




# DALLAS COUNTY COUNTY AUDITOR

## Memorandum

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

**FROM** Darryl D. Thomas   
County Auditor

**SUBJECT** Tax Office – Review for Period Ending December 2014

**DATE** Issued: May 18, 2015  
Release: July 27, 2015

---

## **SCOPE**

We performed ongoing reviews on the financial records and operational processes of the Dallas County Tax Office for the 2014 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 \$4.1 billion in receipts were collected and processed by the Tax Office during the fiscal year ending September 30, 2014.

## **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. Property Tax Appraisal, Levy, Collection and Reporting**

- Appraisal & Collection Technologies (ACT) System program enhancements
- Remittances to other entities and delinquent tax collection law firm
- Monthly ad valorem tax collection reports
- Over-the-counter and Internet collections of property tax payments
- Levy adjustments and certified roll
- Agreed judgments
- 25.25 (d) assessments

### **B. Accounting / Reconciliation**

- Bankruptcy payments received from trustees
- Bank reconciliations and Automated Clearing House (ACH) transfers
- Stale dated checks
- Manual NSF processing
- Remittance Processing System (RPS) processing
- Proofs of Cash

- Refunds to taxpayers and overpayments
- Undisbursed refunds
- Weekly Registration and Title System (RTS) reports and related ACH transfers

**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. Economic Development / Tax Exemptions**

- 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

**G. Other**

- Purchasing procedures
- Third party audit (SOC)
- Collection contracts (cost per parcel)
- Scofflaw
- Time and attendance records

**FY2014 Statistical Information**

- Over \$4.1 billion in receipts processed
- Approximately 804,627 property tax accounts
- Approximately 2.1 million registration transactions
- Approximately 680,000 title transactions
- 78 entity property tax or special assessment current collection contracts
- Over 32,000 Internet credit/debit card transactions for property tax payments totaling over \$67.7 million
- Approximately 6,200 Point of Sale (Over the Counter) credit/debit card transactions for property tax payments totaling approximately \$7.1 million
- Approximately 159,000 Point of Sale credit/debit card transactions for registration, title, and sales tax payments totaling approximately \$21.4 million
- Approximately 53,000 e-check transactions for property tax payments totaling approximately \$228 million

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 \$4.1 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 Appraisal, Levy, Collections and Reporting**

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: Tax Office posting or clerical error; 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 February 17, 2015, approximately \$3.9 million in pre-conversion overpayment or erroneous payment balances (escrow accounts 8017 and 8021) remain undisbursed / transferred.
3. Levy adjustments – The 2014 Certified Tax Roll received from DCAD and other appraisal districts were uploaded into ACT on October 1, 2014. 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 for Ellis, Kaufman, Rockwall, Collin, Denton and Tarrant counties have been improved this year. 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 – 1,008 property appraisal cases affecting 2,700 accounts were filed against **DCAD**, resulting in a \$3.8 million reduction of the 2013 Dallas County taxable levy after entry of final agreed judgments by the court. As of January 28, 2015, 1,167 new property appraisal cases affecting 3,313 accounts for Tax Year 2014 were filed against **DCAD**. No major workload changes for the Tax Office occurred to manually process the levy adjustments or issue refund checks.

### **B. Accounting / Reconciliation**

Procedures implemented by the property tax refund section continue to improve the overall refund process.

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. In June 2014, the Tax Office transferred a total of \$417,823.13 to the Dallas County General Fund from Property Tax Refund Account 715 for unclaimed funds for stale dated checks over three years old. However, old property tax collection entity remittance errors exceeding \$60,250 remain unresolved.

Effective March 8, 2015, approximately \$12.5 million uncollectable receivables from personal property, real property and mobile home accounts for tax years 1985 through 2009 were removed from the delinquent tax roll and transferred to dead/inactive roll affecting a total of 12,198 accounts for 32 jurisdictions. Of the \$12.5 million, \$6.6 million (not meeting statutory threshold) was recommended to be written-off by the delinquent collection law firm. 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. Property Tax Code Section 33.05 (c) (1) and (2) states in part that the taxing unit shall cancel and remove from the delinquent tax roll if there is no pending litigation a tax on real property that has been delinquent for more than 20 years; and a tax on personal property that has been delinquent 10 years.

Returned Check Fee – Local Government Code (LGC) §118.141 and 118.142 authorizes the collection of a returned check fee no greater than \$30 for checks presented to the county in payment of any service, fee, claim, registration, fine or other cost of the county. According to LGC §118.145 fees collected shall be deposited in the general fund of the county to the credit of the county treasurer fees of office account. Returned check fees collected for returned checks processed by the motor vehicle department and SIT Inventory departments remain in Fund 710 and Fund 718 bank accounts. For fiscal years 2013 and 2014, approximately \$28,057 in returned check fees was collected and pending transfer to the general fund.

### **C. Security – Cash and Technology**

1. Internal controls – payment processing / handling - Review of daily close out reports and deposit transactions revealed material compliance with cash, check, and credit card shortages noted. Procedures to detect counterfeit bills and affirm cashier responsibility are documented and monitored by supervisory staff with additional procedures implemented by Tax Office management during FY2013.
2. Positive Pay – Tax Office accounting personnel rely on notification from the bank when the Positive Pay file contains “non-match” exceptions. However, bank reconciliations and ongoing management review of banking activity affirm all “non-match” exceptions were reported by the bank. A problem with the magnetic ink character recognition (MICR) line resulted in 28 checks during FY2014 to clear two banking institutions for the check number instead of the legal written amount from the Fund 715 Property Tax Refund Account. **Status:** Resolved as of March 18, 2015. The ACT Team implemented the appropriate application formula change to the system.
3. System Controls: Roles / Rights – Some users were granted unnecessary rights in correlation with job functions/descriptions. Terminated personnel with ‘Connect’ role remain active in Production due to infrequency of review by Tax Office of ACT report ‘Dallas County List of the Users and Granted Roles’ (User Access List).

### **D. Economic Development - Tax Exemptions, Abatements and TIFs**

The County disbursed a total of \$4,554,237.22 to Tax Increment Financing (TIF) Districts during calendar year 2014 for the Tax Year 2013 increment. The County’s participation is determined by the incremental increase of taxable value over the base year and property tax levy collected each year.

## **E. Employee Development and Training**

Employee incentives - A total of \$152,388 was spent on employee incentive programs for fiscal year 2014.

Disclosures – One key employee (Tax Data Processing Manager) of the Tax Office is expected to retire on June 1, 2015. The Tax Office requested to double-fill the position to reduce new employee's knowledge gap of the property tax collection system and to ensure workflow of the Tax Office with funding of 320 hours from the Special Inventory Tax (SIT) Account. Property Tax Code Section 23.122 states in part *“Interest generated by an escrow account may not be used to reduce or otherwise affect the annual appropriation to the collector that would otherwise be made”* and *“Penalties collected pursuant to the authority of this section are the sole property of the collector, may be used by no entity other than the collector, and may not be used to reduce or otherwise affect the annual appropriation to the collector that would otherwise be made.”*

## **F. Non-Property Tax Activity**

Special Inventory Tax (SIT) Account 718 and SIT Interest & Penalty Account 731 – SIT penalty and interest earned on the SIT funds (Account 718) totaling \$226,369 transferred to SIT Interest & Penalty Account 731 for Fiscal Year 2014. Funds totaling \$39,590 within the SIT Interest & Penalty Account 731 were used to reimburse employees for out of pocket travel and conference expenses; to pay for lodging; to purchase office computers and printers; to pay for office construction; and to pay for membership dues without reconciliation of non-administrative expenses. Various Attorney General Opinions regarding interest earned under Property Tax Code Section 23.122 indicate 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.

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 six business days after the effective RTS receipts dates.

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. Most expenses for conference hotel, office equipment, vehicle purchase, and office remodeling / construction have been paid (after transfer from the Runner Fees to the General Fund) with Commissioners Court approval. Other expenses totaling \$14,543 for background checks, ids, etc. have been paid directly from collected funds by the Tax Office. As of September 30, 2014, a balance of \$87,159 remains in Account 710. General Fund revenue and expenditures are understated when activity occurs outside of the County's official financial system. Current practice (direct paid expenditures) is not in compliance with LGC, § 111 and 112, or Generally Accepted Accounting Principles (GAAP).

Registration by Mail or Electronic Means – Service Charge –\$1 fee is collected in accordance with Transportation Code, § 502.197 for motor vehicle registrations by mail or electronic means. However, collected funds are deposited and retained in the Registration, Title, and Sales Tax Account 710 with postage paid directly from Account 710 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. Excess postage funds are inconsistently transferred to the General Fund to offset the handling costs. As of December 31, 2014, the postage balance in Account 710 was

\$317,312. In addition, \$162,194 in miscellaneous fees was withheld in Account 710 without transfer to the General Fund. General Fund revenue and expenditures are understated when activity occurs outside of the County's official financial system.

Texas Department of Motor Vehicles – Web Agent – Approximately 440,307 direct renewals totaling over \$27.9 million were processed by subcontractors via Point of Sale (POS) transactions through a web based application over the Internet in Fiscal Year 2014.

Subcontractor and Dealers Bonding Requirements – Subcontractor merchant locations throughout Dallas County process renewal motor vehicle registration on behalf of the Tax Assessor-Collector. Subcontractors are required to provide a bond for \$15,000 for up to two merchant locations or \$12,000 for each location for three or more locations. New car dealerships electronically submit title and registration applications for processing to Tax Office operations branch. Dealers are required to provide a bond in the amount of \$20,000 and an additional registration bond for \$40,000 per box of license plates. Several Subcontractor and Dealer files maintained by the Tax Office did not contain documentation for the required bonds and/or oath of deputation forms.

Disclosures – The Texas Alcoholic Beverage Commission (TABC) is required to charge a license fee and surcharge for each place of business that manufactures, imports, or sells beer and wine. These fees were previously collected at the county tax assessor office in which the licensed premises were located. Due to legislation changes passed by the 83<sup>rd</sup> Legislature (SB 1035), TABC collects (effective February 1, 2014) the fees and surcharges applicable to the State while the Tax Office is required to bill the licensee the County's portion of beer and wine license/application fees.

#### **G. Other**

Scofflaw Program – The Assessor-Collector consistently refuses to register vehicles flagged ('scofflaw') by TXDOT under Section 702.003 of the Transportation Code 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. Five external entities actively participated in the program during fiscal year 2014 and the Tax Assessor-Collector billed \$309,059 for deposit to the General Fund.

Time and Attendance – Break and lunch periods vary by location and department of the Tax Office; however, lunch is recorded as 30 minutes in the KRONOS time and attendance system for all Tax Office employees. Review of Kronos time and attendance postings revealed five employees took two paid personal holidays in 2014; however, only one personal holiday was approved by Commissioners Court. 9,026 hours of compensatory time or overtime earned were posted to Kronos from January 4, 2014 through January 2, 2015 for 195 Tax Office employees.

Tax Office Vehicles – Commissioners court approved the replacement of the two Tax Office vehicles in FY2013. These vehicles are used on a daily basis by operations branch employees to run office supplies and license plate inventory to the substations and to subcontractors/dealers when requested. Two additional vehicles were purchased by the Tax Office in FY2013 and FY2014 to transport staff between the main office downtown to the various Tax Office substations throughout the county. \$40,897 from the Runners Permit Fund was used to reimburse the General Fund for the purchases.

#### **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 Summary Responses**

The Dallas County Tax Office appreciates the cooperative efforts, and the oversight and review of the Dallas County Auditor's Office. As indicated in this audit, the Tax Office's performance during this audit period demonstrates **material compliance**. The Tax Office Management Team strives to keep abreast of all applicable codes and regulations, as well as industry practices in order to ensure the highest levels of service to our taxing entities and the citizens that we serve. Service and performance levels remain consistently high without regards to the limited resources available. We look forward to our future collaborate works with the Auditor's Office to improve efficiencies and to enhance our processes such that will greater strengthen our ability to provide our citizens with accurate and expedient service.

#### **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: Darryl Martin, Commissioners Court Administrator  
Ryan Brown, OBE



**Finding / Observation Number:** 2014-TD-01-A1  
**Date:** March 27, 2015  
**Audit:** Tax Office  
**Auditor(s) Assigned:** LC, PA

<p><b>Finding / Observation:</b></p>	<p><b>ACT System - Backdated Payments/ Waived Penalty and Interest</b></p> <p>Review of approximately 92,778 property tax payments (excludes lockbox postings, 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: 152 (0.16%) payments totaling \$1,962,488 were backdated or with modified due date to preclude the assessment of penalty and interest.</p> <p>Explanation for waiving penalty and interest included:</p> <ul style="list-style-type: none"> <li>• Tax Office clerical errors = 37 (24.34%)</li> <li>• DCAD clerical error = 30 (19.74%)</li> <li>• Tax Office refunded or returned the original payment = 25 (16.45%)</li> <li>• Lost check / Taxpayer payment not processed = 23 (15.13%)</li> <li>• Taxpayer claim did not receive statement / statement error = 22 (14.47%)</li> <li>• Other = 15 (9.87%)</li> </ul>
<p><b>Workpaper Reference:</b> (or other method by which finding / observation was identified)</p>	<p>Daily Deposit Proof Teller reports P&amp;I 2014</p>
<p><b>Condition:</b> (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, credit card, check, money order, or cashier's check, or paid online via "electronic payment".</p> <p>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 and posting payments. Receipts are generated reflecting date of receipt. Tax payments made in person are posted to the account with an effective date that corresponds to the business date received. Posting accuracy is high.</p> <p>Successful "electronic payments" (from Internet applications) are uploaded to ACT through an established interface process using date of taxpayer submission. Occasionally, transactions 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 failed funds settlement by the issuing card bank and no charge to the customer's credit card account.</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 31<sup>st</sup>, require special handling and posting with an effective date of January 31<sup>st</sup> for payments posted in February. Payments received via mail are opened, sorted by postmark date, and prepared for processing through the Remittance Processing System (RPS). However, mail payments that need further research may be processed by teller and other staff within the Property Tax Section. This is generally due to mismatched payment coupons which are detected and reviewed 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</p>





	<p>balances.</p> <p>The ACT system contains system functionality that allows delinquency dates to be established for original certified rolls and supplemental processing. Calculated tax base levy balances due are reflected I ACT including any unpaid penalty and interest, and other fees. Property tax payments (submitted after the delinquency date) are assessed penalties and interest. The amounts assessed are dependent upon the length of delinquency. Certain ACT user rights/roles allow the backdating of payment effective dates and/or modification and establishment of future delinquency/due dates for tax payments resulting in the waiver of penalties and interests on delinquent accounts. However, certain circumstances may warrant these changes including Tax Office or Appraisal District errors, and errors in transmission of electronic fund transfers. Processes include supervisor review and documentation are established, but inherent weaknesses exist within the system.</p>
<p><b>Criteria:</b> <b>(Describe the optimal condition)</b></p>	<p>Management judgment in designing, implementing and conducting internal control, and in assessing its effectiveness is emphasized in the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. Internal control requires that five core components be present: Control Environment; Risk Assessment; Control Activities, Information and Communication; and Monitoring Activities. Specific controls related to receipt control procedures require that:</p> <ul style="list-style-type: none"> <li>• All receipts should be accounted for and properly used in order to affix responsibility, enhance cash control, and prevent assertion that monies were paid and refund due.</li> <li>• Receipts should not be altered, but properly voided and affixed with a reason for the void with retention of all voided copies. All voids should be reviewed daily by supervisory personnel.</li> <li>• Management review of payment reports especially with respect to backdating payments should occur testing all payment date overrides in accordance with statute.</li> <li>• The number of individuals authorized to receipt payments, backdate payments, and handle cash is properly segregated and limited.</li> </ul> <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>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 with ongoing management review.</p> <p>According to Local Government Code, § 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</p>



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:

- (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.

According to Tax Code, § 31.01. TAX BILLS. (a) Except as provided by Subsections (f), (i-1), and (k), 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.

(f) A collector may provide that a tax bill not be sent until the total amount of unpaid taxes the collector collects on the property for all taxing units the collector serves is \$15 or more. A collector may not send a tax bill for an amount of taxes less than \$15 if before the tax bill is prepared the property owner files a written request with the collector that a tax bill not be sent until the total amount of unpaid taxes the collector collects on the property is \$15 or more. The request applies to all subsequent taxes the collector collects on the property until the property owner in writing revokes the request or the person no longer owns the property.

(g) Except as provided by Subsection (f) of this section, failure to send or receive the tax bill required by this section, including a tax bill that has been requested to be sent by electronic means under Subsection (k), 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.

(i-1) If an assessor mails a tax bill under Subsection (a) or delivers a tax bill by electronic means under Subsection (k) to a mortgagee of a property, the assessor is not required to mail or deliver by electronic means a copy of the bill to any mortgagor under the mortgage or to the mortgagor's authorized agent.

(k) The assessor for a taxing unit shall deliver a tax bill as required by this section by electronic means if on or before September 15 the individual or entity entitled to receive a tax bill under this section and the assessor enter into an agreement for delivery of a tax bill by electronic means. An assessor who delivers a tax bill electronically under this subsection is not required to mail the same bill under Subsection (a).

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.

(b) An eligible person serving on active duty in any branch of the United States armed forces during a war or national emergency declared in accordance with federal law may pay delinquent property taxes on property in which the person owns any interest without penalty or interest no later than the 60th day after the date on which the earliest of the following occurs:

- (1) the person is discharged from active military service;
- (2) the person returns to the state for more than 10 days;
- (3) the person returns to non-active duty status in the reserves; or
- (4) the war or national emergency ends.

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.

(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.		
<b>Cause:</b> (Describe the cause of the condition if possible)	Large volume of payments during peak tax season		
<b>Effect:</b> (Describe or quantify any adverse effects)	Uncollected penalties, interest, and collection fees		
<b>Recommendation:</b> (Describe corrective action)	Continue management review and staff training.  Review and update documentation for technology and economic process changes affirming that: <ul style="list-style-type: none"> <li>• Property tax levies, penalties and interest, and other fees properly assessed, collected, and receipted to the correct tax account are based on state law and contractual obligations.</li> <li>• 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. Consider adding secondary approver and exception reporting.</li> </ul>		
<b>Responsible Department / Organization(s) and Individual(s):</b>	Tax Office		
<b>Management's Response:</b>	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	<b>Respondent:</b> Paul E. Hamilton, Chief Deputy <b>Date:</b> 7/10/2015
<b>Comments:</b>	Backdating property tax payments is required under limited circumstances and in the normal course of doing business. In the limited instances when it is done, management is committed to the review and oversight of these transactions to ensure the integrity of the overall collections process.		
<b>Disposition:</b>	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration



**Finding/Observation Number:** 2014-TD-01-A2  
**Date:** March 24, 2015  
**Audit:** Tax Office  
**Auditor(s) Assigned:** AT

<p><b>Finding/Observation:</b></p>	<p><b>ACT System Processing – Pre-Conversion Overpayments/Erroneous Payments</b></p> <p>A review of ACT data for pre-conversion overpayments and erroneous payments as of February 24, 2015 revealed:</p> <ul style="list-style-type: none"> <li>• 3,088 accounts totaling \$2,733,033.19 remain undisbursed from “8021” (escrow for converted overpayments resulting from levy adjustments). In addition, 169 accounts with negative refund amounts totaling (\$359,029) remain uncorrected (majority negative amounts created in July 2010 via a transfer transaction).</li> <li>• 1,108 accounts totaling \$1,158,429.09 remain undisbursed from “8017” (RR – Research Required for converted overpayments resulting from erroneous payments)</li> </ul>
<p><b>Workpaper Reference: (or other method by which finding was identified)</b></p>	<p>Review of Pre-Conversion Report date 6/28/2008, 7/7/08, 9/16/2008, 10/28/09, 4/2/2012, 1/24/2013, 1/2/2014 and 2/17/2015                  Discussion with Property Tax and Refund staff</p>
<p><b>Condition: (Describe the current condition)</b></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 UGSA historical data is available for research by Tax Office staff.</p> <p>Tax Office personnel under the direction of the Property Tax Refund Manager continue to research and refund converted overpayments. Monitoring and quality control procedures instituted by the Property Tax Refund Manager provide reasonable assurances that refunds are valid, accurate, and authorized.</p>
<p><b>Criteria: (Describe the optimal condition)</b></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</p>



	<p>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</p> <p>(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><b>Cause:</b> (Describe the cause of the condition if possible)</p>	<p>N/A</p>



<b>Effect:</b> (Describe or quantify any adverse effects)	Additional staff time to research converted payment details in the historical UGSA database.		
<b>Recommendation:</b> (Describe corrective action)	Continue monitoring ACT data and research converted overpayments / erroneous payments as appropriate for: refund to the applicable party or escheatment to the County; correction of converted data and / or subsequent transfer errors on converted data; and, changes in baseline balances remaining in the designated refund 'buckets'.		
<b>Responsible Department / Organization(s) and Individual(s):</b>	Tax Office		
<b>Management's Response:</b>	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	<b>Respondent:</b> Paul E. Hamilton, Chief Deputy <b>Date:</b> 7/10/2015
<b>Comments:</b>	Refund personnel continue to make progress in clearing old converted overpayments through mailing letters to taxpayers and processing refunds accordingly. At the time of the ACT conversion, the system met the basic functions of billing, accepting and receiving tax payments, depositing funds and remitting funds as appropriate to each entity for which we collect. The Tax Office was prepared to deal with refund issues that we knew would result from this conversion approach. Monitoring and quality control are performed by the Refunds Manager, who also ensures that each refund is valid, accurate, and authorized. Monitoring and quality control continues to be performed by the Refunds Manager under the direction of the Property Tax Director until all items have been refunded or a write-off to the General Fund occurs. The Tax Assessor/Collector determines when the final write-off occurs.		
<b>Disposition:</b>	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration



**Finding/Observation Number:** 2014-TD-01-B1  
**Date:** March 16, 2015  
**Audit:** Tax Office  
**Auditor(s) Assigned:** PA

<p><b>Finding/Observation:</b></p>	<p><b>Accounting / Reconciliation – Unclaimed Funds over 3 Years Old – Property Tax Refund Account (Fund 715)</b>                  A review of 4,011 outstanding checks (100% of population) totaling \$4,832,765 as of September 30, 2014 from the Property Tax Refund bank account (Fund 715) revealed:</p> <ul style="list-style-type: none"> <li>• 591 checks over three years old and \$100 or less, totaling \$18,007</li> <li>• 625 checks over three years old and greater than \$100, totaling \$671,828</li> </ul>
<p><b>Workpaper Reference: (or other method by which finding was identified)</b></p>	<p>Review of the Outstanding Check Register for Fund 715</p>
<p><b>Condition: (Describe the current condition)</b></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 transfers 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. Current reconciling items are resolved timely. However, unresolved prior periods' reconciling items are not listed on the current month's bank reconciliation. Ongoing research and review by Tax Office personnel results in periodic transfers of unclaimed funds to the General Fund. Unclaimed funds on stale dated checks are restated and made available for refund if subsequent claims are presented by taxpayers.</p> <p>Formal outstanding check write-off procedures were created in March 2012.</p>
<p><b>Criteria: (Describe the optimal condition)</b></p>	<p>Management judgment in designing, implementing and conducting internal control, and in assessing its effectiveness is emphasized in the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. Internal control requires that five core components be present: Control Environment; Risk Assessment; Control Activities, Information and Communication; and Monitoring Activities. Specific cash controls related to the disbursement process include:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Reports and refund requests should be reviewed on an ongoing basis and disbursements should be made to the appropriate parties in a timely manner.</li> <li>• 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.</li> </ul>



	<p>Tax Ledger 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 Ledger system.</p> <p>In accordance with Tax Code, Sec. 31.11. REFUNDS OF OVERPAYMENTS OR ERRONEOUS PAYMENTS,  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:  (1) an application on a form prescribed by the comptroller by rule; or  (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.  (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.  (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.  (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"> <li>• Annual review of the Outstanding Check List</li> <li>• All checks three (3) years old or older must be voided in Tax Ledger</li> <li>• A check is written to the General Fund for the amount written-off</li> <li>• Policies and procedures are reviewed and updated annually as necessary</li> </ul>				
<p><b>Cause:</b> (Describe the cause of the condition if possible)</p>	<p>N/A</p>				
<p><b>Effect:</b> (Describe or quantify any adverse effects)</p>	<p>Potential delay in stale dating and funds transfer</p>				
<p><b>Recommendation:</b> (Describe corrective action)</p>	<p>Continue to review outstanding checks for escheat analysis and stale dating. Outstanding check cancellation policies and procedures should be reviewed periodically and approved by management.</p>				
<p><b>Responsible Department / Organization(s) and Individual(s):</b></p>	<p>Tax Office</p>				
<p><b>Management's Response:</b></p>	<table border="1" style="width: 100%;"> <tr> <td style="width: 33%;"><input checked="" type="checkbox"/> Agree</td> <td style="width: 33%;"><input type="checkbox"/> Disagree</td> <td style="width: 33%;"><b>Respondent:</b> Paul E. Hamilton, Chief Deputy</td> <td style="width: 33%;"><b>Date:</b> 7/10/2015</td> </tr> </table>	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	<b>Respondent:</b> Paul E. Hamilton, Chief Deputy	<b>Date:</b> 7/10/2015
<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	<b>Respondent:</b> Paul E. Hamilton, Chief Deputy	<b>Date:</b> 7/10/2015		
<p><b>Comments:</b></p>	<p>The Tax Office Accounting Department verifies and writes off outstanding checks annually, consistent with the statutory guidelines set forth in Texas Property Code, Sections 72 and 76. The Tax Assessor/Collector determines when write-offs will take place. Checks are written off by calendar year, Jan-Dec, usually around the month of August. We do so consistent with our Write-Off of Outstanding Refund Checks procedures dated December 20, 2012. The</p>				





	Reconciliation Representative maintains a list of outstanding checks and it is up to the Refunds group to research and ensure that each outstanding check has never been reissued prior to the write-off actually occurring. Stale dated checks issued in 2010 were written off on April 1, 2015 to the General Fund in the amount of \$285,986.93 via check #573746.		
<b>Disposition:</b>	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration



**Finding / Observation Number:** 2014-TD-01-B2  
**Date:** January 7, 2015  
**Audit:** Tax Office  
**Auditor(s) Assigned:** PA

<p><b>Finding / Observation:</b></p>	<p><b>Accounting / Reconciliation – Unclaimed Funds 3 Years and Older – Fund 710 (Registrations, Titles, and Sales Tax account)</b></p> <p>A review of 3,219 outstanding checks (100% of population) totaling \$266,254 as of September 30, 2014 from RTS bank account (Fund 710) revealed:</p> <ul style="list-style-type: none"> <li>• 2,154 checks over three years old and \$100 or less, totaling \$65,841.90</li> <li>• 235 checks over three years old and greater than \$100, totaling \$95,452.85</li> </ul> <p><b>Status Prior Year – Closed Substation Bank Accounts</b>                  Twenty-six outstanding checks totaling \$5,787 indicated on the “710 Sub Accts Outstanding Check List from November 2003” were carried over to Fund 710 from the closure of substation bank accounts.</p>
<p><b>Workpaper Reference: (or other method finding was identified)</b></p>	<p>Review of the Outstanding Check Register for Fund 710 as of September 30, 2014.                  Review of 2003 supporting documentation related to bank account closings for substations.</p>
<p><b>Condition: (Describe the current condition)</b></p>	<p>Data source for Account 710 disbursement activity includes: weekly refunds for vehicle registrations; refunds for Remittance Processing System (RPS) corrections; overpayment refunds; postage payments to Pitney Bowes; invoices from UPS; and employee refunds.</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>A total of 2,415 checks from Fund 710 and closed substation accounts are outstanding as of September 30, 2014, three years or longer, with research pending for escheatment to the state or county.</p> <p>Bank reconciliations are completed monthly with supervisory sign-off. Current reconciling items are resolved timely. However, unresolved prior periods’ reconciling items are not listed on the current month’s bank reconciliation.</p> <p>Formal outstanding check write-off procedures were updated in March 2012.</p>
<p><b>Criteria: (Describe the optimal condition)</b></p>	<p>Management judgment in designing, implementing and conducting internal control, and in assessing its effectiveness is emphasized in the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. Internal control requires that five core components be present: Control Environment; Risk Assessment; Control Activities, Information and Communication; and Monitoring Activities. Specific cash controls related to the disbursement process include:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Reconciling items should be researched and resolved timely.</li> <li>• Reports and refund requests should be reviewed on an ongoing basis and disbursements should be made to the appropriate parties in a timely manner.</li> <li>• The outstanding check list should be periodically reviewed and researched for checks that</li> </ul>



	<p>have been outstanding for three or more years in accordance with unclaimed property statutes, V.T.C.A., Property Code, § 72 and § 76.</p> <p>Outstanding check cancellation procedures require:</p> <ul style="list-style-type: none"> <li>• Annual review of the outstanding check list.</li> <li>• All checks three (3) years old or older voided</li> <li>• Funds disbursed for stale dated checks in accordance with unclaimed property statutes.</li> </ul>				
<p><b>Cause:</b> (Describe the cause of the condition if possible)</p>	<p>Exceptions in applying updated departmental procedures.</p>				
<p><b>Effect:</b> (Describe or quantify any adverse effects)</p>	<p>Potential State inquiry and/or penalty regarding delinquent reporting.</p>				
<p><b>Recommendation:</b> (Describe corrective action)</p>	<ol style="list-style-type: none"> <li>1. Expedited escheat analysis and stale dating of outstanding checks should be emphasized in accordance with unclaimed property statutes, V.T.C.A., Property Code, § 72 and § 76 (website: <a href="http://www.window.state.tx.us/up/forms.html">http://www.window.state.tx.us/up/forms.html</a> ).             <ol style="list-style-type: none"> <li>a. Outstanding checks should be promptly researched / reconciled with proper disposition determined in a timely manner (e.g. 180 days).</li> <li>b. Management review of outstanding checks should be documented.</li> </ol> </li> <li>2. Outstanding checks from the closure of the substation bank accounts should be cancelled.</li> <li>3. Outstanding check cancellation policies and procedures should be reviewed periodically, when there is a change in the process, or when a new system is implemented and approved by management. A process owner should be assigned the responsibility of reviewing the procedures.</li> </ol>				
<p><b>Responsible Department / Organization and Individual(s):</b></p>	<p>Tax Office</p>				
<p><b>Management's Response:</b></p>	<table border="1" style="width: 100%;"> <tr> <td style="width: 33%;"><input checked="" type="checkbox"/> Agree</td> <td style="width: 33%;"><input type="checkbox"/> Disagree</td> <td style="width: 33%;"><b>Respondent:</b> Paul E. Hamilton, Chief Deputy</td> <td style="width: 33%;"><b>Date:</b> 7/10/2015</td> </tr> </table>	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	<b>Respondent:</b> Paul E. Hamilton, Chief Deputy	<b>Date:</b> 7/10/2015
<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	<b>Respondent:</b> Paul E. Hamilton, Chief Deputy	<b>Date:</b> 7/10/2015		
<p><b>Comments:</b></p>	<p>The Tax Office understands the escheat and unclaimed property provisions, as set forth in Texas Property Code, Sections 72 and 76. The Accounting Department currently verifies and writes off outstanding checks annually, consistent with the statutory guidelines, and at the direction of the Tax Assessor/Collector. Checks are written off by calendar year, Jan-Dec, usually around the month of August. We do so consistent with our Write-Off of Outstanding Refund Checks procedures dated December 20, 2012. The Reconciliation Representative maintains a list of outstanding checks and the Refunds Group researches the items and ensures that each outstanding check has never been reissued prior to the write-off actually occurring. As stated, the Tax Assessor/Collector determines when the write-offs will occur and which items will be included in each such write-off to the General Fund. Each write-off is done with the proviso that should a taxpayer or entity present to claim the underlying funds, those monies will be returned from the General Fund to the taxpayer or entity upon presentation of appropriate documentation reviewed and approved by the Tax Office and the Office of the County Auditor.</p>				
<p><b>Disposition:</b></p>	<table border="1" style="width: 100%;"> <tr> <td style="width: 33%;"><input checked="" type="checkbox"/> Audit Report</td> <td style="width: 33%;"><input type="checkbox"/> Oral Comment</td> <td style="width: 33%;"><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:** 2014-TD-01-B3  
**Date:** September 30, 2014  
**Audit:** Tax Office  
**Auditor(s) Assigned:** MB, LW

<p><b>Finding/Observation:</b></p>	<p><b>Accounting / Reconciliation – Unclaimed Funds Over 3 Years Old – Beer &amp; Wine Account (Fund 713)</b>                  A review of beer and wine applications as of September 30, 2014 without State approval from the Beer &amp; Wine bank account (Fund 713) revealed:</p> <ul style="list-style-type: none"> <li>• Old beer and wine application fees totaling approximately \$30,800 (net of return items, refunds, and old bank adjustments) without State approval for permit issuance. A tracking list of applications without State approval is not currently maintained for researching ownership of application fees without permit issuance.</li> </ul>
<p><b>Workpaper Reference: (or other method by which finding was identified)</b></p>	<p>Review of the Outstanding Check Register for Fund 713                  Review of TABC monthly statements and proof of cash</p>
<p><b>Condition: (Describe the current condition)</b></p>	<p>Effective February 2014, Texas Alcoholic Beverage Commission (TABC) notifies the Tax Office of beer and wine permits issued by the State. On a monthly basis, the State sends a wire transfer to the County Treasurer for the County’s 5% commission which is deposited into Fund 120 Revenue Account 45133.</p> <p>After receiving notification from TABC of the permits issued, the Tax Office prepares and submits bills to customers for the County’s portion of the beer and wine permit fees. Upon receipt of payment from the customers, the permit fees are deposited into Property Tax Account 714 with daily transfers of prior day collections to the General Fund bank account. Monthly, a request for payment is prepared by the Tax Office in order to transfer the beer and wine permit fee collections to Fund 120 Revenue Account 42110.</p> <p><u>Some renewal applications were never approved by TABC with funds remaining in the Beer &amp; 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. Current reconciling items are resolved timely. However, unresolved prior periods’ reconciling items are not listed on the current month’s bank reconciliation.</p> <p>Formal outstanding check write-off procedures were documented in March 2012.</p>
<p><b>Criteria: (Describe the optimal condition)</b></p>	<p>Management judgment in designing, implementing and conducting internal control, and in assessing its effectiveness is emphasized in the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. Internal control requires that five core components be present: Control Environment; Risk Assessment; Control Activities, Information and Communication; and Monitoring Activities. Specific cash controls related to the disbursement process include:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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, Property Code, § 72 and § 76.</li> </ul> <p><i>Texas Alcoholic Beverage Code</i></p>



	<p><b>§11.38. Local Fee Authorized.</b>                  (a) The governing body of a city or town may levy and collect a fee not to exceed one-half the 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><b>§61.36. Local Fee Authorized.</b>                  (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><b>§11.09. Expiration or Suspension of Permit.</b>                  (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><b>§61.03. Expiration or Suspension of License.</b>                  (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><b>TABC Administrative Rules</b>  <b>§33.23 and 33.25. Alcoholic Beverage License and Permit Fees and Surcharges.</b>                  These rule implement 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><b>Cause:</b>                  (Describe the cause of the condition if possible)</p>	<p>Undistributed collections for licenses not approved by State.</p>
<p><b>Effect:</b>                  (Describe or quantify any adverse effects)</p>	<p>Unrecognized revenue</p>
<p><b>Recommendation:</b>                  (Describe corrective action)</p>	<p>Escheat analysis of application fees without corresponding State approval / license issuance should be managed in accordance with unclaimed property statutes, Property Code, § 72 and § 76 (website: <a href="http://www.window.state.tx.us/up/forms.html">http://www.window.state.tx.us/up/forms.html</a> ) unless directed otherwise by the TABC.</p>



		Management review of aged undistributed collections should be documented.			
<b>Responsible Department / Organization and Individual(s):</b>	Tax Office				
<b>Management's Response:</b>	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	<b>Respondent:</b>	Paul E. Hamilton, Chief Deputy	<b>Date:</b> 7/10/2015
<b>Comments:</b>	The Tax Office understands the escheat and unclaimed property statutes, as set forth In Texas Property Code, Sections 72 and 76. Based on these provisions, the Accounting Department verifies and writes off outstanding checks annually as directed by the Tax Assessor/Collector. Checks are written off by calendar year, Jan-Dec, and these write-offs usually occur around the month of August each year. The Write-Off of Outstanding Refund Checks procedures dated 12/20/12 outlines the process that is followed. This account was previously exempted due to lack of ownership information; however, due to recent permit guidelines implemented by TABC; the Tax Office stands willing to agree on a date to perform a one-time write-off of all aged balances in this account.				
<b>Disposition:</b>	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration		



**Finding/Observation Number:** 2014-TD-01-B4  
**Date:** September 30, 2014  
**Audit:** Tax Office  
**Auditor(s) Assigned:** SO/PA

<p><b>Finding/Observation:</b></p>	<p><b>Accounting / Reconciliation – Unclaimed Funds 3 Years and Older – Special Inventory Tax (SIT) - Fund 718</b></p> <p>A review of 120 outstanding checks (100% of population) totaling \$57,556 as of September 30, 2014 from the SIT bank account (Fund 718) revealed:</p> <ul style="list-style-type: none"> <li>• 83 checks over three years old and \$100 or less, totaling \$1,978</li> <li>• 36 checks over three years old and greater than \$100, totaling \$55,536</li> </ul>
<p><b>Workpaper Reference: (or other method by which finding was identified)</b></p>	<p>Review of the Outstanding Check Register for Fund 718 as of September 30, 2014.</p>
<p><b>Condition: (Describe the current condition)</b></p>	<p>Data source for Fund 718 disbursement activity includes: refunds to dealerships, SIT reports, management requests for disbursement of earned SIT interest (for equipment, conference expenses, software, payroll, etc.), and distribution of tax escrow funds to the taxing entities.</p> <p><b>Refunds to dealers</b> – After all motor vehicle inventory tax payments are made to the taxing jurisdictions, funds which remain undisbursed from each dealer’s escrow are researched. If a refund is warranted, a refund request is submitted by the SIT clerk to Accounting. Accounting will review the request and process the refund checks through TaxLedge as necessary.</p> <p><b>Expenditures</b> – Interest earned on funds in the Special Inventory (SIT) 718 bank account can be used in accordance with statute to offset Tax Office costs of the prepayment process. All earned interest, fines, and penalties are transferred from Account (Fund) 718 to Account (Fund) 731. Requests and supporting documentation from Tax Office management are submitted to Accounting with a request to issue checks for the required amounts from Account (Fund) 731. Accounting will review the request and process the checks through TaxLedge as necessary.</p> <p>Bank reconciliations are completed monthly with supervisory sign-off. However, aged recon items are not cleared timely and unresolved prior periods’ reconciling items are not listed on the current month’s bank reconciliation. There are 119 checks for refunds, escrow distributions, and miscellaneous expenditures outstanding three years or longer without research for escheatment to the state or to the SIT account.</p> <p>SIT 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>Formal outstanding check write-off procedures were documented in March 2012.</p>
<p><b>Criteria: (Describe the optimal condition)</b></p>	<p>Management judgment in designing, implementing and conducting internal control, and in assessing its effectiveness is emphasized in the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. Internal control requires that five core components be present: Control Environment; Risk Assessment; Control Activities, Information and Communication; and Monitoring Activities. Specific cash controls related to the disbursement process include:</p> <ul style="list-style-type: none"> <li>• Disbursements and cancellations should be timely and accurately posted to the SIT system. Fund balances must be reconciled against control records and bank statements. Assigned</li> </ul>



	<p>cash handling duties are separated.</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul> <p>Outstanding check cancellation procedures require:</p> <ul style="list-style-type: none"> <li>• Annual review of the outstanding check list</li> <li>• All checks three (3) years old or older researched and voided in the appropriate records</li> <li>• Funds disbursed for stale dated checks in accordance with unclaimed property statutes</li> <li>• Policies and procedures are reviewed and updated annually as necessary</li> </ul>						
<p><b>Cause:</b> (Describe the cause of the condition if possible)</p>	<p>Complete payment details are not readily available for old outstanding checks.</p>						
<p><b>Effect:</b> (Describe or quantify any adverse effects)</p>	<p>Accounting delays for escheat or research</p>						
<p><b>Recommendation:</b> (Describe corrective action)</p>	<ol style="list-style-type: none"> <li>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: <a href="http://www.window.state.tx.us/up/forms.html">http://www.window.state.tx.us/up/forms.html</a> ) unless a District Attorney or Attorney General opinion directs otherwise.             <ol style="list-style-type: none"> <li>a. Outstanding checks should be promptly researched / reconciled with proper disposition determined in a timely manner (e.g. 180 days).</li> <li>b. Management review of outstanding checks should be documented.</li> </ol> </li> <li>2. Outstanding check cancellation policies and procedures should be reviewed periodically, when there is a change in the process, or when a new system is implemented and approved by management. A process owner should be assigned the responsibility of reviewing the procedures.</li> </ol>						
<p><b>Responsible Department / Organization and Individual(s):</b></p>	<p>Tax Office</p>						
<p><b>Management's Response:</b></p>	<table border="1"> <tr> <td><input checked="" type="checkbox"/> Agree</td> <td><input type="checkbox"/> Disagree</td> <td><b>Respondent:</b></td> <td>Paul E. Hamilton, Chief Deputy</td> <td><b>Date:</b></td> <td>7/10/2015</td> </tr> </table>	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	<b>Respondent:</b>	Paul E. Hamilton, Chief Deputy	<b>Date:</b>	7/10/2015
<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	<b>Respondent:</b>	Paul E. Hamilton, Chief Deputy	<b>Date:</b>	7/10/2015		
<p><b>Comments:</b></p>	<p>The Tax Office understands the escheat and unclaimed property statutes, as set forth in Texas Property Code, Sections 72 and 76. Based on these provisions, the Accounting Department verifies and writes off related outstanding checks annually as directed by the Tax Assessor/Collector. Checks are written off by calendar year, Jan-Dec, and these write-offs usually occur around the month of August each year. The Write-Off of Outstanding Refund Checks procedures dated 12/20/12 outlines the process that is followed. The Reconciliation Representative maintains a list of outstanding checks; however, a write-off from this account has never occurred and is deemed as being exempt from the process by the Tax Assessor/Collector since he has control of these funds.</p>						
<p><b>Disposition:</b></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:** 2014-TD-01-B5  
**Date:** September 30, 2014  
**Audit:** Tax Office  
**Auditor(s) Assigned:** MB/LW

<p><b>Finding / Observation:</b></p>	<p><b>Accounting / Reconciliation – Suspense / Undisbursed Funds - Fund 719</b></p> <p>A review of the Suspense / Undisbursed Funds account (Fund) 719 as of September 30, 2014 revealed:</p> <ul style="list-style-type: none"> <li>• Unresolved old reconciling items</li> <li>• Bank balance of \$1,462.03 is less than:             <ul style="list-style-type: none"> <li>○ Unmatched customer payments totaling \$1,996.07 which remain undisbursed from the Suspense / Undisbursed Funds account (Fund) 719 due to insufficient information, and</li> <li>○ Accumulated interest earned totaling \$725.66 not transferred</li> </ul> </li> </ul>
<p><b>Workpaper Reference: (or other method by which finding was identified)</b></p>	<p>Review of Tax Office bank reconciliations and corresponding bank statements              Monthly proof of cash              Discussion with the Directors of Tax Accounting and Process Initiative Management</p>
<p><b>Condition: (Describe the current condition)</b></p>	<p>Checks received from trustees for bankruptcy proceedings are deposited to the Suspense / 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 Suspense / 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 due to time lapse.</p> <p>Unidentified customer payments are deposited to the Suspense / Undisbursed Funds account 719 pending additional information from the taxpayer.</p> <p>Bank reconciliations are completed monthly with supervisory sign-off. However, aged recon items are not cleared timely and unresolved prior periods' reconciling items are not listed on the current month's bank reconciliation.</p> <p>Formal outstanding check write-off procedures were documented in March 2012.</p>
<p><b>Criteria: (Describe the optimal condition)</b></p>	<p>Management judgment in designing, implementing and conducting internal control, and in assessing its effectiveness is emphasized in the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. Internal control requires that five core components be present: Control Environment; Risk Assessment; Control Activities, Information and Communication; and Monitoring Activities. Specific cash controls include:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Unprocessed customer payments should be periodically reviewed and researched by supervisory personnel with payments aged for three or more years escheated in accordance with unclaimed property statutes, V.T.C.A., Property Code, § 72 and § 76.</li> </ul>



<b>Cause:</b> (Describe the cause of the condition if possible)	Insufficient information to resolve old reconciling items. Incomplete payer/account/address information inhibiting application of customer payments to the appropriate system.		
<b>Effect:</b> (Describe or quantify any adverse effects)	Accounting and research		
<b>Recommendation:</b> (Describe corrective action)	Escheat analysis of unprocessed customer payments should be managed in accordance with unclaimed property statutes, V.T.C.A., Property Code, § 72 and § 76 (website: <a href="http://www.window.state.tx.us/up/forms.html">http://www.window.state.tx.us/up/forms.html</a> ).  A plan should be developed and implemented to clear old reconciling items and unidentified customer payments.		
<b>Responsible Department / Organization and Individual(s):</b>	Tax Office		
<b>Management's Response:</b>	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	<b>Respondent:</b> Paul E. Hamilton, Chief Deputy <b>Date:</b> 7/10/2015
<b>Comments:</b>	This account receives deposits for a multitude of reasons as recognized by Audit. No write-off occurred in Sept 2014. This account is not normally governed by the Write-Off of the Outstanding Refund Checks procedures due to issues in determining true ownership of the funds. The Reconciliation representative is unable to match the balance as stated in this finding, and the Tax Office has previously extended an invitation to the Audit Team to conference in an effort to ensure that both sets of data are consistent.		
<b>Disposition:</b>	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration



**Finding /Observation Number:** 2014-TD-01-B6  
**Date:** February 27, 2015  
**Audit:** Tax Office  
**Auditor(s) Assigned:** PA

<p><b>Finding/Observation:</b></p>	<p><b>Accounting/Reconciliation</b>                  A sample review of 120 refund checks processed during FY2014 revealed:</p> <ul style="list-style-type: none"> <li>• One refund check issued without application filed within three years after original tax payment date of February 1, 2007</li> <li>• Thirty-five refund checks with refund payee different than original payer of property taxes                         <ul style="list-style-type: none"> <li>○ 28 of the 35 original payments made by mortgage company or tax service company</li> </ul> </li> </ul>
<p><b>Workpaper Reference: (or other method by which finding was identified)</b></p>	<p>Sample review of refund checks issued in FY2014</p>
<p><b>Condition: (Describe the current condition)</b></p>	<p>Refunds exceeding \$5,000 (new statutory amount effective January 1, 2010) requiring Commissioners Court approval are flagged separately in the ACT system for processing. ACT Report 304 is run daily for overpayments in entity bucket 8001. Refund section clerks review and research accounts noting payer entitled to receive the refund with updates to ACT and provided weekly with supporting documentation to the Internal Audit section for review. Additional follow-up action by the Tax Office may be required prior to the presentment of the listing to Commissioners Court for approval and subsequent release or cancellation of the check.</p> <p>Refund letters/applications are automatically sent on erroneous/over payments exceeding \$5. Upon receipt (returned refund applications are consistently signed and include supporting documentation with exceptions noted) of a signed (duplicate payments are automatically refunded without an application required) application for erroneous or over payments, refund clerks update account flags allowing overpayment to be processed through an ACT batch file to generate a refund check from the TaxLedge system. 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>Refund procedures were updated by Tax Office management in February 2010 and incorporated into the Tax Office Processing and Procedures Guide under Section 'Overpayment Refunds'. The guide includes a step by step listing of ACT screen names and actions required including a flowchart of timelines.</p>
<p><b>Criteria: (Describe the optimal condition)</b></p>	<p>Management judgment in designing, implementing and conducting internal control, and in assessing its effectiveness is emphasized in the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. Internal control requires that five core components be present: Control Environment; Risk Assessment; Control Activities, Information and Communication; and Monitoring Activities. Specific cash controls related to the disbursement process include:</p>



- 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 and unclaimed overpayments should be periodically reviewed and researched for checks and overpayments that have been outstanding for three or more years in accordance with unclaimed property statutes, Property Code, § 72 and § 76.

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.

Tax Code, Sec. 31.11. REFUNDS OF OVERPAYMENTS OR ERRONEOUS PAYMENTS.

(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:

(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:

(A) \$5,000 (amount increased from \$2,500 to \$5,000 effective for collections on or after January 1, 2010) for a refund to be paid by a county with a population of two million or more; or

(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:

(A) \$5,000 for a refund to be paid by a county with a population of two million or more; or

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:

(1) an application on a form prescribed by the comptroller by rule; or

(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.

(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.

(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.

(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.

(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:

(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

(2) the collector is not required to comply with Subsection (g) unless the amount of the



	<p>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>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><b>Cause:</b> (Describe the cause of the condition if possible)</p>	<p>Incomplete research/review</p>			
<p><b>Effect:</b> (Describe or quantify any adverse effects)</p>	<p>N/A</p>			
<p><b>Recommendation:</b> (Describe corrective action)</p>	<p>Supervisory staff should continue enhanced refund procedures by:</p> <ul style="list-style-type: none"> <li>• Testing adherence with Property Tax Code Section 31.11 and 31.111</li> <li>• Confirming taxpayer's other accounts to verify property taxes are not delinquent</li> <li>• Continuing quality control procedures to ensure that notifications are sent out to taxpayers accurately and timely</li> </ul>			
<p><b>Responsible Department or Organization:</b></p>	<p>Tax Office</p>			
<p><b>Management's Response:</b></p>	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	<p><b>Respondent:</b> Paul E, Hamilton, Chief Deputy</p>	<p><b>Date:</b> 7/10/2015</p>
<p><b>Comments:</b></p>	<p>In late 2014, the Property Tax Department implemented a program to verify Tax Agents were authorized to receive refunds for taxpayers. Simultaneously, an audit procedure was launched to review each refund to ensure that no delinquent taxes were due in other accounts, that all refunds were timely processed, and to eliminate (or at least to minimize) the need to void and to re-issue refund checks.</p>			
<p><b>Disposition:</b></p>	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration	



**Finding / Observation Number:** 2014-TD-01-C1  
**Date:** February 27, 2015  
**Audit:** Tax Office  
**Auditor(s) Assigned:** MB, PA

<p><b>Finding / Observation:</b></p>	<p><b>Security – Cash and Technology: Cash Overages / Shortages – Property Tax</b></p> <p>Review of daily ACT close out reports and deposit transactions for the Property Tax section for Fiscal Year 2014 revealed <u>material compliance</u> with limited exceptions:</p> <ul style="list-style-type: none"> <li>• Eighteen cash shortages greater than \$10 totaling \$1,135.31.</li> </ul> <p><b>Status:</b> Resolved. \$1,075.31 recovered through Tax Office personnel payments and \$60 system adjustment processed.</p> <ul style="list-style-type: none"> <li>• Ten counterfeit bills totaling \$500 debited by bank not recovered.</li> </ul>
<p><b>Workpaper Reference: (or other method by which finding was identified)</b></p>	<p>Review of shortages/overages of \$10 and greater Fund 714 Proof of Cash</p>
<p><b>Condition: (Describe the current condition)</b></p>	<p>The Tax Office has written cash handling procedures for the downtown and substation property tax and motor vehicle sections. Shortages over \$5 must be paid back by the clerks in accordance with signed balancing standards policy.</p> <p>At the beginning of the work day, the clerks retrieve their working cash from the vault. The clerk verifies that their beginning working cash balance is \$100. Throughout the day, clerks make “money drops” when the cash on hand exceeds \$500. 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.</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 may be tested by the clerks using a counterfeit bill detection pen. Training and additional procedures have been implemented to detect counterfeit bills through alternate methods such as visual recognition and touch/feel of genuine bills versus counterfeit bills. 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, clerks balance the cash, check, and credit card amounts on hand to ACT system control totals. Cash shortages and overages are reported to management. Clerks are expected to research and correct outages when possible. Shortages over \$5 are paid back by the clerks in accordance with signed balancing standards policy. The Tax Office retains any overages. After closing, each clerk counts the cash in their individual drawer and retains \$100 working cash for the next work day.</p> <p>The cage cashier balances the property tax activity and the cage fund. The cash is picked up by the armored service the next day for direct delivery to the bank, and the checks are picked up by the County’s courier and 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>A payment agreement for shortages over \$5 is completed by the clerk and management. If the shortage is \$20 or less, the clerk must make a single payment. Payment plans are available for shortages over \$20 when the clerk cannot make a single payment for the shortage. Acceptable forms of payment for shortages are cash, check and money order. If a customer is notified of the shortage and comes in to resolve it, the clerk is refunded any payment made.</p>					
<p><b>Criteria:</b> (Describe the optimal condition)</p>	<p>Management judgment in designing, implementing and conducting internal control, and in assessing its effectiveness is emphasized in the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. Internal control requires that five core components be present: Control Environment; Risk Assessment; Control Activities, Information and Communication; and Monitoring Activities. Specific cash controls include:</p> <ul style="list-style-type: none"> <li>• Standard accounting and system control procedures require daily reconciliation and balancing of collected funds.</li> <li>• 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.</li> <li>• The number of individuals authorized to receipt payments and handle cash is properly segregated and limited.</li> </ul> <p>Dallas County Code Section 74-692 requires the County Auditor's Office 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.</p>					
<p><b>Cause:</b> (Describe the cause of the condition if possible)</p>	<p>Unknown</p>					
<p><b>Effect:</b> (Describe or quantify any adverse effects)</p>	<p>Resolution by insurance or other source if not repaid.</p>					
<p><b>Recommendation:</b> (Describe corrective action)</p>	<p>Continue management review to mitigate potential losses and reinforce proper cash handling procedures including:</p> <ul style="list-style-type: none"> <li>• Prior to generating a receipt: cash tendered should be counted in the customer's presence and check guaranteed amount (legal written) should be agreed to the numeric amount.</li> <li>• Receipts should be verified for accuracy of amount, payment type, property tax account number/motor vehicle information, and payer before issuing to customer.</li> </ul>					
<p><b>Responsible Department or Organization:</b></p>	<p>Tax Office</p>					
<p><b>Management's Response:</b></p>	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	<p><b>Respondent:</b></p>	<p>Paul E. Hamilton, Chief Deputy</p>	<p><b>Date:</b></p>	<p>7/10/2015</p>
<p><b>Comments:</b></p>	<p>As stated above by Internal Audit, all cash shortages and the single check shortage were collected. Management will continue to enforce proper cash handling procedures with employees. Counterfeit currency detection is extremely difficult and the Tax Office utilizes the most recent technology for detections.</p>					
<p><b>Disposition:</b></p>	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration			



**Finding / Observation Number:** 2014-TD-01-C2  
**Date:** February 27, 2015  
**Audit:** Tax Office  
**Auditor(s) Assigned:** PA

<p><b>Finding / Observation:</b></p>	<p><b>Security – Cash and Technology – Motor Vehicle (MV)</b></p> <p>Review of daily RTS close out reports and deposit transactions for the Motor Vehicle section including the eight a substations for Fiscal Year 2014 revealed <u>material compliance</u> except for the below items:</p> <ul style="list-style-type: none"> <li>• Office policy does not require employee payback of shortages \$5 or less             <ul style="list-style-type: none"> <li>○ Twenty-nine instances of \$5 shortages totaling \$145 not recovered from employees</li> </ul> </li> <li>• 342 cash, check or credit card shortages, processing errors, and out-of-balance conditions totaling \$44,995.61.  <b>Status:</b> Funds totaling \$44,095.60 have been recovered from payments by MV employees and vehicle owners, and/or system corrections. Shortages totaling \$900.01 have not been resolved or recovered including \$201.65 for credit card network errors.</li> <li>• Forty credit card processing errors, net amount \$15,612.11, posted to motor vehicle or property tax incorrectly (teller/cashier selected wrong transaction type on credit card terminal for point-of-sale payment channel {e.g., Property Tax versus Motor Vehicle}).</li> <li>• Sixteen counterfeit bills totaling \$1,380 debited by bank not recovered.</li> </ul>
<p><b>Workpaper Reference: (or other method by which finding was identified)</b></p>	<p>Review of cash shortages greater than \$5, monthly audit work              Monthly Fund 710 Proof of Cash</p>
<p><b>Condition: (Describe the current condition)</b></p>	<p>The Tax Office has written cash handling procedures for the downtown and substation property tax and motor vehicle sections. Shortages over \$5 must be paid back by the clerks in accordance with signed balancing standards policy.</p> <p>At the beginning of the work day, the clerks retrieve their working cash from the vault. The clerk verifies that their beginning working cash balance is \$100. Throughout the day, clerks make “money drops” when the cash on hand exceeds \$500. 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 may be tested by the clerks using a counterfeit bill detection pen. Training and additional procedures have been implemented to detect counterfeit bills through alternate methods such as visual recognition and touch/feel of genuine bills versus counterfeit bills. 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, clerks balance the cash, check, and credit card amounts on hand to RTS and ACT system control totals. Cash shortages and overages are reported to management. Clerks are expected to research and correct outages when possible. Shortages over \$5 must be paid back by the clerks in accordance with signed balancing standards policy. The Tax Office retains any overages. After closing, each clerk counts the cash in their individual drawer and retains \$100 working cash for the next work day.</p> <p>The cage cashier separately aggregates the activities for property tax and motor vehicle, and balances</p>





	<p>to the cage fund. The cash is picked up by the armored service the next day for direct delivery to the bank, and the checks are picked up by the County's courier and delivered to the RPS section for encoding and depositing.</p> <p>A payment agreement for shortages over \$5 is completed by the clerk and management. If the shortage is \$20 or less, the clerk must make a single payment. A payment plans are available for shortages over \$20 when the clerk cannot make a single payment for the shortage. Acceptable forms of payment for shortages are cash, check and money order. If a customer is notified of the shortage and comes in to resolve it, the clerk is refunded any payment made.</p>					
<p><b>Criteria:</b> (Describe the optimal condition)</p>	<p>Management judgment in designing, implementing and conducting internal control, and in assessing its effectiveness is emphasized in the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. Internal control requires that five core components be present: Control Environment; Risk Assessment; Control Activities, Information and Communication; and Monitoring Activities. Specific cash controls include:</p> <ul style="list-style-type: none"> <li>• Standard accounting and system control procedures require daily reconciliation and balancing of collected funds.</li> <li>• 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.</li> <li>• The number of individuals authorized to receipt payments and handle cash is properly segregated and limited.</li> </ul> <p>Dallas County Code Section 74-692 requires the County Auditor's Office 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.</p>					
<p><b>Cause:</b> (Describe the cause of the condition if possible)</p>	<p>Unknown</p>					
<p><b>Effect:</b> (Describe or quantify any adverse effects)</p>	<p>Resolution by insurance or other source if not repaid.</p>					
<p><b>Recommendation:</b> (Describe corrective action)</p>	<p>Continue management review to mitigate potential losses and reinforce proper cash handling procedures including:</p> <ul style="list-style-type: none"> <li>• Prior to generating a receipt: cash tendered should be counted in the customer's presence and check guaranteed amount (legal written) should be agreed to the numeric amount.</li> <li>• Receipts should be verified for accuracy of amount, payment type, property tax account number/motor vehicle information, and payer before issuing to customer.</li> </ul>					
<p><b>Responsible Department or Organization:</b></p>	<p>Tax Office</p>					
<p><b>Management's Response:</b></p>	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	<p><b>Respondent:</b></p>	<p>Paul E. Hamilton, Chief Deputy</p>	<p><b>Date:</b></p>	<p>7/10/2015</p>
<p><b>Comments:</b></p>	<p>Tax Office Management continues to emphasize and stress to each employee the importance of proper cash handling. As well, we place great weight on prior cash handling experiences when hiring new personnel that will ultimately deal with monetary transactions. This said, Department records indicate that all employee shortages which occurred in FY14, and which also exceeded \$5.00 have been fully recovered. Absent specific references to questioned credit card processing errors, the Tax Office is not able to verify or confirm occurrences. However, taking into account the sheer volume of credit card transactions processed, the Tax Office manages these transactions with minimal errors. Likewise, relative to the amount of paper currency accepted in day-to-day over-the-counter transactions, the office has minimal issues with the accepting counterfeit bills. Each branch where cash is received employs Fraud Fighter machines to assist in this effort. This said, no system is fail-</p>					



	proof.		
<b>Disposition:</b>	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration



**Finding / Observation Number:** 2014-TD-01-C3  
**Date:** March 26, 2015  
**Audit:** Tax Office  
**Auditor(s) Assigned:** AT

<p><b>Finding / Observation:</b></p>	<p><b>Security – Cash and Technology – ACT Users and Granted Roles</b>                  A review of 449 users, of those 328 users with active system access listed on the ‘Dallas County List of the Users and Granted Roles/Not Granted Roles’ report and ‘Dallas County User Category Report’ dated December 29, 2014 for the Appraisal &amp; 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> <ul style="list-style-type: none"> <li>• Twelve of 120 LGBS (law firm) users were granted multiple roles including:                         <ul style="list-style-type: none"> <li>○ One LGBS employee with “SUPER” user role allowing complete system rights without restriction</li> <li>○ Five LGBS employees with “ACCOUNT_MANAGER” role</li> <li>○ Eight LGBS employees with “GLTAXLEDGE_FOUNDATION” and/or “LP_FOUNDATION” roles which grant the user functionality available in all of the screens.</li> <li>○ Four LGBS employees with “REFUND_ANALYST”, MGR_DISBURSE” and/or “VIT_UPDATE” roles for the SIT/VIT application.</li> <li>○ One LGBS employee with “USER_ADMIN” role which gives access to the User Administration and Security Administration screens.</li> </ul> </li> <li>• Forty of 192 Tax Office users were granted multiple roles including:                         <ul style="list-style-type: none"> <li>○ 13 Tax Office employees with “REFUND_ANALYST” role for the SIT/VIT application</li> <li>○ 15 Tax Office employees with “VIT_UPDATE” role for the SIT/VIT application</li> <li>○ 13 Tax Office employees with “MGR_DISBURSE” role for the SIT/VIT application</li> <li>○ Four Tax Office (Tax IT staff) employees with “USER_ADMIN” role for the ACT application</li> <li>○ 26 Tax Office employees with “GLTAXLEDGE_FOUNDATION” and/or “LP_FOUNDATION” roles which grant the user functionality available in all of the screens.</li> </ul> </li> </ul> <p>According to the ‘Dallas County List of Users and Granted/Not Granted Roles’ report, 306 ACT users and five SIT users with “CONNECT” have only an “ACT_BASE_OBJECTS” or “SIT_BASE_OBJECTS” role to access most database tables in ACT or SIT without reflecting the individual’s specific system rights (e.g., cashiering, inquiry only, etc.).</p> <p>A review of the ‘Dallas County User Category Report’ and a sample review of the ‘ACT Security Request Form’ and other supporting documentation revealed the access/system rights granted to the individual appears more specific. There are approximately 70 user category groups that individuals are assigned to within ACT or SIT applications.</p> <ul style="list-style-type: none"> <li>• One LGBS employee is listed as category “ACT USER SUPER” (a separate individual than the LGBS employee with the “SUPER” user role).</li> <li>• 114 LGBS employees are listed under a category which includes only the reference to ‘LGBS’ and the city location of the office.</li> </ul>
<p><b>Workpaper Reference: (or other method by which</b></p>	<ul style="list-style-type: none"> <li>• The December 29, 2014 list of the ‘Dallas County Users and Granted Roles’ report and ‘Dallas County User Category Report’ provided by the Tax Office.</li> </ul>



<p><b>finding was identified)</b></p>	<ul style="list-style-type: none"> <li>• Kronos system</li> <li>• Oracle Payroll system</li> <li>• IT – Tax Office</li> </ul>
<p><b>Condition: (Describe the current condition)</b></p>	<p>Supervisors sign and 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 or SIT. Once the appropriate system rights / roles are determined, a new User Name is created in ACT or SIT and a temporary password is assigned to the user. The new user is required to sign-on to ACT or SIT 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 or SIT. Role 'CONNECT' is removed by Tax Office IT staff 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>Some users were granted rights in excess of job function / description requirements. Review and clean-up of 'user access' is ongoing.</p>
<p><b>Criteria: (Describe the optimal condition)</b></p>	<p>Information systems processing controls must be continually updated and monitored to help ensure that transactions completed through computerized applications are valid, authorized, complete and accurate.</p> <p>COSO standards for internal control include 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 business management systems should 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"> <li>• Periodic management review of User Access Lists</li> <li>• Ensure termed users are removed timely by comparing weekly Termination report from HR to User Access List</li> <li>• Ensure all information and changes to the User Access List are accurate, complete, authorized and timely</li> </ul> <p>Third-party IT management of the production environment should be based on approved policies and procedures established by the County Tax Assessor-Collector. Support teams 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><b>Cause: (Describe the cause of the condition if possible)</b></p>	<p>Incomplete system security access matrix</p>
<p><b>Effect: (Describe or quantify any adverse effects)</b></p>	<p>Increased risk to system infrastructure Users with more rights than needed</p>
<p><b>Recommendation: (Describe corrective action)</b></p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Review and update user's assignment for any users changing departments or positions to</li> </ul>



	<p>reflect current County responsibilities. Procedures should be in place to ensure user's roles are changed and periodically reviewed.</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Generate a report or query to capture all activity from user IDs of non-IT law firm staff within the system that impacts financial data through transactions which create/update/change/delete records.</li> <li>• 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.</li> </ul>
<b>Responsible Department or Organization:</b>	Tax Office
<b>Management's Response:</b>	<input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree <b>Respondent:</b> Paul E. Hamilton, Chief Deputy <b>Date:</b> 7/10/2015
<b>Comments:</b>	<p>While the Tax Office consistently strives to maintain tight controls regarding access to the ACT System, Management will continue to implement enhanced internal audit controls sufficient to ensure that only key and appropriate personnel are accessing the various areas of the system necessary to carry out their respective job functions. The New Director of I.T., working in tandem with the Directors of Property Tax and Accounting, has been specifically charged with reviewing all accesses from top to bottom, and developing an appropriate protocol for the identifying, and perhaps more important, confirming appropriate level of user accesses. Consistent with the limitations of the available resources and the system itself, management will explore methods of monitoring after hour accesses. Currently, LGBS personnel do not have access to any 'Production', and cannot alter any financial data in the ACT system. As well, all "super user" roles have been revoked for these individuals.</p>
<b>Disposition:</b>	<input checked="" type="checkbox"/> Audit Report <input type="checkbox"/> Oral Comment <input type="checkbox"/> Deleted From Consideration



**Finding Number:** 2014-TD-01-F1  
**Date:** January 7, 2015  
**Audit:** Tax Office  
**Auditor(s) Assigned:** PA

<p><b>Finding:</b></p>	<p><b>Non-Property Tax Activity - Special Inventory Tax – SIT Interest, Penalties, and Expenditures (Funds 718 and 731)</b></p> <p>Interest and penalty collected on SIT funds, totaling \$39,590, was used for travel, conference expenses, equipment, furniture, cubicles, and office construction expenses for Tax Office, SIT administration, and Property Tax staff. Justification for expenses not directly related to the administration of the prepayment process during fiscal year ended September 30, 2014, was not presented for review but expenses were briefed to the Court for approval.</p>
<p><b>Work paper Reference: (or other method by which finding was identified)</b></p>	<p>SIT check disbursements, Proof of Cash, and supporting documentation as of September 30, 2014</p>
<p><b>Condition: (Describe the current condition)</b></p>	<p>Activity for the special inventory tax is accounted for in Fund 718. Account balances include collections of prepaid taxes, interest earned, receipt of penalties, and outstanding checks issued to the taxing entities or for refunds to the dealerships.</p> <p>Records are maintained to account for Tax Office use of the earned interest and a budget is filed annually. Each month, a transfer is processed from Fund 718 to Fund 731 for the receipts related to penalties and interest earned on the Fund 718 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 SIT stopped in February 2013. Allocation of SIT payroll expenditures as determined by Tax Office management results in periodic transfers of interest and penalty earned from the SIT Interest &amp; Penalty Earned Fund 731 account to the General Fund. The escrow account is seldom used by the Tax Office to pay other expenditures.</p> <p>Other expenditures are directly charged by the Tax Office to Fund 731. 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 \$39,590 were disbursed from SIT Interest &amp; Penalty Earned Fund 731 for travel, hotel stays, meals, conferences, education, equipment, facilities, etc. including general office costs.</p>
<p><b>Criteria: (Describe the optimal condition)</b></p>	<p>Per Tax Code, § 23.122. PREPAYMENT OF TAXES BY CERTAIN TAXPAYERS.                  (c) The collector shall maintain the escrow account for each owner in the county depository. The collector is not required to maintain a separate account in the depository for each escrow account created as provided by this section but shall maintain separate records for each owner. The collector shall retain any interest generated by the escrow account to defray the cost of administration of the prepayment procedure established by this section. Interest generated by an escrow account created as provided by this section is the sole property of the collector, and that interest may be used by no entity other than the collector. Interest generated by an escrow account may not be used to reduce or otherwise affect the annual appropriation to the collector that would otherwise be made.</p> <p>In accordance with Attorney General opinions JC-348(2001); JC-0149 (1999); and DM-</p>



	<p>398 (1996), interest earned 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.</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 budget filed with the county budget officer under this subsection.</p> <p>(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.</p> <p>(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><b>Cause: (Describe the cause of the condition if possible)</b></p>	<p>Fact determination by official</p>
<p><b>Effect: (Describe or quantify any adverse effects)</b></p>	<p>The interest/penalties earned or collected from the special inventory account supplements general office expenditures of the Tax Office.</p>
<p><b>Recommendation: (Describe corrective action)</b></p>	<ul style="list-style-type: none"> <li>• Implement a Cost Allocation Plan according to the guide provided by Office of Management and Budget (OMB) Circular A-87.</li> <li>• Include justification for all expenses reimbursed from SIT accounts.</li> <li>• Consider processing all authorized payments relevant to the SIT administration through the escrow account maintained in the county's general ledger.</li> </ul>
<p><b>Responsible Department/Organization, and Individual(s):</b></p>	<p>Tax Office</p>



<b>Management's Response:</b>	<input type="checkbox"/> Agree	<input checked="" type="checkbox"/> Disagree	<b>Respondent:</b>	Paul E. Hamilton, Chief Deputy	<b>Date:</b>	7/10/2015
<b>Comments:</b>	Decisions over the use of the funds in the SIT interest account are made by the Tax Assessor/Collector since this account is under his sole control per the Texas Tax Code. Funds used from this account are briefed to the Commissioners Court for public review.					
<b>Disposition:</b>	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration			





**Finding / Observation Number:** 2014-TD-01-F2  
**Date:** February 25, 2015  
**Audit:** Tax Office  
**Auditor(s) Assigned:** LC, PA

<p><b>Finding / Observation:</b></p>	<p>Review of Subcontractor and Dealer contracts and bond documentation revealed:</p> <ul style="list-style-type: none"> <li>• Eighteen subcontractors did not have oath of deputation forms on file for the designated liaisons.</li> <li>• One subcontractor contract does not list both merchant locations issuing registration renewals.</li> <li>• One subcontractor location listed on the merchant’s bond of continuation is located in Tarrant County.</li> <li>• One dealership folder could not be located for review.</li> <li>• A copy of a dealership’s bond was not on file.</li> </ul> <p><i>Response per Tax Office staff: The dealership does have a bond.</i></p> <ul style="list-style-type: none"> <li>• Two instances in which only the bond “CHANGE RIDER” form were on file.</li> <li>• Three instances in which only the Registration bond “CHANGE RIDER” form were on file.</li> </ul>
<p><b>Workpaper Reference: (or other method finding was identified)</b></p>	<p>2014 Dealer Audit Worksheet, 2014 Subcontractors –Bond Audit worksheet</p>
<p><b>Condition: (Describe the current condition)</b></p>	<p>Subcontractor locations use the WebAgent, web-based application to process renewal motor vehicle registrations. Subcontractor merchants are able to process Dallas County motor vehicle registrations renewals if the registration is current, no ticket has been issued for expired registration, the current renewal notice is on hand, proof of liability insurance is presented, and new license plates are not required. The Dallas County Tax Office (DCTO) Operations Branch supplies each merchant with the renewal sticker paper as needed. Subcontractors are required to store all issued forms in a secure location. Subcontractors provide their own equipment: a PC with high-speed Internet access, an approved printer and a scan gun.</p> <p>The subcontractor collects the payment for the motor vehicle registration renewal and an additional \$1 processing fee for each transaction. The \$1fee is retained by the subcontractor. Weekly WebAgent reports are remitted to the Operations Brach along with renewal notice stubs and a money order, check or Automated Clearing House (ACH) payment for the total amount due. A representative reviews the documentation submitted by the subcontractors to approve the batch in WebAgent. Subcontractors are notified if there are any issues with the batch. The DCTO holds the batch from processing in the Registration, Title, and Sales Tax system (RTS) until the issues are resolved or returns the work when necessary. Once approved, registration renewal transactions are posted to the RTS.</p> <p>Subcontractor merchants provide a bond payable to the Dallas County Tax Assessor-Collector for \$15,000 for up to two merchant locations or \$12,000 for each location for three or more locations. Dallas County Tax Office Operations Branch maintains subcontractor folders containing a WebAgent contract, the bond information, and oath of deputation forms for the designated liaisons for each subcontractor. Upon review, not all the subcontractor files were up to date.</p> <p>New car dealerships use WebDealer, a web-based application, to electronically submit title and registration applications to DCTO. Each application includes scanned images of the required documents necessary to process the title application including the Manufacturer’s Certificate of</p>



	<p>Origin (MCO), Form 130-U, Statement of Fact, and Power of Attorney. Designated Operations Branch representatives review and approve (or returns for correction) each title application and the supporting documentation submitted. As titles are approved by the DCTO for processing by TxDMV, payment for all approved transactions is collected via Automated Clearing House (ACH) or check.</p> <p>Each dealership still using DTA is supplied with a laptop and printer by the Texas Department of Motor Vehicle. The DCTO delivers the equipment to the dealerships and facilitates any needed repairs or replacements. Prior to webDEALER, a Remote Sticker Printing System was leased for motor vehicle registrations in order to process title transactions. Not all dealers who use webDEALER have DMV-provided equipment. The DMV has historically charged a rental fee in the past. These charges were not assessed in for FY2014, or this year, because the State is phasing out the DTA work, effective May 1, 2016.</p> <p>A designated deputized dealership employee is in charge of overseeing the operations and securing all supplies and inventory delivered by DCTO.</p> <p>At the dealer's cost, a bond payable to Dallas County Tax Assessor-Collector in the amount of \$20,000 is issued. The dealer must also provide a Registration bond in the amount of \$40,000 per 25 transactions (box of license plates). Inventory is not allocated to the Dealer if the outstanding inventory surpasses the bond amount.</p> <p>Dallas County Tax Office Operations Branch maintains dealer folders containing the registration and PO bond information and oath of deputation forms. Upon review, not all the dealer files were up to date.</p> <p>Both subcontractors and dealers are subject to audit by the DCTO staff at any time during normal business hours.</p>						
<p><b>Criteria:</b> (Describe the optimal condition)</p>	<p>Bond requirements for subcontractors and dealers should be periodically reviewed and updated by management to ensure Dallas County is protected against possible losses related to the sales of motor vehicle stickers and titles on behalf of the Dallas County Tax Assessor-Collector.</p>						
<p><b>Cause:</b> (Describe the cause of the condition if possible)</p>	<p>Bonding information not updated to reflect current status.</p>						
<p><b>Effect:</b> (Describe or quantify any adverse effects)</p>	<p>Subcontractors and dealers conduct business on behalf of the Dallas County Tax Assessor-Collector without valid bonding requirements on file. Funds may not be recoverable in the event of theft or losses.</p>						
<p><b>Recommendation:</b> (Describe corrective action)</p>	<p>Dallas County Tax Office should periodically review bond information on file to ensure bond requirements and deputation forms are up to date. Follow-up with subcontractors and dealers when necessary to obtain the required documentation.</p>						
<p><b>Responsible Department / Organization and Individual(s):</b></p>	<p>Tax Office</p>						
<p><b>Management's Response:</b></p>	<table border="1"> <tr> <td><input checked="" type="checkbox"/> Agree</td> <td><input checked="" type="checkbox"/> Disagree</td> <td><b>Respondent:</b></td> <td>Paul E. Hamilton, Chief Deputy</td> <td><b>Date:</b></td> <td>7/10/2015</td> </tr> </table>	<input checked="" type="checkbox"/> Agree	<input checked="" type="checkbox"/> Disagree	<b>Respondent:</b>	Paul E. Hamilton, Chief Deputy	<b>Date:</b>	7/10/2015
<input checked="" type="checkbox"/> Agree	<input checked="" type="checkbox"/> Disagree	<b>Respondent:</b>	Paul E. Hamilton, Chief Deputy	<b>Date:</b>	7/10/2015		
<p><b>Comments:</b></p>	<p>The Tax Office generally agrees with the premise that all subcontractor bonds should be periodically reviewed to verify the completeness of same in Tax Office files. That said, these</p>						

County Auditor



Dallas County, Texas

	files are substantially complete as they are currently maintained. Recognizing that personnel at each of the subcontractor locations is constantly changing, management will emphasize to contractor locations that they timely send in their new oaths as new personnel is employed.		
<b>Disposition:</b>	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration



**Finding Number:** 2014-TD-01-G1  
**Date:** March 2, 2015  
**Audit:** Tax Office 2014  
**Auditor(s) Assigned:** PA

<p><b>Finding:</b></p>	<p><b>Time and Attendance</b>                  Observation of office schedules, review of manual time and attendance records and Kronos time and attendance system postings revealed:</p> <ul style="list-style-type: none"> <li>• Breaks and lunch periods:                         <ul style="list-style-type: none"> <li>○ Property Tax employees take a 40 minute lunch in addition to one 10 minute break.</li> <li>○ Customer Care Center employees take a 30 minute lunch in addition to two 10 minute breaks.</li> <li>○ Motor Vehicle and Substation employees take a 45 minute lunch in addition to one 10 minute break or an hour lunch with no breaks.</li> <li>○ Tax Office IT Group, Accounting and Administration take a 50 minute lunch with no breaks.</li> <li>○ Lunch is recorded as 30 minutes in the KRONOS time and attendance system for all Tax Office employees.</li> </ul> </li> <li>• Five employees took two paid personal holidays in 2014. Only one personal day was approved by Commissioner’s Court.</li> <li>• 9,026 hours of compensatory time or overtime earned from January 4, 2014 through January 2, 2015 recorded to Kronos for 195 Tax Office employees.                         <ul style="list-style-type: none"> <li>○ 120 of 194 employees earning compensatory time also earned incentive pay totaling \$145,394.84.</li> </ul> </li> <li>• One exempt employee received 4 hours approved time off (ATO) on July 17, 2014 while not averaging a 40 hour work week over a 5 week period.</li> </ul>
<p><b>Work paper Reference: (or other method by which finding was identified)</b></p>	<p>Time and Attendance Audit 2014                  Tax Office Employees – COMP Time Earned 2014                  Kronos and manual attendance records and reports</p>
<p><b>Condition: (Describe the current condition)</b></p>	<p>All Tax Office employees are docked for a 30 minute lunch; however, the length of the lunch taken by employees is at the discretion of location/department management.</p> <p>Tax Office employees use web-timestamp functionality or a time card to record the start and end of their work day in Kronos. Annual leave, sick leave, holidays, etc. taken are recorded to the Kronos system based on information available to the management. Time off request forms are completed by the employees and submitted to their direct supervisor for approval. Employees must have accrued balances must be available at the time of submission. Substation managers submit request for leave forms to the downtown motor vehicle department assistant director. Department supervisors retain copies the approved or denied request forms locked file cabinets. Oracle DC Employee Self-Service is available for staff to review hours paid and accrual balances taken / earned / available. Kronos time is ‘approved’ bi-weekly with a ‘sign off’ by the supervisor.</p>
<p><b>Criteria: (Describe the optimal condition)</b></p>	<p>According to Dallas County Code, Section 82.32, <b>Work hours scheduling:</b></p> <p>(a) <i>Work Schedule.</i> Each supervisor must approve and establish an authorized work schedule for each employee within the time-keeping system. All employees’ work hours, exempt and non-exempt, will reflect their established work schedule.</p> <p>(b) <i>Office hours.</i> An elected official/department head, with the approval of the commissioners court, has the right to establish and schedule reasonable work hours, rules and working conditions in a manner most advantageous to the county in accomplishing its service and work requirements. Compensatory time and overtime are also scheduled by the elected official/department head according to appropriate county policies. County offices, excluding 24-hour operations, are expected to remain</p>



open between the hours of 8:00 a.m.-4:30 p.m. and remain open during the noon hour. Employees should verify office hours and work hours with their supervisor.

(c) *Breaks and lunch periods.* An elected official/department head may also establish breaks and lunch periods for their employees. Employees may be granted one break of ten minutes for each four hours worked. Employees are paid while on break. A lunch period may be 30 minutes or an hour depending on the work schedule approved by the elected/appointed official/department head. Lunch periods are in addition to the regular eight-hour work period and shall not be combined with breaks. Employees are not paid during their lunch period; therefore, they should be completely relieved of all duties and be free to leave their post of duty.

Dallas County Code Sec. 82-81 regarding Overtime/Compensatory states: Overtime/compensatory time shall be assigned by the supervisor to meet the essential operating needs of the county. It should only be assigned for those situations where the supervisor is convinced the work is essential in order to meet established schedules, deadlines, special projects, emergencies, or there are unscheduled vacancies etc. Due to its cost and other factors, supervisors should be judicious in their utilization of overtime. However, if overtime is required, the supervisor must carefully follow the guidelines outlined in this article regarding the accrual, utilization and recording of overtime for county employees.

In addition, Sec. 82-83. Supervisor's responsibility states:

It is imperative that supervisors be aware of the workload of each of his employees, and in cases where extraordinary amounts of time worked over 40 hours is being spent on the job, determine whether or not job expectations, productivity, staffing or other resource problems exist. If so, the manager should take corrective actions.

Each elected official/department head is held accountable for the utilization and accrual of overtime and compensatory time in their department. This accountability includes ensuring that employees do not accrue excessive amounts of overtime/compensatory time and that if accrued, it is not carried forward year after year. The county's goal is to compensate employees for overtime or compensatory time at the same pay rate at which it is accrued. Therefore, all accruals should be limited and the scheduling or pay off for it should be within the same (1) pay period, (2) month, (3) quarter, or (4) fiscal year in which it is earned.

Supervisors shall have the discretion to require employees to use compensatory time to limit compensatory time accruals, require use of compensatory time in lieu of vacation accruals, and substitute use of compensatory time in lieu of sick leave in cases of questionable use of sick leave or when sick leave accruals have been exhausted.

According to Dallas County Code Sec. 82-134. Scheduled time off;

Periodically, elected officials/department heads may grant administrative time off for exempt employees. Such time off must be approved by the elected official/department head. In order to approve such leave, the elected official/department head must ensure the exempt employee's most current 12-month average weekly work schedule exceeds 40 hours. For exempt employees whose tenure is less than 12 months, their average weekly hours worked shall be determined by the average hours worked over the number of weeks worked for the county. If this criterion is met, the elected official/department head may, at his/her discretion, approve the time off. Under no circumstances will this time be granted on an hour-for-hour basis and the total amount of time granted shall not exceed 15 work days in a 12-month period except by formal approval by the commissioners court.

Sec. 82-172. Nonexempt employee responsibilities of the Dallas County Code states:

(b) Nonexempt employees are strictly prohibited from working more than 40 hours per week, without prior approval from their supervisor. All of the time an employee works must be recorded on the county's time and attendance system. An employee is never to work without recording time. If an employee is ever asked to work without recording work time, the elected official or department head



	<p>must be notified immediately. If the matter is not resolved by the department, the employee must immediately notify the county human resources department.</p> <p>(c) Each elected official or department head will designate a 30-minute, 45-minute or one-hour lunch period for his nonexempt employees. The elected official or department head may not set the lunch period within the two hours after the employee's regular shift begins or in the two hours before the employee's regular shift ends. Whatever lunch period the elected official or department head designates for his employees will not be work time. The time and attendance system will automatically deduct the designated lunch period from the hours actually worked by the employee, and the employee will not be paid for this time.</p> <p>According to Dallas County Code Sec. 82-175, Supervisory responsibilities:</p> <p>(a) Supervisory responsibilities fall to the elected official, department head or their designee.</p> <p>(b) Supervisors are responsible for informing their employees about which time entry method (time clocks, on-line entry or time sheets) they shall use to record their time and attendance. Supervisors shall educate their employees about how to use the time entry method they are assigned and about the time and attendance policies for their department.</p> <p>(c) Supervisors are responsible for ensuring employee time records are accurate and that no abuses occur. Only supervisors have the authority to correct employee time record errors or omissions.</p> <p>(d) Supervisors are responsible for recording employee vacation and sick time and for entering time for employees who are working outside their department work area.</p> <p>(e) Supervisors are responsible for checking daily start times, meal periods, end times, vacation time, sick time, compensatory time and overtime to ensure employees are in compliance with their shift work schedule and the county's overtime policies. Supervisors are responsible for promptly documenting actions warranting discipline and for promptly reporting possible fraud to the county auditor.</p>					
<p><b>Cause:</b> (Describe the cause of the condition if possible)</p>	<p>Inaccurate application of time and attendance policies.</p>					
<p><b>Effect:</b> (Describe or quantify any adverse effects)</p>	<p>Official time and attendance records do not accurately reflect time worked and taken.</p>					
<p><b>Recommendation:</b> (Describe corrective action)</p>	<p>Actual hours worked, vacation time, sick time, holiday time, jury duty, compensatory time, overtime, ATO, lunch time, etc. should be properly and timely posted to the Kronos time and attendance system in accordance with the Dallas County Code and Commissioners Court orders.</p>					
<p><b>Responsible Department or Organization:</b></p>	<p>Tax Office</p>					
<p><b>Management's Response:</b></p>	<table border="1"> <tr> <td data-bbox="402 1472 558 1535"><input checked="" type="checkbox"/> Agree</td> <td data-bbox="558 1472 760 1535"><input type="checkbox"/> Disagree</td> <td data-bbox="760 1472 964 1535"><b>Respondent:</b></td> <td data-bbox="964 1472 1354 1535">Paul E. Hamilton, Chief Deputy</td> <td data-bbox="1354 1472 1534 1535"><b>Date:</b> 7/10/2015</td> </tr> </table>	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	<b>Respondent:</b>	Paul E. Hamilton, Chief Deputy	<b>Date:</b> 7/10/2015
<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	<b>Respondent:</b>	Paul E. Hamilton, Chief Deputy	<b>Date:</b> 7/10/2015		
<p><b>Comments:</b></p>	<p>Agree, in substantial part. All Tax Office Managers will be directed to review relevant provisions in the County Code and Tax Office Polices to make certain (1) that each manager is properly apprised of all time and attendance requirements, to include employee breaks during the course of the workday, and (2) that ensure each manager actively manages staff time accordingly.</p> <p>Regarding the finding that one exempt employee was approved four hours of ATO, in disregard of current County policy, we respectfully disagree. Relevant Code provision provides that an exempt employee to be granted ATO must average forty or more hours in the current 12-month period reviewed. (citation to code provision)</p> <p>Tax Office management is preparing to revise the Employee incentive pay program.</p>					



	Among those factors to be considered in updating and revising the program are considerations of compensatory time accruals while also earning credit for incentive pay.		
<b>Disposition:</b>	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration