funds Over 3 Years Old – Suspense / Undisbursed Account (Fund 719)</p> <p>A review of seven (7) outstanding checks {100% of population} totaling \$2,350 from the Suspense / Undisbursed account (Fund 719) revealed:</p> <ul style="list-style-type: none"> • 2 checks over three years old and \$100 or less, totaling \$105. One was greater than 10 years old. • 5 checks over three years old and greater than \$100, totaling \$2,245. One was greater than 10 years old. • Outstanding check cancellation procedures were not documented. <p>Status: As of 3-20-12, the Tax Office created an Outstanding Check Write-Off procedure.</p> <p>Documentation to support that research on the outstanding checks to determine the proper disposition is not organized and reviewed.</p>
<p>Workpaper Reference: (or other method by which finding was identified)</p>	<ul style="list-style-type: none"> • Review of the Outstanding Check Register for Fund 719 obtained from the Tax Office. • Discussion with the Directors of Tax Accounting and Process Initiative Management.
<p>Condition: (Describe the current condition)</p>	<p>Checks received from trustees for bankruptcy proceedings are deposited to the Undisbursed Funds account 719 pending a breakdown of distribution by property tax account. After the required information is received, the property tax clerk handling bankruptcy activity requests that Accounting transfer the funds from the Undisbursed Funds account 719 to the Property Tax account 714 to correspond to the receipt postings to ACT.</p> <p>Periodically, restitution is received on old criminal cases related to improper handling of registration stickers by former employees. Funds generally remain undisbursed for extended periods. Disbursements and postings to the identified RTS vehicle registration accounts were limited.</p> <p>Bank reconciliations are completed monthly with supervisory sign-off. However, aged recon items are not cleared timely. Seven checks outstanding greater than three years without research for escheatment to the State or county.</p>
<p>Criteria: (Describe the optimal condition)</p>	<p>Best practices regarding cash control require that:</p> <ul style="list-style-type: none"> • Overpayment, restitution, and pending distribution reports should be reviewed on a periodic basis and disbursements should be made to the appropriate parties in a timely manner. • The outstanding check list should be periodically reviewed and researched for checks that have been outstanding for three or more years in accordance with unclaimed property statutes, V.T.C.A., Property Code, § 72 and § 76. <p>Outstanding check cancellation procedures require:</p> <ul style="list-style-type: none"> • Annual review of the outstanding check list • All checks three (3) years old or older voided in TaxLedge • Funds disbursed for stale dated checks in accordance with unclaimed property statutes • Policies and procedures are reviewed and updated annually as necessary



Cause: (Describe the cause of the condition if possible)	A review of outstanding checks for the escheat process is not being performed on a yearly basis.			
Effect: (Describe or quantify any adverse effects)	<ul style="list-style-type: none"> • Penalties may be assessed by the State for not following escheat statutes. • Outstanding items that are not cleared and proper disposition determined creates additional work researching these stale items. • Policies and procedures not reviewed and/or updated on an annual basis may cause employees to perform incorrect actions due to old information 			
Recommendation: (Describe corrective action)	<ol style="list-style-type: none"> 1. Escheat analysis and stale dating of outstanding checks should be managed in accordance with unclaimed property statutes, V.T.C.A., Property Code, § 72 and § 76 (website: http://www.window.state.tx.us/up/forms.html). <ol style="list-style-type: none"> a. Management review of outstanding checks should be documented. b. Outstanding checks should be promptly researched / reconciled with proper disposition determined in a timely manner (e.g. 60 days). 2. The department should maintain a blanket Outstanding Check Cancellation procedure and delineate within the procedure unique aspects for any fund. <ol style="list-style-type: none"> a. Policies and procedures should be reviewed annually, when there is a change in the process or when a new system is implemented, and approved by management. b. A process owner should be assigned the responsibility of reviewing the procedures. The name and title of the process owner should be indicated in the procedures. <p>Status Update: As of 3-20-12, the Tax Office created an Outstanding Check Write-Off procedure.</p>			
Responsible Department / Organization and Individual(s):	Tax Office			
Management's Response:	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	Respondent: Shirley Jacobson, Chief Deputy	Date: 5-22-12
Comments:	<p>Status Update: As of 3-20-12, the Tax Office created an Outstanding Check Write-Off procedure.</p>			
Disposition:	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration	



Finding / Observation Number: 2011-TD-01-C1
Date: December 14, 2011
Audit: Tax Office
Auditor(s) Assigned: MB

<p>Finding / Observation:</p>	<p>Security – Cash and Technology: Cash Overages / Shortages – Property Tax</p> <p>Review of Daily Close Out reports and deposit transactions for the Property Tax section revealed <u>material compliance with limited exceptions</u> noted:</p> <ul style="list-style-type: none"> • Twenty-five shortages totaling \$3,237.82 (24 cash totaling \$1,988.71 and one check totaling \$1,249.11) through fiscal year 2011. Status: All funds were subsequently recovered. A total of \$127 excess repayments were refunded to the payees. • One counterfeit \$100 bill was received and not recovered. • Twenty-nine overages totaling \$659.56 (26 cash totaling \$629.56 and three checks totaling \$30) through fiscal year 2011. • One instance of a cash shortage totaling of \$599.90 occurred on 03/08/2011 when a clerk issued an incorrect receipt for a property tax payment. Status: Resolved. Taxpayer submitted a written statement indicating a lower amount had been paid. A correction was made to the tax payer account on 04/05/2011.
<p>Workpaper Reference: (or other method by which finding was identified)</p>	<ul style="list-style-type: none"> • Review of cash shortages/overages of \$10 and greater. • A letter from taxpayer dated 04/1/2011.
<p>Condition: (Describe the current condition)</p>	<p>The Tax Office has written cash handling procedures for property tax and motor vehicle sections for the downtown and substation locations. Shortages over \$5 must be paid back by the clerks in accordance with signed policy statements.</p> <p>Throughout the day, as the clerks make “money drops” or require change, the clerks count the amount of money being dropped and hand it to the cage cashier. The cage cashier counts the money received and runs a tape which is signed by the clerk and attached to the individual “drop ticket” for each clerk. The “drop ticket” is kept in the cage. If the “money drop” made by the clerk is short and is not detected by the cage at the time, it becomes the cage shortage.</p> <p>When the clerks need change, the cage cashier counts the bills and coins requested in front of the clerk and the clerk re-counts the change received. The dual counting and verification by the cage cashier and the clerks of the funds tendered are meant to prevent errors from the clerk or the cage cashier.</p> <p>Cash received from the public is tested by the clerks using a counterfeit bill detection pen. Most genuine bills that have been transformed from a lower denomination to a higher one have a “washed” or altered appearance.</p> <p>At the end of the day, the cage cashier sorts cash by bill type and runs a tape with no more than 100 bills per stack. The change is placed into a coin envelope and a tape is also run. After closing, each clerk counts the cash in their individual drawer and keeps \$100 (change fund) for starting the next day. The property tax clerks balance the daily activity for the day from the ACT system to the tapes run for cash and checks. The cage cashier balances the property tax activity and the cage fund. The cash is picked by the armored service the next day, and the checks are delivered to the RPS section for encoding and depositing.</p> <p>Managers notate the clerk and over/short amount on a Property Tax Summary Report as the instances occur.</p>
<p>Criteria: (Describe the optimal)</p>	<ul style="list-style-type: none"> • Standard accounting and system control procedures require daily reconciliation and balancing of collected funds.



condition)	<ul style="list-style-type: none"> Receipts should be promptly issued for the amount of funds tendered, correct change given to customer, all funds received properly secured, and deposited consistent with state law. Dallas County Code Section 74-692 should be followed at all times which indicates the County Auditor's Office will be notified immediately (within one day) of any out of balance conditions for purposes of identifying and substantiating any shortages which may subsequently require indemnification. 					
Cause: (Describe the cause of the condition if possible)	Unknown					
Effect: (Describe or quantify any adverse effects)	Financial risks for both Dallas County and the taxpayer.					
Recommendation: (Describe corrective action)	The number of instances and the amounts found in total are considered to be immaterial. Continue management review to mitigate potential losses.					
Responsible Department / Organization(s) and Individual(s):	Tax Office					
Management's Response:	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	Respondent:	Shirley Jacobson, Chief Deputy	Date:	5-22-12
Comments:	As noted above, the amounts found in total are considered to be immaterial. Tax Office management will continue to review and mitigate potential losses but are extremely proud of the efforts made today and of the extremely low percentage of losses and counterfeit funds accepted.					
Disposition:	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration			



Finding/Observation Number: 2011-TD-01-C2
Date: March 27, 2012
Audit: Tax Office
Auditor(s) Assigned: TG

<p>Finding/Observation:</p>	<p>Security – Cash and Technology – Manual Receipt Books</p> <p>Review of manual receipt books issued to the Tax Office and their subsequent distribution to the substations and different sections of the department revealed:</p> <ul style="list-style-type: none"> • Manual receipt procedures were not documented. (See prior year finding) Status: As of March 28, 2012, documented procedures for manual receipt books not provided, although, procedures for Miscellaneous receipts for the Downtown location are available. • Receipt book sequences are not recorded in a log when distributed – the department and individual who received the receipt book is noted. • Variances between receipt books on hand, Tax Office electronic tracking logs, and Supply Room’s manual log.
<p>Workpaper Reference: (or other method by which finding was identified)</p>	<ul style="list-style-type: none"> • Cash count audit of substations and discussions with Tax Office and substation management. • Review of manual receipt books at the substations and follow-up review of issued manual receipts forwarded by the substations to the downtown office. • Discussion with the Director of Process Initiative Management. • Discussion with Assistant Manager – Motor Vehicle. • Physical count of receipt books at Records Building found 16 distributed by the Supply Room versus the electronic log that showed seven (7) on hand. • The electronic log indicated that 12 receipt books were received on 03-22-11 while the Supply Room’s log showed 10 delivered on 1-31-11 and 08-17-11.
<p>Condition: (Describe the current condition)</p>	<p>The Tax Office requests receipt books from the Supply Room inventory located at the George Allen, Jr. Courts building via a pre-numbered Requisition On Storekeeper form. The Supply Room maintains a log with the date, requisition number, receipt book sequence, department number, department name and the total number of books distributed. However, once received by the Tax Office, no log is maintained of the receipt books or individual receipts when they are distributed to Tax personnel or substations.</p> <p>At substations, the receipt books are secured in the cashier cages when not in use. The original copy of a manual receipt is issued to the customer, and the second copy and daily work are forwarded to the downtown office. Completed receipt books are retained by the substation.</p>
<p>Criteria: (Describe the optimal condition)</p>	<p>Best practices regarding receipt control procedures require that:</p> <ul style="list-style-type: none"> • All receipts are accounted for and properly used, kept in numeric order, have the corresponding computer receipt attached, and are posted and deposited properly, and timely in accordance with V.T.C.A., L.G.C. § 113.022. • Accounting and system control procedures require daily reconciliation and balancing of collected funds, including supervisory review. • Receipts should not be altered, but properly voided and affixed with a reason for the void with retention of all voided copies.



Cause: (Describe the cause of the condition if possible)	<ul style="list-style-type: none"> • No documented cash handling procedures, except for, Miscellaneous Receipts at the Downtown location. • No recording of receipt book sequence numbers when distributed. • No physical count of receipt books. 		
Effect: (Describe or quantify any adverse effects)	<ul style="list-style-type: none"> • Decreased internal control and risk of improper receipting. • Operational inefficiency without documented procedures. 		
Recommendation: (Describe corrective action)	Proper receipt procedures should include: <ol style="list-style-type: none"> 1. Distribution and the return of completed receipt books should be controlled through recordkeeping procedures to include a tracking log of receipt books issued to and returned from the various offices or locations. A manual receipt log should be used and include the sequence number(s) of the receipt book(s) issued, to whom, location and date. 2. All manual receipts must be accounted for, used and maintained in numeric order, have the corresponding computer receipt attached, posted accurately and timely, and deposited in accordance with V.T.C.A., L.G.C. § 113.022. 3. Management should document the manual receipt procedures that were proposed in their July 2011 response. 4. A physical count of the receipt books on-hand should be periodically performed to ensure it agrees with the electronic logs records. 5. The electronic log needs to be corrected to reflect the physical count of receipt books on-hand. It should also include the sequence of receipts issued to any location. Status: A physical count of the manual receipts issued and used and unused receipts, was performed by the locations and compiled by the Assistant Manager – Motor Vehicle on April 3, 2012. 6. The electronic log information should be combined with issued receipt books spreadsheet (per the April 3, 2012 physical performed by site personnel) and the manual receipt books on-hand. One location with all the information will increase efficiency and accuracy of the records. 		
Responsible Department / Organization and Individual(s):	Tax Office		
Management's Response:	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	Respondent: Shirley Jacobson, Chief Deputy Date: 6-19-12
Comments:	As of April 2012, a spreadsheet was developed that tracks the receipt books issued by location as well as those on hand in each location, those used and returned to the Supply Room Manager downtown, who is responsible for maintaining the spreadsheet. Beginning July 15, 2012 – and quarterly thereafter – a quarterly physical county of receipts on hand will be done and sent downtown to the Supply Room Manager to record on the spreadsheet. Thereafter, all tracking records will be one spreadsheet. New procedures have been drafted and are on file for review of audit. The procedures are for use of the manual receipt books by all departments of the Tax Office in the event of a system downtime situation. These procedures will be distributed appropriately.		
Disposition:	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration



Finding / Observation Number: 2011-TD-01-C3
Date: April 5, 2012
Audit: Tax Office
Auditor(s) Assigned: AT / TG

<p>Finding / Observation:</p>	<p>Security – Cash and Technology – ACT Users and Granted Roles</p> <p>A review of the ‘Dallas County List of the Users and Granted Roles’ (User Access List) report dated February 20, 2012 for the Appraisal & Collection Technologies (ACT) system was performed to determine the accuracy and the validity of the roles and access rights of users granted by Tax Office management.</p> <p>We noted the following :</p> <ol style="list-style-type: none"> 1. 69 users granted roles that may allow the user to have two or more business processes that could result in compromise of the integrity of the process without providing “detective’ controls, e.g., an employee having a cashiering role and the ability to change receivables. Of these, 11 are reportedly LGBS law firm staff with ‘Cashier’, ‘Clerk’, and/or ‘Roll Maintenance’ roles active in Production. 2. 20 users that could not be properly identified due to insufficient information. 3. Three instances of a Tax Office employee with two user IDs in the Production instance with ‘Connect’. 4. 10 users who were still active after being terminated or relocated to another assignment. 5. User ID ‘DC01’ used by ACT programmers since ‘Go-Live’ with complete system rights. 6. Three additional generic User IDs that are active (i.e. CASHIERI_TEMP, DCVIT01 and DA_TEMP). There is no indication these IDs are used in Production. When generic accounts are used, the accountability of usage cannot be clearly established and passwords can be shared by multiple personnel. <p>Response: CASHIERI_TEMP and DA_TEMP are templates used to create new User IDs with the same roles.</p>
<p>Workpaper Reference: (or other method by which finding was identified)</p>	<ul style="list-style-type: none"> • The February 20, 2012 list of the ‘Dallas County Users and Granted Roles’ report provided by the Tax Office. • Kronos system • Oracle Payroll system • IT – Tax Office
<p>Condition: (Describe the current condition)</p>	<p>A review of the Dallas County List of the Users and Granted Roles (User Access List) report for the Appraisal & Collection Technologies (ACT) was performed to determine the accuracy and the validity of the roles and access rights of users granted by Tax Office management. Some users were granted unnecessary rights in correlation with job functions/descriptions. A total of 350 User IDS with ‘Connect’ granted allowing access to ACT as follows:</p> <ul style="list-style-type: none"> • 194 were Tax Office employees (includes three with two User IDs under different names) • 106 were staff from the delinquent property tax collections law firm (ACT system provider) • 26 were various offices’ staff - Audit, Public Works, Treasurer and District Attorney • 20 were not able to identify or tie to specific location in the Tax Office (includes several appearing in Oracle Payroll as applicants, but not employees)



	<ul style="list-style-type: none"> • Four were generic User IDs <p>Supervisors submit access requests to the Tax Office IT staff when a new employee is hired or when a promoted employees needs access / additional access rights to ACT. Once the appropriate system rights / roles are determined, a new User Name is created in ACT and a temporary password is assigned to the user. The new user is required to sign-on to ACT and create a new password which expires every 60 days.</p> <p>Tax Office IT staff rely on notifications from supervisors when employees are terminated or reassigned to other job functions not requiring access to ACT. Role 'Connect' is removed which prevents a user from accessing ACT. No specific tracking for reclassification from job function to another is performed, e.g. from Tax IT group to Customer Care.</p> <p>Instances of unidentified User IDs and four generic User Ids exist. Some users were granted rights in excess of job function / description requirements. Review and clean-up of 'user access' is ongoing.</p>
<p>Criteria: (Describe the optimal condition)</p>	<p>Information processing controls should be developed and monitored to help ensure that transactions completed through computerized applications are valid, authorized, complete and accurate.</p> <p>Best practices for internal control ensure adequate segregation of duties so no one user has two or more business processes that could result in compromise of the integrity of the process or allow that person to commit fraud.</p> <p>Automated systems include a review of access controls against an authorization matrix that defines "least privilege" access levels and authority for an individual's role to their job function / responsibilities. Control objectives:</p> <ul style="list-style-type: none"> • Periodic management review of User Access Lists • Ensure termed users are removed timely by comparing weekly Termination report from HR to User Access List • Ensure all information and changes to the User Access List are accurate, complete, authorized and timely. <p>Third-party IT management of the production environment should be based on approved policies and procedures established by the County. Support team accessing the system must use specific user ID (associated to assigned roles/rights) authorized by the County. The County IT department should also monitor this activity if County network is accessed to ensure County policies and procedures are adhered to.</p>
<p>Cause: (Describe the cause of the condition if possible)</p>	<ul style="list-style-type: none"> • Incomplete system security access matrix. • Limited management review of the User Access List.
<p>Effect: (Describe or quantify any adverse effects)</p>	<p>Increased risk to system. Users with more rights than needed.</p>
<p>Recommendation: (Describe corrective action)</p>	<ul style="list-style-type: none"> • Review all rights and roles to ensure users have only the rights necessary to perform their core job functions. A proper segregation of duties reduces the risk of misappropriated funds.



	<ul style="list-style-type: none"> • Review and update user’s assignment for any users changing departments or positions to reflect current County responsibilities. Procedures should be in place to ensure user’s roles are changed. • Assignment of active users should be reviewed periodically (at least quarterly). • Restrict law firm IT support team, including internal IT staff, from roles that grant rights to perform/update financial transactions and any other transactions not required for business needs in the production instance. • Generate a report or query to capture all activity from generic user IDs and user IDs of non-IT law firm staff within the system that impacts financial data through transactions which create/update/change/delete records. • Create a process to detect activity during off hours. The creation and monitoring of the tool (such as a report/query) should be independent of the support team. • Review users with multiple IDs and determine which User ID should be used. The additional ID(s) should be removed. • Develop a standard nomenclature for User IDs for consistency (e.g. First Name_Last Name) and to reduce duplicates. • Remove generic User IDs and assign specific individual User IDs to establish accountability. • Develop generic user templates based on job responsibilities that contain approved user roles suited for that job function. For example, a Cashier and Branch Supervisor would have a different user template. Any additional roles for the user would have to be approved by management.
Responsible Department or Organization:	Tax Office
Management’s Response:	<input type="checkbox"/> Agree <input checked="" type="checkbox"/> Disagree Respondent: Shirley Jacobson, Chief Deputy Date: 5-22-12
Comments:	Tax Office IT performed a clean-up on 6-11-11 and again on 4-12-12 – lists maintained by Tax Office IT are available upon request. Tax Office found 52 additional users over and above the 69 notated by Internal Audit. A user list is produced from the ACT system. It lists all people that have ever been connected to the ACT system, who is currently connected and the roles they have been assigned. This list is compared to the Dallas County active employee list. In addition, via email, we request lists of LGSB personnel, Motor V and sub-station personnel and departmental personnel outside of the Tax Office who need connectivity to the ACT system. This is also compared to the user list. Users are disconnected from ACT based on the comparisons listed above.
Disposition:	<input checked="" type="checkbox"/> Audit Report <input type="checkbox"/> Oral Comment <input type="checkbox"/> Deleted From Consideration



Finding Number: 2011-TD-01-F1
Date: December 31, 2011
Audit: Tax Office
Auditor(s) Assigned: SO

<p>Finding:</p>	<p>Non-Property Tax Activity - Special Inventory Tax – SIT Interest Earned and Expenditures (Fund 718)</p> <p>Interest earned on SIT funds totaling \$13,342.69 was used for travel and conference expenses and office construction expenses for Tax Office administration staff without allocating expenses not directly related to the administration of the prepayment process during calendar year ended 12/31/2011.</p>
<p>Work paper Reference: (or other method by which finding was identified)</p>	<p>SIT check disbursements, Proof of Cash and supporting documentation.</p>
<p>Condition: (Describe the current condition)</p>	<p>Activity for special inventory tax is accounted for in Fund 718. Account balances include outstanding checks for routine transactions such as prepaid taxes and earned interest. Records are maintained to account for tax office use of the earned interest and a budget is filed annually. Quarterly estimated of payroll expenditures related to prepayment process are transferred to an escrow account.</p> <p>An escrow account was established by the County under Oracle General Ledger to process and record expenditures related to the prepayment process. Direct payroll expenditures for full-time positions devoted 100% to VIT are posted to this escrow account. Costs for part-time hours (allocation for full-time employees not devoted 100% to VIT) worked is journaled to the escrow account. Periodic transfers of interest earned from the Special Inventory Fund 718 account are made to cover the payroll expenditures. This account is seldom used by the Tax Office to pay other expenditures.</p> <p>Other expenditures are directly charged to Fund 718. The laws governing purchasing within the County are followed. Decisions made regarding relevancy to prepayment process are made by the elected official.</p> <p>Funds in the amount of \$13,342.69 were disbursed from SIT for travel, hotel stays, meals, conferences, education, facilities, etc., without justification directly related to the administration of the prepayment process during calendar year 2011.</p>
<p>Criteria: (Describe the optimal condition)</p>	<p>Property Tax Code § 23.122</p> <p>The funds may be used to defray the cost of administration of the prepayment procedure and may not be used for general office expenses of the assessor-collector unrelated to the cost of administering the program. (Also see AG opinions JC-348(2001); JC-0149 (1999); and DM-398 (1996).</p> <p>Local Government Code § 111.095 - SPECIAL FUNDS</p> <p>(a) This section shall apply to all funds maintained and controlled by a county tax assessor-collector that are not included in the county budget.</p> <p>(b) At least 60 days before the first day of the county's fiscal year, the county tax assessor-collector shall prepare a budget for the expenditure of the funds during that fiscal year and file a copy of that budget with the county budget officer. The county budget officer shall make a copy of the budget filed with the budget officer available to the public at all reasonable times. The budget filed with the county budget officer is not subject to approval by the commissioner's court of the county, but any member of the public is entitled to speak for or against the budget during the county's budget process. Funds in the accounts under this section may be spent only in compliance with the</p>



	<p>budget filed with the county budget officer under this subsection. (c) Funds in the accounts under this section may not be used to supplement the salary or cover the personal expenses of the county tax assessor-collector. (d) The provisions of this section are cumulative with the provisions of other statutes pertaining to county funds.</p> <p>OMB Circular A-87 - Cost Allocation Guide for State and Local Government is based on the authority included in the office of Management and Budget:</p> <p><u>Travel Cost</u> Allocated based on purpose of travel. All travel costs (local and out-of-town) are charged directly to the program /service for which the travel was incurred. Travel costs that benefit more than one program/service will be allocated to those programs/services based on the ratio of each program/service's salaries to the total of such salaries. Travel costs that benefit all programs/services will be allocated based on the ratio of each program/service's salaries to total salaries.</p> <p><u>Office Expense and Supplies</u> Allocated based on usage. Expense used for a specific program will be charged directly to that program/service. Cost that benefits more than one program/service will be allocated to those program/services based on the ratio of each program/service's expenses to the total of such expenses. Costs that benefit all program/services will be allocated based on the ratio of each program/service's expenses to total expenses.</p>						
<p>Cause: (Describe the cause of the condition if possible)</p>	<p>Fact determination by official.</p>						
<p>Effect: (Describe or quantify any adverse effects)</p>	<p>The special inventory account supplements general office expenditures of the Tax Office.</p>						
<p>Recommendation: (Describe corrective action)</p>	<ul style="list-style-type: none"> • Tax Office management should implement a Cost Allocation Plan according to the guide provided by Office of Management and Budget (OMB) Circular A-87. • Reimburse the Special Vehicle Inventory accounts for any expenses paid from Fund 718 that are not directly related to administering the Special Vehicle Inventory activities. • Process all authorized payments relevant to the SIT administration through the escrow account maintained in the county's general ledger. • Annual VIT budgets submitted to OBE should include appropriations for all anticipated services, purchases, and activities related to the administration of the special inventory repayment process. 						
<p>Responsible Department / Organization and Individual(s):</p>	<p>Tax Office</p>						
<p>Management's Response:</p>	<table border="1"> <tr> <td data-bbox="527 1570 682 1665"> <input type="checkbox"/> Agree </td> <td data-bbox="682 1570 857 1665"> <input checked="" type="checkbox"/> Disagree </td> <td data-bbox="857 1570 1039 1665"> Respondent: </td> <td data-bbox="1039 1570 1250 1665"> Shirley Jacobson, Chief Deputy </td> <td data-bbox="1250 1570 1344 1665"> Date: </td> <td data-bbox="1344 1570 1510 1665"> 6-19-12 </td> </tr> </table>	<input type="checkbox"/> Agree	<input checked="" type="checkbox"/> Disagree	Respondent:	Shirley Jacobson, Chief Deputy	Date:	6-19-12
<input type="checkbox"/> Agree	<input checked="" type="checkbox"/> Disagree	Respondent:	Shirley Jacobson, Chief Deputy	Date:	6-19-12		
<p>Comments:</p>	<p>Decisions over the use of the funds in the VIT interest account are made by the Tax Assessor/Collector since this account is under his sole control per the Texas Tax Code. In addition, the Tax Office believes that all these expenses had a direct benefit to the VIT program and/or the employees involved in some portion of monitoring and/or maintaining VIT collections and disbursements. All major expenses from VIT are briefed to the Commissioner's Court as a courtesy and for complete transparency.</p>						
<p>Disposition:</p>	<table border="1"> <tr> <td data-bbox="527 1850 795 1879"> <input checked="" type="checkbox"/> Audit Report </td> <td data-bbox="795 1850 1088 1879"> <input type="checkbox"/> Oral Comment </td> <td data-bbox="1088 1850 1510 1879"> <input type="checkbox"/> Deleted From Consideration </td> </tr> </table>	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration			
<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration					



Finding / Observation Number: 2011-TD-01-F2
Date: September 30, 2011
Audit: Tax Office
Auditor(s) Assigned: SO

<p>Finding / Observation:</p>	<p>Non-Property Tax Activity – Motor Vehicle (MV) Sales Tax Remittances</p> <p>A review of all motor vehicle sales tax wire transfers for fiscal year ended September 30, 2011, revealed:</p> <ul style="list-style-type: none"> • Wire transfers to the state for motor vehicle (MV) sales tax transactions were not made in accordance with Tax Code, § 152.121(a) (3) or daily as collected. • Settlement of sales tax collections take place from four to seven business days after the effective RTS receipts date to allow for corrections. (Tax Office policy is four to five business days).
<p>Workpaper Reference: (or other method by which finding was identified)</p>	<p>Comparison of the remittances due for sales tax revenues with the date that the Tax Office wired the funds to the State Comptroller.</p>
<p>Condition: (Describe the current condition)</p>	<p>The Tax Office sends MV sales tax collections to the state on a daily basis, but not as collected. To allow for corrections and cleared funds / available bank ledger balance, daily remittances and settlements pertain to collections from the previous four to seven business days (after the effective RTS receipt date).</p>
<p>Criteria: (Describe the optimal condition)</p>	<p>Tax Code</p> <p>Sec. 152.121 (a) (3). TAX SENT TO COMPTROLLER. The County Tax Assessor-Collector shall send the moneys collected from taxes and penalties imposed by this chapter to the Comptroller daily (as collected) if during the last preceding state fiscal year \$10 million or more of taxes and penalties imposed by this chapter was collected by the office of the county tax assessor-collector.</p> <p>Sec. 152.041. GENERAL COLLECTION PROCEDURE. (a) The tax assessor-collector of the county in which an application for registration or for a Texas certificate of title is made shall collect taxes imposed by this chapter, subject to Section 152.0412, unless another person is required by this chapter to collect the taxes.</p> <p>Sec. 152.0411. COLLECTION BY SELLERS. (a) Except as provided by this section, a seller who makes a sale subject to the sales tax imposed by Section 152.021 shall add the amount of the tax to the sales price, and when the amount of the tax is added:</p> <ol style="list-style-type: none"> (1) it is a debt of the purchaser to the seller until paid; and (2) if unpaid, it is recoverable at law in the same manner as the original sales price. <p>(b) The seller shall collect the tax from the purchaser and remit it to the tax assessor-collector in the time and manner provided by law.</p>
<p>Cause: (Describe the cause of the condition if possible)</p>	<p>N/A</p>
<p>Effect: (Describe or quantify any adverse effects)</p>	<p>Interest earned by County attributable to unwired State funds. Delayed remittance to the State.</p>



Recommendation: (Describe corrective action)	The Tax Office should establish a review process regarding timely wire transfers without jeopardizing cash flow. The Tax Office should consider seeking legislative changes to enact less restrictive remittance deadlines.				
Responsible Department / Organization and Individual(s):	Tax Office				
Management's Response:	<input type="checkbox"/> Agree	<input checked="" type="checkbox"/> Disagree	Respondent:	Shirley Jacobson, Chief Deputy	Date: 5-22-12
Comments:	The Tax Office does remit funds daily to the Comptroller's office and have always opted for a 4/5 day delay to allow for corrections. The State Comptroller's office has never had a problem with this practice and has recently conducted its own audit not citing this as an issue. The Tax Office will continue to follow this practice which we consider to be the best business decision.				
Disposition:	<input checked="" type="checkbox"/>	<input type="checkbox"/> Oral Comment	<input type="checkbox"/>		