




DALLAS COUNTY COUNTY AUDITOR

Memorandum

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

FROM Virginia Porter 
County Auditor

SUBJECT Tax Office – Review for Period Ending December 2012

DATE Issued: May 31, 2013
Released: July 10, 2013

SCOPE

We performed ongoing reviews on the financial records and operational processes of the Dallas County Tax Office for the 2012 calendar year. The Tax Assessor-Collector collects ad valorem taxes, vehicle registration fees, vehicle surcharges, certificate of title fees, vehicle sales taxes, title service and runner license fees, beer and wine license fees, liquor fees, occupation sticker fees, scofflaw fees, and special inventory taxes. Approximately \$3.8 billion in receipts were collected and processed by the Tax Office during the fiscal year ending September 30, 2012.

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

FY2012 Statistical Information

- Over \$3.8 billion in receipts processed
- Over 799,639 property tax accounts
- Approximately 2,100,000 registration transactions
- Approximately 635,000 title transactions
- 73 entity property tax or special assessment current collection contracts
- Approximately 30,258 credit /debit card transactions
- Approximately 32,264 e-checks transactions

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

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

While inherent risks for the property tax and MV divisions are high due to approximately \$3.8 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. During the eleven month period since the last review, approximately 26% or \$1.2 million in additional refunds have been processed including approximately \$73,000 transferred to the Dallas County General Fund. As of February 27, 2013, there were approximately \$3.6 million outstanding as pre-conversion refunds.
3. Levy adjustments – The 2012 Certified Tax Roll received from DCAD and other appraisal districts were uploaded into ACT on October 11, 2012. 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 are performed for Ellis, Kaufman, Rockwall, Collin, Denton and Tarrant counties. Also, certain manual input of levy adjustments, including agreed judgments from DCAD, were performed due to potential Tax Code penalties when refunds are not made within the statutory timeframes.
4. Agreed judgments – Over 776 property appraisal cases affecting 2,697 accounts were filed against **DCAD**, resulting in a \$2.5 million reduction of the 2011 Dallas County taxable levy after entry of final agreed judgments by the court. As of February 6, 2013, 838 new property appraisal cases affecting 2,568 accounts for Tax Year 2012 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

1. Refund of overpayments or erroneous payments over \$5,000 – 107 refund requests (18,825 Account 715 checks printed in calendar year 2012) totaling approximately \$987,000 were submitted by the Tax Office for review. Thirteen requests (including four requests on unclaimed refunds over five years old) were returned unapproved by Audit. Procedures implemented by the Property Tax Refund Manager continue to improve the overall refund process.
2. Over disbursements to entities – As of September 30, 2012, approximately \$145,489 remained as a balance due from the entities. As of December 31, 2012, the balance due had been reduced to \$57,161. These overpayments include old unadjusted remittance errors and current processing of

agreed judgments which lowers the taxable value / levy on accounts previously paid. The ACT system recognizes credits created by levy adjustments immediately, reducing remittances available from current collections and places the credit in a “refund bucket.”

3. Unclaimed funds – Property Tax Refund Account 715 – A review of outstanding checks from the Property Tax Refund Account 715 register revealed 4,580 outstanding checks (100% of population) totaling \$3.85 million as of September 30, 2012. We noted the following for checks greater than three years old: 1015 checks that were \$100 or less, totaling \$34,996; and 982 checks that were greater than \$100, totaling \$917,043.
Status: On February 18, 2013, the Tax Office transferred a total of \$414,845.06 for stale dated checks over three years old from the Property Tax Refund Account 715 to the Dallas County General Fund.
4. Unclaimed funds – Registration, Title, and Sales Tax Account 710 - A review of outstanding checks from the Registration, Title, and Sales Tax Account 710 register revealed 2,833 outstanding checks (100% of population) totaling \$251,965 as of September 30, 2012. We noted the following for checks greater than three years old: 1,793 checks that were \$100 or less, totaling \$54,746; and 185 checks that were greater than \$100, totaling \$779,342. In addition, old checks from substation accounts totaling \$5,787 remain outstanding.
5. Unclaimed funds – Beer & Wine Account 713 - A review of outstanding checks from the Beer & Wine Account 713 register revealed six outstanding checks (100% of population) totaling \$930 as of September 30, 2012. We noted the following for checks greater than three years old: two checks that were \$100 or less, totaling \$92; and three checks that were greater than \$100, totaling \$833.
6. Unclaimed funds – Special Inventory Tax (SIT) Account 718 - A review of outstanding checks from the Special Inventory Tax Account 718 register revealed 119 outstanding checks (100% of population) totaling \$57,514 as of September 30, 2012. We noted the following for checks greater than three years old: 82 checks that were \$100 or less, totaling \$1,978; and 35 checks that were greater than \$100, totaling \$52,975.
7. Unclaimed funds – Undisbursed Funds Account 719 - A review of outstanding checks from the Undisbursed Funds Account 719 register revealed seven (7) outstanding checks (100% of population) totaling \$2,350 as of September 30, 2012. We noted the following for checks greater than three years old: two checks that were \$100 or less, totaling \$105; and five checks that were greater than \$100, totaling \$2,245.

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

On June 9, 2012, approximately \$2.5 million of uncollectable receivables from personal property accounts for tax years 2001 through 1973 were transferred to the dead / inactive roll. Property Tax Code Section 33.05 (a) (1) states in part that personal property may not be seized and a suit may not be filed to collect a tax on personal property that has been delinquent more than four years.

During 2012, the Tax Office implemented new software for tracking receipts and deposits for its bank accounts. The system, “Microsoft Dynamics CRM” replaced the “Access” database previously used for this purpose. “CRM” has a wide range of uses; currently it allows for inquiries and for the creation of electronic reports by authorized users.

C. Security – Cash and Technology

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

Status: All funds were subsequently recovered from taxpayers, shortages repaid by staff, or system corrections processed.

Procedures to detect counterfeit bills and affirm cashier responsibility are documented and monitored by supervisory staff. One bank debit for \$100 was recorded on Property Tax Account 714 and thirteen debits totaling \$500 were recorded on Registration, Title, and Sales Tax Account 710 in FY2012.

System Controls: Roles / Rights – ACT report ‘Dallas County List of the Users and Granted Roles’ (User Access List) is not reviewed on a periodic basis. The two generic user names (DC01, DCVIT 01) used by various law firm programmers with complete system rights as of February 6, 2013. Some users were granted unnecessary rights in correlation with job functions/descriptions. Thirty-five instances of law firm staff with ‘Cashier’, ‘Clerk’, and/or ‘Roll Maintenance’ roles active in Production.

Tax Office Response: Users with the ‘Clerk’ roll can only perform updates if they have update privileges in the Fiduciary Master and Account Master screens.

E-Commerce Payment - The Tax office receipted approximately 62,522 e-commerce payments totaling over \$211.2 million for the payment of property taxes or other services for FY2012. The Tax office currently maintains a total of eight clearing and chargeback bank accounts with JPMorgan Chase Bank to handle e-commerce payment activities.

Remodeling/Furniture/Fixture – During 2012, the Tax Office completed remodeling and furnishing the property tax and mail line work area for an approximate cost of \$161,000. The objective of the Tax Office management is to maximize the workflow and to improve the efficiency of service for the citizens of the Dallas County.

Tax Exemptions, Abatements and TIFs

The County disbursed a total of \$2,854,190 to Tax Increment Financing (TIF) Districts during calendar year 2012 for the Tax Year 2011 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.

D. Employee Development and Training

Employee incentives - A total of \$171,888 was spent on employee incentive programs for fiscal year 2012. The Motor Vehicle section received \$152,244 in incentive pay and benefits for 109 employees during the year, averaging \$1,397 per employee. The Customer Care Center (CCC) section received \$19,644 in incentive pay and benefits for 18 employees during the year, averaging \$1,091 per employee.

E. Non-Property Tax Activity

Special Inventory Tax (SIT) Account 718 – Interest earned on the Special Inventory funds (Account 718) in the amount of \$125,285 was spent on travel and conference expenses, equipment, furniture, cubicles, and office construction costs during the 2012 calendar year for Tax Office administrative staff without reconciliation of non-administrative expenses. Property Tax Code Section 23.122 states the funds may be used to defray the cost of administration of the prepayment procedure and may not be used for general office expenses of the Tax Assessor - Collector unrelated to the cost of administering the program.

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.

Scofflaw Program – As of September 30, 2012, six cities have entered into contracts under Section 702.003 of the Texas Transportation Code with Dallas County to submit information on offenders who owe fines and fees to the cities. The records of such vehicle owners are flagged ('scofflaw') by TXDOT. In accordance with the statutes, the Assessor-Collector may refuse to register such vehicles until the fines and fees are paid (to the participating cities / to justice of the peace courts for county traffic cases) or other arrangements have been made. Service fees of \$123,140 were earned and billed for the period ended September 30, 2012 with service fee revenue received deposited to the County's general fund.

Title Service License and Title Service Runner Fees – The Tax Office established a Motor Vehicle Title Services and Title Services Runner License policy effective September 1, 2006, in accordance with Transportation Code §502.051 thru 520.063. The policy includes a schedule of fees for annual licenses and replacement photo identification fees. The funds are deposited and retained in the Registration, Title, and Sales Tax Account 710. Expenses for background checks and facilities have been paid by the Tax Office from collected funds with Commissioners Court approval. As of September 30, 2012, a balance of \$158,713 remains in Account 710. General Fund revenue and expenditures are understated when activity occurs outside of the County's official financial system. Current practice is not in compliance with V.T.C.A., L.G.C., § 111 and 112, or Generally Accepted Accounting Principles (GAAP).

Registration by mail or electronic means – service charge – The Tax Office collects a \$1 fee from each applicant in accordance with Transportation Code, § 502.197 for motor vehicle registrations by mail or electronic means. The statute indicates that the service charge shall be used to pay the costs of handling and postage to mail the registration receipt and insignia to the applicant. Collected funds are deposited and retained in the Registration, Title, and Sales Tax Account 710. Postage paid directly from Account 710 is periodically loaded to the motor vehicle section postage meter for the postage costs of returning the registration receipt and insignia to the customer. UPS parcel package expenses unrelated to the collection of the \$1 registration service charge are also paid from the retained funds. Most of the excess postage funds are transferred annually to the General Fund to offset the handling costs. In November 2012, the Tax Office transferred \$100,000 to the General Fund. As of December 2012, a balance of \$207,211 remained in Account 710. Postage needs not associated with registering by mail or the Internet should be included in the annual budget. General Fund revenue and expenditures are understated when activity occurs outside of the County's official financial system

Texas Department of Motor Vehicles – Web Agent – In March, 2012, most subcontractors began processing registration renewals for Point of Sale (POS) transactions through a web based application over the Internet. As of September 30, 2012, approximately 7,416 direct renewals totaling over \$472,530 were processed.

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 respectfully submitted responses to each of the 13 attached Observation / Findings. We agreed with 11 of the items and disagreed with two (2). As in past years, we appreciate working together with the Auditor's Office and recognize the value of that good relationship. We encourage the Auditor's Office to continue to be diligent in their efforts of making a better Dallas County for all Citizens while remembering the enormous scope and magnitude of the volume of transactions and dollars that the Tax Office works with on a daily basis. We believe all the items mentioned in this audit are of importance, but recognize that there are no material deficiencies and that many of the items mentioned have already been discussed between the two departments and changes have been made where needed based upon realistic resources. We also appreciate the positive statements made regarding the attitude and action of our management in providing discipline and structure, as well as the improvements made in many of the areas noted. It is an art to run a department as large as the Dallas County Tax Office on the limited resources provided and remain diligent in the pursuit of Excellent Service, Innovative Technology and Quality Collections. We are pleased to strive for that perfection daily.

SUMMARY

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

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

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

cc: Darryl Martin, Commissioners Court Administrator
Ryan Brown, OBE



Finding / Observation Number: 2012-TD-01-A1
Date: March 18, 2013
Audit: Tax Office
Auditor(s) Assigned: MB

<p>Finding / Observation:</p>	<p>ACT System - Backdated Payments</p> <p>Review of approximately 67,000 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 consistently accurate effective dates and minimal, 196 (0.29%) <u>payments backdated</u> without assessment of penalty and interest. Processing risks are identified regarding backdating and addressed by management.</p>
<p>Workpaper Reference: (or other method by which finding / observation was identified)</p>	<p>Daily Deposit Proof Teller reports</p> <p>Penalty & Interest audit on-line worksheets reflecting 196 backdated or due date changed property tax payments totaling \$1,871,331.</p> <ol style="list-style-type: none"> 1. Tax Office refunded the original payment = 61 (31.12%) 2. Taxpayer claim did not receive statement / statement error = 28 (14.29%) 3. Lost check / taxpayer payment not processed = 74 (37.76%) 4. DCAD clerical error = 22 (11.22%) 5. Other = 11 (5.61%)
<p>Condition: (Describe the current condition)</p>	<p>Property tax payments are remitted via the U.S. mail or through other mail courier services, paid in person at the downtown or substation offices by cash, check, money order, or cashiers check, or paid online via “electronic payment”. Cash payments received by the tellers are counted in the presence of the payer. Tellers handling over-the-counter payments review payment documentation including tax statements presented by the taxpayer. The ACT system is accessed for receipting payments. Receipts are generated reflecting date of receipt. Tax payments are posted to the account with an effective date that corresponds to the business date received. Posting accuracy is high.</p> <p>A large volume of mailed taxpayer payments are received towards the end of January each year. Payments postmarked prior to the delinquency date but not received until after January 31st, require special handling and posting with an effective date of January 31st for payments posted in February. Most mail payments are processed through the Remittance Processing System (RPS). Other mail payments may be processed by tellers and other staff within the Property Tax Section. Mismatched payment coupons are generally 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 balances.</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>The ACT system contains system functionality that allows delinquency dates to be</p>



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



	<p>According to Tax Code, § 31.06. MEDIUM OF PAYMENT. (a) Except as provided by Section 31.061, taxes are payable only as provided by this section. A collector shall accept United States currency or a check or money order in payment of taxes and shall accept payment by credit card or electronic funds transfer.</p> <p>(b) Acceptance by a collector of a check or money order or of payment by credit card constitutes payment of a tax as of the date of acceptance if the check, money order, or credit card invoice is duly paid or honored. If the check, money order, or credit card invoice is not duly paid or honored, the collector shall deliver written notice of nonpayment to the person who attempted payment by check, money order, or credit card. Until payment is made in full by cash or by a check, money order, or credit card that is duly paid or honored, the lien securing payment of the tax remains in effect, whether or not the person receives notice of nonpayment.</p>			
<p>Cause: (Describe the cause of the condition if possible)</p>	<p>Large volume of payments during peak tax season.</p>			
<p>Effect: (Describe or quantify any adverse effects)</p>	<p>Uncollected penalty & interest.</p>			
<p>Recommendation: (Describe corrective action)</p>	<p>Continue management review and staff training.</p> <p>Payment posting procedures should include:</p> <ul style="list-style-type: none"> • Property tax levies, penalties and interest, and other fees properly assessed, collected, and receipted to the correct tax account based on state law and contractual obligations. • Backdating functionality within ACT 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. 			
<p>Responsible Department / Organization(s) and Individual(s):</p>	<p>Tax Office</p>			
<p>Management's Response:</p>	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	<p>Respondent: Shirley Jacobson, Chief Deputy</p>	<p>Date: 6-10-13</p>
<p>Comments:</p>	<p>Backdating property tax payments is necessary in required circumstances, and as noted above, backdating is minimal. Backdating was reduced in 2012 to .029% from .36% in 2011. Many times backdating is necessary because the postmark date on the envelope is prior to the past due date. The Tax Office will continue management review over the backdating of payments and authorize as appropriate.</p>			
<p>Disposition:</p>	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration	



Finding/Observation Number: 2012-TD-01-A2
Date: March 6, 2013
Audit: Tax Office
Auditor(s) Assigned: AT

<p>Finding/Observation:</p>	<p>ACT System Processing – Pre-Conversion Overpayments/Erroneous Payments</p> <p>A review of ACT data for pre-conversion overpayments and erroneous payments as of February 27, 2013 revealed:</p> <ul style="list-style-type: none"> • 3,420 accounts totaling approximately \$2.4 million remain undisbursed from “8021” (escrow for converted overpayments resulting from levy adjustments) • 1,142 accounts totaling approximately \$1.2 million remain undisbursed from “8017” (RR – Research Required for converted overpayments resulting from erroneous payments) <p>Status: Refund personnel continue to make progress in clearing old converted overpayments through mailing letters to taxpayers and processing refunds accordingly.</p>
<p>Workpaper Reference: (or other method by which finding was identified)</p>	<p>Review of refunds Discussion with Director of Tax Accounting and Property Tax Refund Manager</p>
<p>Condition: (Describe the current condition)</p>	<p>During the 2008 system conversion from the UGSA system to the ACT system, UGSA information was loaded into ACT. Tax Office IT staff and LGBS IT staff used system control totals to validate and balance data migrated to ACT. Pre-conversion overpayments or erroneous payments totaling approximately \$22.5 million were moved into three refund buckets “8017” (RR - Research Required), “8018 (RL – Refund Letters sent) and “8021” as part of the 2008 UGSA to ACT system conversion. Converted UGSA payment transactions are recorded in ACT under the Deposit Status screen. While converted UGSA payment data transfer was partially incomplete (incomplete information for refunds {e.g. name, address, etc.}), a backup file of UGS historical data is available for research by Tax Office staff.</p> <p>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>Criteria: (Describe the optimal condition)</p>	<p>Quality assurance practices test for conversion accuracy and allow for manual correction of identified anomalies.</p> <p>Tax Code Sec. 31.11. REFUNDS OF OVERPAYMENTS OR ERRONEOUS PAYMENTS.</p> <p>(a) If a taxpayer applies to the tax collector of a taxing unit for a refund of an overpayment or erroneous payment of taxes, the collector for the unit determines that the payment was erroneous or excessive, and the auditor for the unit agrees with the collector’s determination, the collector shall refund the amount of the excessive or erroneous payment from available current tax collections or from funds appropriated by the unit for making refunds. However, the collector may not make the refund unless:</p> <p>(1) in the case of a collector who collects taxes for one taxing unit, the governing body of the taxing unit also determines that the payment was erroneous or excessive and approves the refund if the amount of the refund exceeds:</p> <p>(A) \$5,000 for a refund to be paid by a county with a population of two million or more; or (B) \$500 for a refund to be paid by any other taxing unit; or</p> <p>(2) in the case of a collector who collects taxes for more than one taxing unit, the governing body of the taxing unit that employs the collector also determines that the payment was erroneous or excessive and approves the refund if the amount of the refund exceeds:</p>



	<p>(A) \$5,000 for a refund to be paid by a county with a population of two million or more; or (B) \$2,500 for a refund to be paid by any other taxing unit.</p> <p>(b) A taxing unit that determines a taxpayer is delinquent in ad valorem tax payments on property other than the property for which liability for a refund arises may apply the amount of an overpayment or erroneous payment to the payment of the delinquent taxes if the taxpayer was the sole owner of the property:</p> <p>(1) for which the refund is sought on January 1 of the tax year in which those taxes were assessed; and (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 (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 (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 (2) the collector is not required to comply with Subsection (g) unless the amount of the payment exceeds by more than \$5,000 the amount of taxes owed for a tax year to a taxing unit for which the collector collects taxes.</p>
<p>Cause: (Describe the cause of the condition if possible)</p>	<p>N/A</p>
<p>Effect:</p>	<p>Additional staff time to research converted payment details in the historical UGSA database.</p>



(Describe or quantify any adverse effects)			
Recommendation: (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.		
Responsible Department / Organization(s) and Individual(s):	Tax Office		
Management's Response:	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	Respondent: Shirley Jacobson, Chief Deputy Date: 6-10-13
Comments:	As mentioned above, 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 receipting tax payments, depositing funds remitting funds as appropriate to each entity for who we collect on a daily basis. The Tax Office was prepared to deal with refund issues that we knew would result from this conversion approach. Monitoring and quality control are performed by the Refunds Manager who ensures that each refund is valid, accurate, and authorized. This process will remain until all items have been concluded, under the direction of the Director of the Property Tax Department. Monitoring and quality control continue to be performed by the Refund Manager under the direction of the Property Tax Director.		
Disposition:	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration



Finding/Observation Number: 2012-TD-01-A3
Date: April 2, 2013
Audit: Tax Office
Auditor(s) Assigned: TM & MB

<p>Finding/Observation:</p>	<p>ACT System Processing – Supplemental Levy Adjustments</p> <p>Comparison of approximately 13,000 accounts on ACT to DCAD revealed material compliance with limited exceptions noted:</p> <ul style="list-style-type: none"> • Two instances of ACT system calculation errors on proration of ‘over 65’ exemptions. Property owners moved during the calendar year and requested transfer of ‘over 65’ exemption to the new property effective date of title transfer. Both property owners received a partial ‘over 65’ exemption on the previously occupied property and a full ‘over 65’ exemption on the purchased property. • Multiple instances of Tax Office calculating proration of exemptions loss/gain in calendar year 2012 based on a 366 day year when code stipulates 365 day year (DCAD calculated with a 365 day year).
<p>Workpaper Reference: (or other method by which finding was identified)</p>	<p>Comparison of ACT to DCAD taxable values for accounts within Tax Increment Finance Districts.</p>
<p>Condition: (Describe the current condition)</p>	<p>Appraisal districts submit electronic files (or hard copy records) for monthly supplemental levy adjustments, deed and address changes (8 appraisal districts). Tax Office IT staff review, balance, and load the supplemental files for processing to ACT. Certain levy adjustments (non-DCAD appraisal district supplements) including agreed judgments are processed manually to ACT by designated staff due to the time sensitivity of action required. Adjustments that decrease the taxable levy may result in a refund if the accounts have been previously paid in full.</p> <p>Monthly supplemental and adjustment roll reports reflect changes to value, exemptions, taxable value, levy receivable etc. but are not reviewed by management to validate manual adjustments are accurate, complete, or appropriate.</p>
<p>Criteria: (Describe the optimal condition)</p>	<p>Information processing controls should be developed and monitored to help ensure that transactions completed through computerized applications are valid, properly authorized, and completely and accurately processed and reported.</p> <p>Commissioners Court Order No. 2007-1713 reestablishes the property tax exemption for disabled or 65 or older individual residence homesteads in an amount of \$69,000.</p> <p>Tax Code, Sec. 11.13. RESIDENCE HOMESTEAD. (d) In addition to the exemptions provided by Subsections (b) and (c) of this section, an individual who is disabled or is 65 or older is entitled to an exemption from taxation by a taxing unit of a portion (the amount of which is fixed as provided by Subsection (e) of this section) of the appraised value of his residence homestead if the exemption is adopted either: (h) Joint, community, or successive owners may not each receive the same exemption provided by or pursuant to this section for the same residence homestead in the same year. An eligible disabled person who is 65 or older may not receive both a disabled and an elderly residence homestead exemption but may choose either. A person may not receive an exemption under this section for more than one residence homestead in the same year.</p>



In accordance with Tax Code, Sec. 26.15. CORRECTION OF TAX ROLL.

Tax Code, Sec. 26.10. PRORATING TAXES--LOSS OF EXEMPTION.

(a) If the appraisal roll shows that a property is eligible for taxation for only part of a year because an exemption, other than a residence homestead exemption, applicable on January 1 of that year terminated during the year, the tax due against the property is calculated by multiplying the tax due for the entire year as determined as provided by Section 26.09 of this code by a fraction, the denominator of which is 365 and the numerator of which is the number of days the exemption is not applicable.

(b) If the appraisal roll shows that a residence homestead exemption for an individual 65 years of age or older or a residence homestead exemption for a disabled individual applicable to a property on January 1 of a year terminated during the year and if the owner qualifies a different property for one of those residence homestead exemptions during the same year, the tax due against the former residence homestead is calculated by:

(1) subtracting:

(A) the amount of the taxes that otherwise would be imposed on the former residence homestead for the entire year had the individual qualified for the residence homestead exemption for the entire year; from

(B) the amount of the taxes that otherwise would be imposed on the former residence homestead for the entire year had the individual not qualified for the residence homestead exemption during the year;

(2) multiplying the remainder determined under Subdivision (1) by a fraction, the denominator of which is 365 and the numerator of which is the number of days that elapsed after the date the exemption terminated; and

(3) adding the product determined under Subdivision (2) and the amount described by Subdivision (1)(A).

(c) If the appraisal roll shows that a residence homestead exemption under Section 11.131 applicable to a property on January 1 of a year terminated during the year, the tax due against the residence homestead is calculated by multiplying the amount of the taxes that otherwise would be imposed on the residence homestead for the entire year had the individual not qualified for the exemption under Section 11.131 during the year by a fraction, the denominator of which is 365 and the numerator of which is the number of days that elapsed after the date the exemption terminated.

Tax Code, Sec. 26.11. PRORATING TAXES--ACQUISITION BY GOVERNMENT.

(a) If the federal government, the state, or a political subdivision of the state acquires the right to possession of taxable property under a court order issued in condemnation proceedings or acquires title to taxable property, the amount of the tax due on the property is calculated by multiplying the amount of taxes imposed on the property for the entire year as determined as provided by Section 26.09 of this code by a fraction, the denominator of which is 365 and the numerator of which is the number of days that elapsed prior to the date of the conveyance or the date of the order granting the right of possession.

(b) If the amount of taxes to be imposed on the property for the year of transfer has not been determined at the time of transfer, the assessor for each taxing unit in which the property is taxable may use the taxes imposed on the property for the preceding tax year as the basis for determining the amount of taxes to be imposed for the current tax year.

(c) If the amount of prorated taxes determined to be due as provided by this section is tendered to the collector for the unit, the collector shall accept the tender. The payment absolves:



- (1) the transferor of liability for taxes by the unit on the property for the year of the transfer; and
- (2) the taxing unit of liability for a refund in connection with taxes on the property for the year of the transfer.

Tax Code, Sec. 26.111. PRORATING TAXES--ACQUISITION BY CHARITABLE ORGANIZATION.

(a) If an organization acquires taxable property that qualifies for and is granted an exemption under Section 11.181(a) or 11.182(a) for the year in which the property was acquired, the amount of tax due on the property for that year is calculated by multiplying the amount of taxes imposed on the property for the entire year as provided by Section 26.09 by a fraction, the denominator of which is 365 and the numerator of which is the number of days in that year before the date the charitable organization acquired the property.

(b) If the exemption terminates during the year of acquisition, the tax due is calculated by multiplying the taxes imposed for the entire year as provided by Section 26.09 by a fraction, the denominator of which is 365 and the numerator of which is the number of days the property does not qualify for the exemption.

Tax Code, Sec. 26.112. CALCULATION OF TAXES ON RESIDENCE HOMESTEAD OF ELDERLY OR DISABLED PERSON. (a) Except as provided by Section 26.10(b), if at any time during a tax year property is owned by an individual who qualifies for an exemption under Section 11.13(c) or (d), the amount of the tax due on the property for the tax year is calculated as if the person qualified for the exemption on January 1 and continued to qualify for the exemption for the remainder of the tax year.

(b) If a person qualifies for an exemption under Section 11.13(c) or (d) with respect to the property after the amount of the tax due on the property is calculated and the effect of the qualification is to reduce the amount of the tax due on the property, the assessor for each taxing unit shall recalculate the amount of the tax due on the property and correct the tax roll. If the tax bill has been mailed and the tax on the property has not been paid, the assessor shall mail a corrected tax bill to the person in whose name the property is listed on the tax roll or to the person's authorized agent. If the tax on the property has been paid, the tax collector for the taxing unit shall refund to the person who paid the tax the amount by which the payment exceeded the tax due.

Tax Code, Sec. 26.1125. CALCULATION OF TAXES ON RESIDENCE HOMESTEAD OF 100 PERCENT OR TOTALLY DISABLED VETERAN.

(a) If a person qualifies for an exemption under Section 11.131 after the beginning of a tax year, the amount of the taxes on the residence homestead of the person for the tax year is calculated by multiplying the amount of the taxes that otherwise would be imposed on the residence homestead for the entire year had the person not qualified for the exemption under Section 11.131 by a fraction, the denominator of which is 365 and the numerator of which is the number of days that elapsed before the date the person qualified for the exemption under Section 11.131.

(b) If a person qualifies for an exemption under Section 11.131 with respect to the property after the amount of the tax due on the property is calculated and the effect of the qualification is to reduce the amount of the tax due on the property, the assessor for each taxing unit shall recalculate the amount of the tax due on the property and correct the tax roll. If the tax bill has been mailed and the tax on the property has not been paid, the assessor shall mail a corrected tax bill to the person in whose name the property is listed on the tax roll or to the person's authorized agent. If the tax on the property has been paid, the tax collector for the taxing unit shall refund to the person who paid the tax the amount by which the payment exceeded the



	<p>tax due.</p> <p>Tax Code, Sec. 26.113. PRORATING TAXES--ACQUISITION BY NONPROFIT ORGANIZATION.</p> <p>(a) If a person acquires taxable property that qualifies for and is granted an exemption covered by Section 11.42(d) for a portion of the year in which the property was acquired, the amount of tax due on the property for that year is computed by multiplying the amount of taxes imposed on the property for the entire year as provided by Section 26.09 by a fraction, the denominator of which is 365 and the numerator of which is the number of days in that year before the date the property qualified for the exemption.</p> <p>(b) If the exemption terminates during the year of acquisition, the tax due is computed by multiplying the taxes imposed for the entire year as provided by Section 26.09 by a fraction, the denominator of which is 365 and the numerator of which is the number of days the property does not qualify for the exemption.</p>				
<p>Cause: (Describe the cause of the condition if possible)</p>	<p>System error – formulas incorrectly programmed. Statute language consistently defines 365 day year with no reference to leap year. Exception reports (systemic comparison of taxable values per DCAD to ACT) not generated.</p>				
<p>Effect: (Describe or quantify any adverse effects)</p>	<p>Potential for taxpayers to be over (under) billed. Additional staff time required to research and resolve. Taxpayers received a disabled or over 65 exemption in excess of a \$69,000 during the same calendar year.</p>				
<p>Recommendation: (Describe corrective action)</p>	<ul style="list-style-type: none"> • Continue corrective action plan monitoring ACT data and processing updates. <ul style="list-style-type: none"> ○ Periodic review by supervisory personnel to determine accuracy and timeliness of levy adjustments. ○ Research, document, and communicate required ACT programming changes to proration calculations. • Document and communicate development of an exception report comparing taxable values per DCAD to ACT. • Create an ad hoc report to identify other accounts affected by a proration of Over 65 and/or Homestead exemptions. Correct applicable accounts as necessary. • Review legislative intent for daily calculations in a leap year. 				
<p>Responsible Department / Organization and Individual(s):</p>	<p>Tax Office – IT State Legislature</p>				
<p>Management’s Response:</p>	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	<p>Respondent:</p>	Shirley Jacobson, Chief Deputy	<p>Date: 6-13-13</p>
<p>Comments:</p>	<p>Taxable value exception reports are created by the IT department and worked by the Property tax department.</p>				
<p>Disposition:</p>	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration		



Finding/Observation Number: 2012-TD-01-B1
Date: March 15, 2013
Audit: Tax Office
Auditor(s) Assigned: SO

<p>Finding/Observation:</p>	<p>Accounting / Reconciliation – Unclaimed Funds over 3 Years Old – Property Tax Refund Account (Fund 715) A review of 4580 outstanding checks (100% of population) totaling \$3,849,520 as of September 30, 2012 from the Property Tax Refund bank account (Fund 715) revealed:</p> <ul style="list-style-type: none"> • 1,015 checks over three years old and \$100 or less, totaling \$34,996 • 982 checks over three years old and greater than \$100, totaling \$917,043 <p>Status: As of February 2013, 890 outstanding checks totaling \$414,845 were staled dated and transferred to the General Fund as unclaimed funds.</p>
<p>Workpaper Reference: (or other method by which finding was identified)</p>	<p>Review of the Outstanding Check Register for Fund 715 obtained from the Tax Office. Discussion with Accounting personnel regarding the outstanding check list maintained by the Tax Office.</p>
<p>Condition: (Describe the current condition)</p>	<p>Data source for Account 715 disbursement activity includes: overpayments or erroneous payments, duplicate payments, and levy adjustments. Deposits are a result of reconciliations and wire 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. 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>Criteria: (Describe the optimal condition)</p>	<p>Best practices regarding cash control require that:</p> <ul style="list-style-type: none"> • Disbursements and cancellations should be timely and accurately posted to subsidiary systems. Fund balances must be reconciled against control records and bank statements. Assigned cash handling duties are separated. • Reports and refund requests should be reviewed on an ongoing basis and disbursements should be made to the appropriate parties in a timely manner. • The outstanding check list should be periodically reviewed and researched for checks that have been outstanding for three or more years in accordance with unclaimed property statutes, V.T.C.A., Property Code, § 72 and § 76. <p>Tax Ledge reports and ACT system postings should accurately reflect corresponding disbursement information {payee, check number, check date, and amount(s)} printed on refund checks through the Tax Ledge system.</p> <p>In accordance with Tax Code, Sec. 31.11, REFUNDS OF OVERPAYMENTS OR ERRONEOUS PAYMENTS,</p>



	<p>c) Except as provided by Subsection (c-1), an application for a refund must be made within three years after the date of the payment or the taxpayer waives the right to the refund. A taxpayer may apply for a refund by filing:</p> <p>(1) an application on a form prescribed by the comptroller by rule; or</p> <p>(2) a written request that includes information sufficient to enable the collector and the auditor for the taxing unit and, if applicable, the governing body of the taxing unit to determine whether the taxpayer is entitled to the refund.</p> <p>(c-1) The governing body of the taxing unit may extend the deadline provided by Subsection (c) for a single period not to exceed two years on a showing of good cause by the taxpayer.</p> <p>Sec. 31.111. REFUNDS OF DUPLICATE PAYMENTS. (a) The collector of a taxing unit who determines that a person erred in making a payment of taxes because the identical taxes were paid by another person shall refund the amount of the taxes to the person who erred in making the payment.</p> <p>(b) A refund under Subsection (a) shall be made as soon as practicable after the collector discovers the erroneous payment. The refund shall be accompanied by a description of the property subject to the taxes sufficient to identify the property. If the property is assigned an account number, the collector shall include that number.</p> <p>(c) Each month, the collector shall inform the auditor of each appropriate taxing unit of refunds of taxes made under Subsection (a) during the preceding month.</p> <p>Outstanding check cancellation procedures require:</p> <ul style="list-style-type: none"> • Annual review of the Outstanding Check List • All checks three (3) years old or older must be voided in Tax Ledger • A check is written to the General Fund for the amount written-off • Policies and procedures are reviewed and updated annually as necessary 				
<p>Cause: (Describe the cause of the condition if possible)</p>	<p>Early cutoff of escheating outstanding checks over three years old due to staff constraints.</p>				
<p>Effect: (Describe or quantify any adverse effects)</p>	<p>Potential delays in revenue recognition.</p>				
<p>Recommendation: (Describe corrective action)</p>	<p>Continue training on established procedures.</p>				
<p>Responsible Department / Organization(s) and Individual(s):</p>	<p>Tax Office</p>				
<p>Management's Response:</p>	<table border="1" style="width: 100%;"> <tr> <td style="width: 30%;"><input checked="" type="checkbox"/> Agree</td> <td style="width: 30%;"><input type="checkbox"/> Disagree</td> <td style="width: 20%;">Respondent: Shirley Jacobson, Chief Deputy</td> <td style="width: 20%;">Date: 6-25-13</td> </tr> </table>	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	Respondent: Shirley Jacobson, Chief Deputy	Date: 6-25-13
<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	Respondent: Shirley Jacobson, Chief Deputy	Date: 6-25-13		
<p>Comments:</p>	<p>While the Tax Office clearly understands the escheat and unclaimed property statutes, V.T.C.A., Property Code 72 and 76, the Accounting Department verifies and writes off outstanding checks once year as directed by the Tax Assessor/Collector. Checks are written off by calendar year; i.e., Jan-Dec 2008 usually within the August timeframe. The attached Write-Off of Outstanding Refund Checks procedures dated 12/20/12 clearly outlines our process. The Reconciliation Clerk maintains a list of outstanding checks and it is up to the Refund group to research and ensure that each outstanding check has never been reissued prior to the write-off occurring. The Tax Assessor/Collector makes the decision when to schedule the write-off. A copy of the Accounting Procedure was provided to Internal Audit Staff.</p>				
<p>Disposition:</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: 34%;"><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: 2012-TD-01-B2
Date: March 19, 2013
Audit: Tax Office
Auditor(s) Assigned: SO

<p>Finding / Observation:</p>	<p>Accounting / Reconciliation – Unclaimed Funds over 3 Years Old – Fund 710 (Registrations, Titles, and Sales Tax account)</p> <p>A review of 2,833 outstanding checks (100%) totaling \$251,965 as of September 30, 2012 from the RTS bank account (Fund 710) revealed:</p> <ul style="list-style-type: none"> • 1,793 checks over three years old and \$100 or less, totaling \$54,746 • 185 checks over three years old and greater than \$100, totaling \$79,342 <p>Prior Year – Closed Substation Bank Accounts Twenty-six outstanding checks totaling \$5,787 indicated on the “710 SubAccts Outstanding Check List from November 2003” were carried over to Fund 710 from the closure of substation bank accounts.</p>
<p>Workpaper Reference: (or other method finding was identified)</p>	<p>Review of the Outstanding Check Register for Fund 710 obtained from the Tax Office. Prior year review of 2003 supporting documentation of bank account closings.</p>
<p>Condition: (Describe the current condition)</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; employee refunds; etc.</p> <p>On a monthly basis, Accounting downloads an electronic file formatted to Excel that reflects details (payee, check number, check amount, and date) of the disbursement. The electronic disbursement file is used by a Tax Office accountant to complete monthly bank reconciliations.</p> <p>2,004 (Fund 710 and closed substation accounts) checks are outstanding over three years old with research pending for escheatment to the state or county.</p> <p>Bank reconciliations are completed monthly with supervisory sign-off.</p> <p>Formal outstanding check write-off procedures were updated in March 2012.</p>
<p>Criteria: (Describe the optimal condition)</p>	<p>Best practices regarding cash control require that:</p> <ul style="list-style-type: none"> • Disbursements and cancellations should be timely and accurately posted to subsidiary systems. Fund balances must be reconciled against control records and bank statements. Assigned cash handling duties are separated. • Reconciling items should be researched and resolved timely. • Reports and refund requests should be reviewed on an ongoing basis and disbursements should be made to the appropriate parties in a timely manner. • The outstanding check list should be periodically reviewed and researched for checks that have been outstanding for three or more years in accordance with unclaimed property statutes, V.T.C.A., Property Code, § 72 and § 76. <p>Outstanding check cancellation procedures require:</p> <ul style="list-style-type: none"> • Annual review of the outstanding check list. • All checks three (3) years old or older voided • Funds disbursed for stale dated checks in accordance with unclaimed property statutes.



Cause: (Describe the cause of the condition if possible)	<ul style="list-style-type: none"> • Policies and procedures are reviewed and updated periodically as necessary. Exceptions in applying updated departmental procedures.		
Effect: (Describe or quantify any adverse effects)	Potential State inquiry and/or penalty regarding delinquent reporting.		
Recommendation: (Describe corrective action)	<ol style="list-style-type: none"> 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: http://www.window.state.tx.us/up/forms.html). <ol style="list-style-type: none"> a. Outstanding checks should be promptly researched / reconciled with proper disposition determined in a timely manner (e.g. 180 days). b. Management review of outstanding checks should be documented. 2. Outstanding checks from the closure of the substation bank accounts should be cancelled. 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. 		
Responsible Department / Organization and Individual(s):	Tax Office		
Management's Response:	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	Respondent: Shirley Jacobson, Chief Deputy Date: 6-25-13
Comments:	While the Tax Office clearly understands the escheat and unclaimed property statutes, V.T.C.A., Property Code 72 and 76, the Accounting Department verifies and writes off outstanding checks once year as directed by the Tax Assessor/Collector. Checks are written off by calendar year; i.e., Jan-Dec 2008 usually within the August timeframe. The attached <i>Write-Off of Outstanding Refund Checks</i> procedures dated 12/20/12 clearly outlines our process. The Reconciliation Clerk maintains a list of outstanding checks and it is up to the Refund group to research and ensure that each outstanding check has never been reissued prior to the write-off occurring. The Tax Assessor/Collector makes the decision when to schedule the write-off. A copy of the Accounting Procedure was provided to Internal Audit Staff.		
Disposition:	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration



Finding/Observation Number: 2012-TD-01-B3
Date: March 19, 2013
Audit: Tax Office
Auditor(s) Assigned: MB

<p>Finding/Observation:</p>	<p>Accounting / Reconciliation – Unclaimed Funds Over 3 Years Old – Beer & Wine Account (Fund 713)</p> <p>A review of six outstanding checks (100% of population) totaling \$930, unclaimed funds, and beer and wine applications without State approval as of September 30, 2012 from the Beer & Wine bank account (Fund 713) revealed:</p> <ul style="list-style-type: none"> • Two (2) checks over twelve (12) years old and \$100 or less, totaling \$91.50. • Three (3) checks over twelve years (12) old and greater than \$100, totaling \$832.50. • Old beer and wine application fees approximating \$32,144 (net of return items, refunds, and old bank adjustments) without State approval for permit issuance
<p>Workpaper Reference: (or other method by which finding was identified)</p>	<p>Review of the Outstanding Check Register for Fund 713 obtained from the Tax Office Discussion with the Director of Tax Accounting and the Director of Process Initiative Management Discussion with Accounting department personnel Review of TABC monthly statements and proof of cash</p>
<p>Condition: (Describe the current condition)</p>	<p>Beer and wine renewal permit applications are processed by the Tax Office downtown location. This type of permit cannot be renewed more than 30 days in advance of the expiration date. A late fee in the amount of \$100 will be added if the renewal is between the 1st and 30th day following the renewal date. Renewal fees including both State and County fees are receipted by the special handling area of the Tax Office and deposited into the Beer & Wine bank Account (Fund 713). Renewal documentation is sent to the Texas Alcoholic Beverage Commission (TABC) for approval. Once the renewal is approved by TABC, a monthly report/invoice by County is prepared by TABC and available online. The monthly report/invoice is used by the Tax Office to determine the amount to remit to TABC and to Dallas County. <u>Some renewal applications are never approved by TABC with funds remaining in the Beer & Wine bank Account (Fund 713) without refund and/or disbursement to Dallas County or TABC.</u></p> <p>Bank reconciliations are completed monthly with supervisory sign-off. However, aged recon items are not cleared timely. Five checks outstanding greater than three years without research for escheatment to the state or county.</p> <p>Formal outstanding check write-off procedures were documented in March 2012.</p>
<p>Criteria: (Describe the optimal condition)</p>	<p>Best practices regarding cash control require that:</p> <ul style="list-style-type: none"> • Overpayment and pending distribution reports should be reviewed on a periodic basis and disbursements should be made to the appropriate parties in a timely manner. • The outstanding check list should be periodically reviewed and researched for checks that have been outstanding for three or more years in accordance with unclaimed property statutes, V.T.C.A., Property Code, § 72 and § 76. <p><i>Texas Alcoholic Beverage Code</i> §11.38. Local Fee Authorized. (a) The governing body of a city or town may levy and collect a fee not to exceed one-half the state fee for each permit issued for premises located within the city or town. The commissioners</p>



	<p>court of a county may levy and collect a fee equal to one-half of the state fee for each permit issued for premises located within the county. Those authorities may not levy or collect any other fee or tax from the permittee except general ad valorem taxes, the hotel occupancy tax levied under Chapter 351, Tax Code, and the local sales and use tax levied under Chapter 321, Tax Code.</p> <p>§61.36. Local Fee Authorized. (a) The governing body of an incorporated city or town may levy and collect a fee not to exceed one-half of the state fee for each license, except a temporary or agent's beer license, issued for premises located within the city or town. The commissioners court of a county may levy and collect a fee equal to one-half the state fee for each license, except a temporary or agent's beer license, issued for premises located within the county. Those authorities may not levy or collect any other fee or tax from the licensee except general ad valorem taxes, the hotel occupancy tax levied under Chapter 351, Tax Code, and the local sales and use tax levied under Chapter 321, Tax Code.</p> <p>§11.09. Expiration or Suspension of Permit. (a) A permit issued under this code expires on the second anniversary of the date it is issued, except as provided by Subsections (d) and (e) or another provision of this code. Notwithstanding Section 5.50(b), the commission shall double the amount of fees and surcharges otherwise applicable under this code for a permit with a two-year term.</p> <p>§61.03. Expiration or Suspension of License. (a) Except as provided by Subsections (d) and (e) or another provision of this code, any license except a branch, importer's, importer's carrier's, or temporary license expires on the second anniversary of the date on which it is issued. Notwithstanding Section 5.50(b), the commission shall require double the amount of fees and surcharges otherwise applicable under this code for a license with a two-year term.</p> <p><i>TABC Administrative Rules</i> §33.23 and 33.25. Alcoholic Beverage License and Permit Fees and Surcharges. 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>Cause: (Describe the cause of the condition if possible)</p>	<p>A review of outstanding checks and unprocessed funds for the escheat process is not being performed on a yearly basis.</p>
<p>Effect: (Describe or quantify any adverse effects)</p>	<p>Penalties may be assessed by the State for not following escheat statutes.</p>
<p>Recommendation: (Describe corrective action)</p>	<ol style="list-style-type: none"> 1. Escheat analysis and stale dating of outstanding checks should be managed in accordance with unclaimed property statutes, V.T.C.A., Property Code, § 72 and § 76 (website: http://www.window.state.tx.us/up/forms.html). <ol style="list-style-type: none"> a. Outstanding checks should be promptly researched / reconciled with proper disposition determined in a timely manner (e.g. 180 days). b. Management review of outstanding checks and undistributed collections should be



	documented.		
	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.		
Responsible Department / Organization and Individual(s):	Tax Office		
Management's Response:	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	Respondent: Shirley Jacobson, Chief Deputy Date: 6-25-13
Comments:	While the Tax Office clearly understands the escheat and unclaimed property statutes, V.T.C.A., Property Code 72 and 76, the Accounting Department verifies and writes off outstanding checks once year as directed by the Tax Assessor/Collector. Checks are written off by calendar year; i.e., Jan-Dec 2008 usually within the August timeframe. The attached <i>Write-Off of Outstanding Refund Checks</i> procedures dated 12/20/12 clearly outlines our process. The Reconciliation Clerk maintains a list of outstanding checks and it is up to the Refund group to research and ensure that each outstanding check has never been reissued prior to the write-off occurring. The Tax Assessor/Collector makes the decision when to schedule the write-off. A copy of the Accounting Procedure was provided to Internal Audit Staff.		
Disposition:	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration



Finding/Observation Number: 2012-TD-01-B4
Date: March 19, 2013
Audit: Tax Office
Auditor(s) Assigned: SO

<p>Finding/Observation:</p>	<p>Accounting / Reconciliation – Unclaimed Funds Over 3 Years Old – Special Inventory Tax (SIT) - Fund 718</p> <p>A review of 119 outstanding checks (100% of population) totaling \$57,513.88 as of September 30, 2012 from the SIT account (Fund 718) revealed:</p> <ul style="list-style-type: none"> • 82 checks over three years old and \$100 or less, totaling \$1,977.58. • 35 checks over three years old and greater than \$100, totaling \$52,975.49.
<p>Workpaper Reference: (or other method by which finding was identified)</p>	<p>Review of the Outstanding Check Register for Fund 718 obtained from the Tax Office. Discussion with the Director of Tax Accounting</p>
<p>Condition: (Describe the current condition)</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>Refunds to dealers – After all motor vehicle inventory tax payments are made to the taxing jurisdictions, funds which remain undisbursed from each dealer’s escrow 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>Expenditures – Interest earned on funds in the Special Inventory (VIT) 718 bank account can be used in accordance with statute to offset Tax Office costs of the prepayment process. Requests and supporting documentation from Tax Office management are submitted to Accounting with a request to issue checks for the required amounts. Accounting will review the request and process the checks through TaxLedge as necessary.</p> <p>During 2012, all unexpended earned interest, fines, and penalties were transferred from Account (Fund) 718 to Account (Fund) 731. The Tax Office is no longer issuing checks for expenditures from Account (Fund) 718.</p> <p>Bank reconciliations are completed monthly with supervisory sign-off. However, aged recon items are not cleared timely. There are 117 checks for refunds, escrow distributions, and miscellaneous expenditures outstanding over three years without research for escheatment to the state or to the SIT account.</p> <p>VIT records were migrated from the Hill Country system to the ACT and TaxLedge systems in October 2011. Some of the migrated records do not contain any information other than an amount while others are incomplete, making research difficult.</p> <p>Formal outstanding check write-off procedures were documented in March 2012.</p>
<p>Criteria: (Describe the optimal condition)</p>	<p>Best practices regarding cash control require that:</p> <ul style="list-style-type: none"> • Disbursements and cancellations should be timely and accurately posted to the SIT system. Fund balances must be reconciled against control records and bank statements. Assigned cash handling duties are separated.



	<ul style="list-style-type: none"> • Overpayment and pending distribution reports should be reviewed on a periodic basis and disbursements should be made to the appropriate parties in a timely manner. • The outstanding check list should be periodically reviewed and researched for checks that have been outstanding for three or more years in accordance with unclaimed property statutes, V.T.C.A., Property Code, § 72 and § 76. <p>Outstanding check cancellation procedures require:</p> <ul style="list-style-type: none"> • Annual review of the outstanding check list • All checks three (3) years old or older researched and voided in the appropriate records • Funds disbursed for stale dated checks in accordance with unclaimed property statutes • Policies and procedures are reviewed and updated annually as necessary 				
<p>Cause: (Describe the cause of the condition if possible)</p>	<p>Staff constraints and difficulty in obtaining adequate information related to the disbursements for proper disposition.</p>				
<p>Effect: (Describe or quantify any adverse effects)</p>	<ul style="list-style-type: none"> • Penalties may be assessed by the State for not following escheat statutes. • Outstanding items that are not cleared and proper disposition determined, create additional costs researching the items. 				
<p>Recommendation: (Describe corrective action)</p>	<ol style="list-style-type: none"> 1. Escheat analysis and stale dating of outstanding checks should be managed in accordance with unclaimed property statutes, V.T.C.A., Property Code, § 72 and § 76 (website: http://www.window.state.tx.us/up/forms.html) unless a District Attorney or Attorney General opinion directs otherwise. <ol style="list-style-type: none"> a. Outstanding checks should be promptly researched / reconciled with proper disposition determined in a timely manner (e.g. 180 days). b. Management review of outstanding checks should be documented. 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. 				
<p>Responsible Department / Organization and Individual(s):</p>	<p>Tax Office</p>				
<p>Management's Response:</p>	<table border="1"> <tr> <td><input checked="" type="checkbox"/> Agree</td> <td><input type="checkbox"/> Disagree</td> <td>Respondent: Shirley Jacobson, Chief Deputy</td> <td>Date: 6-25-13</td> </tr> </table>	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	Respondent: Shirley Jacobson, Chief Deputy	Date: 6-25-13
<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	Respondent: Shirley Jacobson, Chief Deputy	Date: 6-25-13		
<p>Comments:</p>	<p>While the Tax Office clearly understands the escheat and unclaimed property statutes, V.T.C.A., Property Code 72 and 76, the Accounting Department verifies and writes off outstanding checks once year as directed by the Tax Assessor/Collector. Checks are written off by calendar year; i.e., Jan-Dec 2008 usually within the August timeframe. The attached <i>Write-Off of Outstanding Refund Checks</i> procedures dated 12/20/12 clearly outlines our process. The Reconciliation Clerk maintains a list of outstanding checks and it is up to the Refund group to research and ensure that each outstanding check has never been reissued prior to the write-off occurring. The Tax Assessor/Collector makes the decision when to schedule the write-off. A copy of the Accounting Procedure was provided to Internal Audit Staff.</p>				
<p>Disposition:</p>	<table border="1"> <tr> <td><input checked="" type="checkbox"/> Audit Report</td> <td><input type="checkbox"/> Oral Comment</td> <td><input type="checkbox"/> Deleted From Consideration</td> </tr> </table>	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration	
<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration			



Finding/Observation Number: 2012-TD-01-B5
Date: March 19, 2013
Audit: Tax Office
Auditor(s) Assigned: MB

<p>Finding / Observation:</p>	<p>Accounting / Reconciliation – Unclaimed Funds Over 3 Years Old and activities of – Suspense / Undisbursed Funds - Fund 719</p> <p>A review of seven (7) outstanding checks (100% of population) totaling \$2,350 as of September 30, 2012 from the Suspense / Undisbursed Funds account (Fund) 719 revealed:</p> <ul style="list-style-type: none"> • 2 checks over three years old and \$100 or less, totaling \$105 • 5 checks over three years old and greater than \$100, totaling \$2,245 <p>\$1,519.31 remains undisbursed from the Suspense / Undisbursed Funds account (Fund) 719 for various reasons including insufficient information for posting to a customer’s account as of September 30, 2012.</p>
<p>Workpaper Reference: (or other method by which finding was identified)</p>	<p>Review of the Outstanding Check Register for Fund 719 obtained from the Tax Office. Monthly proof of cash. Discussion with the Directors of Tax Accounting and Process Initiative Management.</p>
<p>Condition: (Describe the current condition)</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.</p> <p>Bank reconciliations are completed monthly with supervisory sign-off. However, aged recon items are not cleared timely. Seven checks outstanding greater than three years without research for escheatment to the State or county.</p> <p>Formal outstanding check write-off procedures were documented in March 2012.</p>
<p>Criteria: (Describe the optimal condition)</p>	<p>Best practices regarding cash control require that:</p> <ul style="list-style-type: none"> • Overpayment, restitution, and pending distribution reports should be reviewed on a periodic basis and disbursements should be made to the appropriate parties in a timely manner. • The outstanding check list should be periodically reviewed and researched for checks that have been outstanding for three or more years in accordance with unclaimed property statutes, V.T.C.A., Property Code, § 72 and § 76. <p>Outstanding check cancellation procedures require:</p> <ul style="list-style-type: none"> • Annual review of the outstanding check list • All checks three (3) years old or older voided • Funds disbursed for stale dated checks in accordance with unclaimed property statutes • Policies and procedures are reviewed and updated annually as necessary



Cause: (Describe the cause of the condition if possible)	A review of outstanding checks for the escheat process is not being performed on a yearly basis.			
Effect: (Describe or quantify any adverse effects)	<ul style="list-style-type: none"> • Penalties may be assessed by the State for not following escheat statutes. • Outstanding items that are not cleared and proper disposition determined creates additional work researching these stale items. 			
Recommendation: (Describe corrective action)	<ol style="list-style-type: none"> 1. Escheat analysis and stale dating of outstanding checks should be managed in accordance with unclaimed property statutes, V.T.C.A., Property Code, § 72 and § 76 (website: http://www.window.state.tx.us/up/forms.html). <ol style="list-style-type: none"> a. Management review of outstanding checks should be documented. b. Outstanding checks should be promptly researched / reconciled with proper disposition determined in a timely manner (e.g. 180 days). 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. 			
Responsible Department / Organization and Individual(s):	Tax Office			
Management's Response:	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	Respondent: Shirley Jacobson, Chief Deputy	Date: 6-25-13
Comments:	While the Tax Office clearly understands the escheat and unclaimed property statutes, V.T.C.A., Property Code 72 and 76, the Accounting Department verifies and writes off outstanding checks once year as directed by the Tax Assessor/Collector. Checks are written off by calendar year; i.e., Jan-Dec 2008 usually within the August timeframe. The attached <i>Write-Off of Outstanding Refund Checks</i> procedures dated 12/20/12 clearly outlines our process. The Reconciliation Clerk maintains a list of outstanding checks and it is up to the Refund group to research and ensure that each outstanding check has never been reissued prior to the write-off occurring. The Tax Assessor/Collector makes the decision when to schedule the write-off. A copy of the Accounting Procedure was provided to Internal Audit Staff.			
Disposition:	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration	



Finding / Observation Number: 2012-TD-01-C1a
Date: March 8, 2013
Audit: Tax Office
Auditor(s) Assigned: MB /AT

<p>Finding / Observation:</p>	<p>Security – Cash and Technology: Cash Overages / Shortages – Property Tax</p> <p>Review of Daily Close Out reports and deposit transactions for the Property Tax section revealed <u>material compliance with limited exceptions</u> for calendar year 2012:</p> <ol style="list-style-type: none"> 1. Forty-one cash shortages totaling \$1,747.59 Status: Resolved. \$1,647.59 recovered through Tax Office personnel payments. \$100 adjusted from property tax account after taxpayer returned with original receipt. 2. One counterfeit bill for \$100 debited by bank not recovered 3. Five property tax system receipt posting errors Status: Resolved. Property tax system corrected. 4. Seventeen overages totaling \$877.18 Status: \$132.18 returned to customers. \$300 applied to taxpayer account upon request.
<p>Workpaper Reference: (or other method by which finding was identified)</p>	<p>Review of cash shortages/overages of \$10 and greater.</p>
<p>Condition: (Describe the current condition)</p>	<p>The Tax Office has written cash handling procedures for property tax and motor vehicle sections for the downtown and substation locations. Shortages over \$5 must be paid back by the clerks in accordance with signed policy statements.</p> <p>Throughout the day, as the clerks make “money drops” or require change, the clerks count the amount of money being dropped and hand it to the cage cashier. The cage cashier counts the money received and runs a tape which is signed by the clerk and attached to the individual “drop ticket” for each clerk. The “drop ticket” is kept in the cage. If the “money drop” made by the clerk is short and is not detected by the cage at the time, it becomes the cage shortage.</p> <p>When the clerks need change, the cage cashier counts the bills and coins requested in front of the clerk and the clerk re-counts the change received. The dual counting and verification by the cage cashier and the clerks of the funds tendered are meant to prevent errors from the clerk or the cage cashier.</p> <p>Cash received from the public is tested by the clerks using a counterfeit bill detection pen. Most genuine bills that have been transformed from a lower denomination to a higher one have a “washed” or altered appearance.</p> <p>At the end of the day, the cage cashier sorts cash by bill type and runs a tape with no more than 100 bills per stack. The change is placed into a coin envelope and a tape is also run. After closing, each clerk counts the cash in their individual drawer and keeps \$100 (change fund) for starting the next day. The property tax clerks balance the daily activity for the day from the ACT system to the tapes run for cash and checks. The cage cashier balances the property tax activity and the cage fund. The cash is picked by the armored service the next day, and the checks are delivered to the RPS section for encoding and depositing.</p> <p>Managers notate the clerk and over/short amount on a Property Tax Summary Report as the instances occur.</p>
<p>Criteria: (Describe the optimal)</p>	<ul style="list-style-type: none"> • Standard accounting and system control procedures require daily reconciliation and balancing of collected funds.



condition)	<ul style="list-style-type: none"> Receipts should be promptly issued for the amount of funds tendered, correct change given to customer, all funds received properly secured, and deposited consistent with state law. Dallas County Code Section 74-692 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.
Cause: (Describe the cause of the condition if possible)	Unknown
Effect: (Describe or quantify any adverse effects)	Financial risks for both Dallas County and the taxpayer.
Recommendation: (Describe corrective action)	<p>The number of instances and the amounts found in total are considered to be immaterial. Continue management review to mitigate potential losses and reinforce proper cash handling procedures including:</p> <ul style="list-style-type: none"> 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. Receipts should be verified for accuracy of amount, payment type, property tax account number, and payer before issuing to customer.
Responsible Department / Organization(s) and Individual(s):	Tax Office
Management's Response:	<input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree Respondent: Shirley Jacobson, Chief Deputy Date: 6-10-13
Comments:	As stated above by Internal Audit, all outages over \$5 were resolved. Management will continue to enforce proper cash handling procedures with employees.
Disposition:	<input checked="" type="checkbox"/> Audit Report <input type="checkbox"/> Oral Comment <input type="checkbox"/> Deleted From Consideration



Finding / Observation Number: 2012-TD-01-C1b
Date: March 25, 2013
Audit: Tax Office
Auditor(s) Assigned: AT

<p>Finding / Observation:</p>	<p>Security – Cash and Technology – Motor Vehicle</p> <p>Review of daily RTS close out reports and deposit transactions for the Motor Vehicle section including the nine substations revealed <u>material compliance with limited exceptions</u> for Fiscal Year 2012:</p> <ul style="list-style-type: none"> • Office policy does not require employee payback of shortages \$5 or less <ul style="list-style-type: none"> ○ Twenty instances of \$5 shortages totaling \$100 not recovered from employees • Eighteen shortages totaling \$1,350.33 Status: Resolved. \$1,350.33 recovered through Motor Vehicle personnel payments • One credit card shortage totaling \$59.40 Status: Resolved. \$59.40 recovered through vehicle owner payment • One check totaling \$1,612.58 returned to the customer in error Status: Resolved. Check was deposited the next day • Thirteen counterfeit bills totaling \$500 debited by bank not recovered
<p>Workpaper Reference: (or other method by which finding was identified)</p>	<p>Review of cash shortages greater than \$5, monthly audit work Monthly Fund 710 Proof of Cash</p>
<p>Condition: (Describe the current condition)</p>	<p>The Tax Office has written cash handling procedures for property tax and motor vehicle sections for the downtown and substation locations. Shortages over \$5 must be paid back by the clerks in accordance with signed policy statements.</p> <p>Throughout the day, as the clerks make “money drops” or require change, the clerks count the amount of money being dropped and hand it to the cage cashier. The cage cashier counts the money received and runs a tape which is signed by the clerk and attached to the individual “drop ticket” for each clerk. The “drop ticket” is kept in the cage. If the “money drop” made by the clerk is short and is not detected by the cage at the time, it becomes the cage shortage.</p> <p>When the clerks need change, the cage cashier counts the bills and coins requested in front of the clerk and the clerk re-counts the change received. The dual counting and verification by the cage cashier and the clerks of the funds tendered are meant to prevent errors from the clerk or the cage cashier.</p> <p>Cash received from the public is tested by the clerks using a counterfeit bill detection pen. Most genuine bills that have been transformed from a lower denomination to a higher one have a “washed” or altered appearance.</p> <p>At the end of the day, the cage cashier sorts cash by bill type and runs a tape with no more than 100 bills per stack. The change is placed into a coin envelope and a tape is also run. After closing, each clerk counts the cash in their individual drawer and keeps \$100 (change fund) for starting the next day. The property tax clerks balance the daily activity for the day from the ACT system to the tapes run for cash and checks. The motor vehicle clerks balance to the RTS system. The cage cashier separately aggregates the activities for property tax and motor vehicle, and balances to the cage fund. The cash is picked by the armored service the next day for direct delivery to the bank, and the checks are picked by the County’s courier and delivered to the RPS section for encoding and depositing.</p>
<p>Criteria:</p>	<p>Standard accounting and system control procedures require daily reconciliation and balancing of</p>



<p>(Describe the optimal condition)</p>	<p>collected funds.</p> <p>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.</p> <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>Cause: (Describe the cause of the condition if possible)</p>	<p>Unknown</p>				
<p>Effect: (Describe or quantify any adverse effects)</p>	<p>Financial risks for Dallas County</p>				
<p>Recommendation: (Describe corrective action)</p>	<p>The number of instances and the amounts found in total are considered to be immaterial. Continue management review to mitigate potential losses and reinforce proper cash handling procedures including:</p> <ul style="list-style-type: none"> • 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. • Receipts should be verified for accuracy of amount, payment type, property tax account number, and payer before issuing to customer. 				
<p>Responsible Department or Organization:</p>	<p>Tax Office</p>				
<p>Management's Response:</p>	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	<p>Respondent:</p>	<p>Shirley Jacobson, Chief Deputy</p>	<p>Date: 6-10-13</p>
<p>Comments:</p>	<p>Management will continue to train and emphasize the importance of looking at both the legal amount and the courtesy amount to ensure they match before processing the check.</p>				
<p>Disposition:</p>	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration		



Finding / Observation Number: 2012-TD-01-C2
Date: March 4, 2013
Audit: Tax Office
Auditor(s) Assigned: AT

<p>Finding / Observation:</p>	<p>Security – Cash and Technology – ACT Users and Granted Roles</p> <p>A review of 298 users with active system access listed on the ‘Dallas County List of the Users and Granted Roles’ (User Access List) report dated February 6, 2013 for the Appraisal & Collection Technologies (ACT) system was performed to determine the accuracy and the validity of the roles and access rights of users granted by Tax Office management.</p> <p>We noted the following :</p> <ol style="list-style-type: none"> 1. 147 (includes Clerk II or part-time staff with ‘CHANGE_PMT_PAIDDATE” role) users granted roles that may allow the user to have two or more business processes that could result in compromise of the integrity of the process without providing “detective’ controls, e.g., an employee having a cashiering role and the ability to change receivables. Of the 147, thirty-five (35) are reportedly LGBS law firm staff with ‘Cashier’, ‘Clerk’, and/or ‘Roll Maintenance’ roles active in Production. Tax Office Response: Users with the ‘Clerk’ roll can only perform updates if they have update privileges in the Fiduciary Master and Account Master screens. Otherwise, the access will be inquiry only. Twenty-seven (27) LGBS law firm staff with a ‘Clerk’ roll do not have update privileges in the Fiduciary Master or Account Master screens. 2. One user with access not removed since July 6, 2012 after being terminated. 3. One part-time user with access not removed since October 29, 2010 after being terminated. 4. One user with access not removed since November 3, 2012 after transferring from the Tax Office to Juvenile Department. 5. One instance of a Tax Office employee with two user IDs in the Production instance with ‘CONNECT’. 6. Two generic User IDs ‘DC01’ and ‘DCVIT 01’ used by ACT programmers with complete system rights as of February 6, 2013. 7. One additional generic User ID i.e. ‘CASHIERI_TEMP’ previously used as a template user account during production is continue to have multiple access as of report date. Tax Office Response: ‘CASHIERI_TEMP’ will be disconnected as of February 25, 2013.
<p>Workpaper Reference: (or other method by which finding was identified)</p>	<ul style="list-style-type: none"> • The February 06, 2013 list of the ‘Dallas County Users and Granted Roles’ report provided by the Tax Office. • Kronos system • Oracle Payroll system • IT – Tax Office
<p>Condition:</p>	<p>A review of the Dallas County List of the Users and Granted Roles (User Access List) report</p>



<p>(Describe the current condition)</p>	<p>for the Appraisal & Collection Technologies (ACT) was performed to determine the accuracy and the validity of the roles and access rights of users granted by Tax Office management. Some users were granted rights greater than required for job functions/descriptions. A total of 298 User IDS with 'Connect' granted allowing access to ACT as follows:</p> <ul style="list-style-type: none"> • 174 were Tax Office employees (includes one with two User IDs under different names) • 101 were staff from the delinquent property tax collections law firm (ACT system provider) • 20 were various offices' staff - Audit, Public Works and Treasurer • 3 were generic User IDs - One generic user was 'disconnected' as of 02/25/2013 <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. Once the appropriate system rights / roles are determined, a new User Name is created in ACT and a temporary password is assigned to the user. The new user is required to sign-on to ACT and create a new password which expires every 60 days.</p> <p>Tax Office IT staff rely on notifications from supervisors when employees are terminated or reassigned to other job functions not requiring access to ACT. Role 'Connect' is removed which prevents a user from accessing ACT. No specific tracking for reclassification from job function to another is performed, e.g. from Tax IT group to Customer Care.</p> <p>Some users were granted rights in excess of job function / description requirements. Three generic User IDs exist incorporating minimal processing segregation but does not specifically address least 'privilege access' levels. Review and clean-up of 'user access' is ongoing.</p>
<p>Criteria: (Describe the optimal condition)</p>	<p>Information 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>Best practices 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 systems include a review of access controls against an authorization matrix that defines "least privilege" access levels and authority for an individual's role to their job function / responsibilities. Control objectives:</p> <ul style="list-style-type: none"> • Periodic management review of User Access Lists • Ensure termed users are removed timely by comparing weekly Termination report from HR to User Access List • Ensure all information and changes to the User Access List are accurate, complete, authorized and timely <p>Third-party IT management of the production environment should be based on approved policies and procedures established by the County. Support team accessing the system must use specific user ID (associated to assigned roles/rights) authorized by the County. The County IT department should also monitor this activity if County network is accessed to ensure County policies and procedures are adhered to.</p>
<p>Cause: (Describe the cause of the condition if possible)</p>	<ul style="list-style-type: none"> • Incomplete system security access matrix. • Limited management review of the User Access List.
<p>Effect:</p>	<p>Increased risk to system.</p>



(Describe or quantify any adverse effects)	Users with more rights than needed.						
Recommendation: (Describe corrective action)	<ul style="list-style-type: none"> Review all rights and roles to ensure users have only the rights necessary to perform their core job functions. A proper segregation of duties reduces the risk of misappropriated funds. Review users with multiple IDs and determine which User ID should be used. The additional ID(s) should be removed. Review and update user's assignment for any users changing departments or positions to reflect current County responsibilities. Procedures should be in place to ensure user's roles are changed and periodically reviewed. Restrict law firm IT support team, including internal IT staff, from roles that grant rights to perform/update financial transactions and any other transactions not required for business needs in the production instance. Generate a report or query to capture all activity from generic user IDs and user IDs of non-IT law firm staff within the system that impacts financial data through transactions which create/update/change/delete records. Remove generic User IDs and assign specific individual User IDs to establish accountability. 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. Develop a standard nomenclature for User IDs for consistency (e.g. First Name_Last Name) and to reduce duplicates. 						
Responsible Department or Organization:	Tax Office						
Management's Response:	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	<table border="1"> <tr> <td data-bbox="769 1050 943 1102">Respondent:</td> <td data-bbox="948 1050 1230 1102">Shirley Jacobson, Chief Deputy</td> <td data-bbox="1235 1050 1328 1102">Date:</td> <td data-bbox="1333 1050 1477 1102">6-24-13</td> </tr> </table>	Respondent:	Shirley Jacobson, Chief Deputy	Date:	6-24-13
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Comments:	<p>Answers to the six recommendations described above:</p> <p>#1 With the new ACT system, every user has a particular job assigned. If promoted, demoted, or transferred, the job will be changed accordingly.</p> <p>#2 Same as above</p> <p>#3 Use for outside offices has been restricted by the creation of particular jobs that will give <u>only</u> the necessary tools to accomplish their tasks.</p> <p>#4 No generic IDs are used in the new ACT system (upgraded environment June 2013).</p> <p>#5 Any transaction updating the system is already recorded with a change date and user ID.</p> <p>#6 It is consistent in the new system.</p> <p>Response to the Finding/Observation:</p> <p>#2 User VG has been removed. We have asked the Audit Department to let us know when someone leaves so they can be deleted from ACT promptly.</p> <p>#3 User MI left on a Friday and was removed the following Monday. DCIT has put in place reminders on when to disconnect employees leaving the Tax Office with a two week notice or retiring at the end of the month so we can disconnect them the last day at 4:30 PM.</p> <p>#4 User EV has been removed. Tax Office HR will implement a process to let DCIT know when someone transfers to another County department.</p> <p>#5 User ES has been corrected to only have one role.</p> <p>#6 No generic IDs are used in the new ACT upgraded system (upgraded environment June 2013).</p> <p>#7 The additional generic user ID was deleted on 2-25-13.</p> <p>DCIT will schedule overall reviews of the user roles in April and in October each year.</p>						
Disposition:	<table border="1"> <tr> <td data-bbox="461 1845 792 1871"><input checked="" type="checkbox"/> Audit Report</td> <td data-bbox="797 1845 1089 1871"><input type="checkbox"/> Oral Comment</td> <td data-bbox="1094 1845 1477 1871"><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	
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Finding Number: 2012-TD-01-F1
Date: March 20, 2013
Audit: Tax Office
Auditor(s) Assigned: SO

<p>Finding:</p>	<p>Non-Property Tax Activity - Special Inventory Tax – SIT Interest, Penalties, Fines, and Expenditures (Fund 718 and Fund 731)</p> <p>Interest earned on SIT funds totaling \$125,285 was used for travel and conference expenses, equipment, furniture, cubicles, and office construction expenses for Tax Office administration and Property Tax staff. Justification for expenses not directly related to the administration of the prepayment process during calendar year ended 12/31/2012 as not presented for review.</p>
<p>Work paper Reference: (or other method by which finding was identified)</p>	<p>SIT check disbursements, Proof of Cash and supporting documentation.</p>
<p>Condition: (Describe the current condition)</p>	<p>Activity for the special inventory tax is accounted for in Fund 718. Account balances include collections of prepaid taxes, interest earned, receipt of penalties and fines, 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 fines 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 VIT are posted to this escrow account. Costs for part-time hours (allocation for full-time employees not devoted 100% to VIT) worked is journaled to the escrow account. Periodic transfers of interest earned from the SIT Interest Earned Fund 731 account are made to cover the payroll expenditures. This account is seldom used by the Tax Office to pay other expenditures.</p> <p>Other expenditures are directly charged directly 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 \$125,285 were disbursed from SIT Fund 718 and Fund 731 for travel, hotel stays, meals, conferences, education, equipment, facilities, etc. including some general office costs.</p>
<p>Criteria: (Describe the optimal condition)</p>	<p>Property Tax Code § 23.122</p> <p>The funds may be used to defray the cost of administration of the prepayment procedure and may not be used for general office expenses of the assessor-collector unrelated to the cost of administering the program. (Also see AG opinions JC-348(2001); JC-0149 (1999); and DM-398 (1996).</p> <p>Local Government Code § 111.095 - SPECIAL FUNDS</p> <p>(a) This section shall apply to all funds maintained and controlled by a county tax assessor-collector that are not included in the county budget.</p> <p>(b) At least 60 days before the first day of the county's fiscal year, the county tax assessor-collector shall prepare a budget for the expenditure of the funds during that fiscal year and file a copy of that budget with the county budget officer. The county budget officer shall make a copy of the budget filed with the budget officer available to</p>



	<p>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>						
Cause: (Describe the cause of the condition if possible)	Fact determination by official.						
Effect: (Describe or quantify any adverse effects)	The special inventory account supplements general office expenditures of the Tax Office.						
Recommendation: (Describe corrective action)	<ul style="list-style-type: none"> • Implement a Cost Allocation Plan according to the guide provided by Office of Management and Budget (OMB) Circular A-87. • Include justification for all expenses reimbursed from SIT accounts. • Consider processing all authorized payments relevant to the SIT administration through the escrow account maintained in the county's general ledger. 						
Responsible Department/Organization, and Individual(s):	Tax Office						
Management's Response:	<table border="1"> <tr> <td><input type="checkbox"/> Agree</td> <td><input checked="" type="checkbox"/> Disagree</td> <td>Respondent:</td> <td>Shirley Jacobson, Chief Deputy</td> <td>Date:</td> <td>6-13-13</td> </tr> </table>	<input type="checkbox"/> Agree	<input checked="" type="checkbox"/> Disagree	Respondent:	Shirley Jacobson, Chief Deputy	Date:	6-13-13
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Comments:	Decisions over the use of the funds in the VIT interest account are made by the Tax Assessor/Collector since this account is under his sole control per the Texas Tax Code. In addition, the Tax Office believes that all these expenses had a direct benefit to the VIT program and/or the employees involved in some portion of monitoring and/or maintaining VIT collections and disbursements. All major expenses from VIT are briefed to the Commissioners Court as a courtesy and for complete transparency.						
Disposition:	<input checked="" type="checkbox"/> Audit Report <input type="checkbox"/> Oral Comment <input type="checkbox"/> Deleted From Consideration						