



# DALLAS COUNTY COUNTY AUDITOR

## Memorandum

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

**FROM** Virginia Porter *Virginia Porter*  
County Auditor

**SUBJECT** Tax Office – Review for Period Ending December 2013

**DATE** Issued: May 21, 2014  
Release: July 10, 2014

## **SCOPE**

We performed ongoing reviews on the financial records and operational processes of the Dallas County Tax Office for the 2013 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 \$3.9 billion in receipts were collected and processed by the Tax Office during the fiscal year ending September 30, 2013.

## **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

**FY2013 Statistical Information**

- Over \$3.9 billion in receipts processed
- Approximately 802,161 property tax accounts
- Approximately 2.2 million registration transactions
- Approximately 650,000 title transactions
- 74 entity property tax or special assessment current collection contracts
- Over 61,000 Internet credit/debit card transactions for property tax payments totaling over \$64 million
- Approximately 4800 Point of Sale credit/debit card transactions for property tax payments totaling approximately \$6.2 million
- Over 135,000 Point of Sale credit/debit card transactions for registration, title, and sales tax payments totaling approximately \$18.5 million
- Over 40,000 e-check transactions for property tax payments totaling over \$171 million

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

- Authority and responsibility
- Size and complexity of operations
- Management philosophy

- Organizational structure
- Technology policies
- Other economic and political issues

While inherent risks for the property tax and MV divisions are high due to approximately \$3.9 billion in receipts processed, significant contracts, and extensive regulatory codes, the attitude and action of management provide discipline and structure.

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

## **FINDINGS, OBSERVATIONS AND DISCLOSURES**

### **A. ACT System - Property Tax Appraisal, Levy, Collections and Reporting**

1. Backdated payments – Waivers of penalty and interest are approved by management after review of supporting documentation. Payments received after the delinquency date, but recorded in ACT with backdated receipts were minimal. Reasons noted for backdating included: Tax Office posting or clerical error; lost or returned check / payment not processed; tax statement not received; refunded in error; and DCAD clerical error.
2. Pre-conversion refunds – The system conversion from UGSA to ACT in July 2008 included overpayments or erroneous payments pending refund within UGSA that were transferred to ACT, and considered pre-conversion refunds. Beginning in fiscal year 2011, letters were sent to the taxpayer on the affected accounts requesting proof of payment. These refunds are greater than 3 years old and require a special briefing per the property tax code. As of January 2, 2014, approximately \$3,963,200 in pre-conversion overpayment or erroneous payment balances remain undisbursed/transferred.
3. Levy adjustments – The 2013 Certified Tax Roll received from DCAD and other appraisal districts were uploaded into ACT on October 1, 2013. 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 – 860 property appraisal cases affecting 2,607 accounts were filed against **DCAD**, resulting in a \$3.4 million reduction of the 2012 Dallas County taxable levy after entry of final agreed judgments by the court. As of February 10, 2014, 993 new property appraisal cases affecting 2,635 accounts for Tax Year 2013 were filed against **DCAD**. No major workload changes for the Tax Office occurred to manually process the levy adjustments or issue refund checks.

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

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

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



checks greater than three years old were noted without supervisory review or research to stale date. Old property tax collection entity remittance errors exceeding \$57,000 remain unresolved.

Effective April 5, 2014, approximately \$5.9 million uncollectable receivables from personal property, real property and mobile home accounts for tax years 1992 through 2008 were removed from the delinquent tax roll and transferred to dead/inactive roll. Of the \$5.9 million, \$2.5 million (not meeting statutory threshold) was recommended to be written-off by the delinquent collection law firm. Property Tax Code Section 33.05 (a) (1) states in part that personal property may not be seized and a suit may not be filed to collect a tax on personal property that has been delinquent more than four years. Property Tax Code Section 33.05 (c) (1) and (2) states in part that the taxing unit shall cancel and remove from the delinquent tax roll if there is no pending litigation a tax on real property that has been delinquent for more than 20 years; and a tax on personal property that has been delinquent 10 years.

During calendar year 2013, the Tax Office transferred a total of \$930,192.08 to the Dallas County General Fund: \$276,147.01 from Property Tax Refund Account 715 for unclaimed funds; \$215,919.57 from Special Inventory Tax Account 718 for excess SIT funds; \$20,000 from Lease Fees Account 712 for County portion of laptop lease fees; and \$414,845.06 from Property Tax Refund Account 715, \$930 from Beer and Wine Account 713, and \$2,350.44 from Undisbursed Funds Account 719 for stale dated checks over three years old.

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

1. Internal controls – payment processing / handling - Review of daily close out reports and deposit transactions revealed material compliance with cash, check, and credit card shortages noted. Procedures to detect counterfeit bills and affirm cashier responsibility are documented and monitored by supervisory staff with additional procedures implemented by Tax Office management during FY2013.
2. System Controls: Roles / Rights – Some users were granted unnecessary rights in correlation with job functions/descriptions. Terminated staff with ‘Connect’ role remain active in Production due to infrequency of review by Tax Office of ACT report ‘Dallas County List of the Users and Granted Roles’ (User Access List).
3. Positive Pay - Tax Office accounting personnel rely on notification from the bank when the Positive Pay file contains “non-match” exceptions. However, bank reconciliations and ongoing management review of banking activity affirm all “non-match” exceptions were reported by the bank.

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

The County disbursed a total of \$3,133,482.81 to Tax Increment Financing (TIF) Districts during calendar year 2013 for the Tax Year 2012 increment. The County’s participation is determined by the incremental increase of taxable value over the base year and property tax levy collected each year.

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

Employee incentives - A total of \$171,018 was spent on employee incentive programs for fiscal year 2013.

Disclosures – Four key employees of Tax Office will be retiring or leaving employment in 2014: Chief Deputy, Property Tax Manager, Director of Accounting, and the Remittance Processing Manager.

Four information technology employees of the delinquent collection law firm occupy work space in the main Tax Office area. The employees are responsible for testing and programming updates to the property tax system, ACT. A major upgrade was successfully implemented during 2013.

**F. Non-Property Tax Activity**

Special Inventory Tax (SIT) Account 718 and SIT Interest & Penalty Account 731 – Interest earned on the SIT funds (Account 718) in the amount of \$61,380 was transferred to SIT Interest & Penalty Account 731 and spent on travel and conference expenses, equipment, furniture, cubicles, and office construction costs during the 2013 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.

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, 2013, a balance of \$141,436 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 –\$1 fee is collected in accordance with Transportation Code, § 502.197 for motor vehicle registrations by mail or electronic means. However, collected funds are deposited and retained in the Registration, Title, and Sales Tax Account 710 with postage paid directly from Account 710 periodically loaded to the motor vehicle section postage meter for the postage costs of returning the registration receipt and insignia to the customer. UPS parcel package expenses unrelated to the collection of the \$1 registration service charge are also paid from the retained funds. Excess postage funds are inconsistently transferred to the General Fund to offset the handling costs. 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 – During 2013, approximately 31 new subcontractors began processing registration renewals for Point of Sale (POS) transactions through a web based application over the Internet. As of September 30, 2013, approximately 375,411 direct renewals totaling over \$23.9 million were processed.

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

**G. Other- Scofflaw Program**

The Assessor-Collector consistently refuses to register vehicles flagged ('scofflaw') by TXDOT under Section 702.003 of the Transportation Code until the fines and fees are paid (to the participating cities / to justice of the peace courts for county traffic cases) or other arrangements have been made.

**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**

Overall, the Tax Office is very pleased with this audit and appreciates the daily cooperation of the Dallas County Auditor and her team. As stated multiple times, this audit revealed material compliance with limited exceptions. The Tax Office Management team will continue to review and update procedures while maintaining proper reviews and controls as allowable within the limited resources available.

**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:** 2013-TD-01-A1  
**Date:** January 16, 2014  
**Audit:** Tax Office  
**Auditor(s) Assigned:** MB

<p><b>Finding / Observation:</b></p>	<p><b>ACT System - Backdated Payments</b></p> <p>Review of approximately 111,322 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 <u>consistently accurate effective dates and minimal</u>, 159 (0.14%) payments backdated without assessment of penalty and interest.</p>
<p><b>Workpaper Reference: (or other method by which finding / observation was identified)</b></p>	<p>Daily Deposit Proof Teller reports</p> <p>Penalty &amp; Interest audit on-line worksheets reflecting 159 backdated or due date changed property tax payments totaling \$2,381,924.</p> <ol style="list-style-type: none"> <li>1. Tax Office refunded or returned the original payment = 41 (25.79%)</li> <li>2. Taxpayer claim did not receive statement / statement error = 19 (11.95%)</li> <li>3. Lost check / taxpayer payment not processed = 36 (22.64%)</li> <li>4. DCAD clerical error = 27 (16.98%)</li> <li>5. Tax Office application/paid date error = 9 (5.66%)</li> <li>6. Other = 27 (16.98%)</li> </ol>
<p><b>Condition: (Describe the current condition)</b></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 31<sup>st</sup>, require special handling and posting with an effective date of January 31<sup>st</sup> 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 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.</p>





	<p>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><b>Criteria:</b> <b>(Describe the optimal condition)</b></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 with ongoing management review.</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> <ul style="list-style-type: none"> <li>(1) it is sent by regular first-class mail, properly addressed with postage prepaid; and</li> <li>(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.</li> </ul> <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>(f) A collector may provide that a tax bill not be sent until the total amount of unpaid taxes the collector collects on the property for all taxing units the collector serves is \$15 or more. A collector may not send a tax bill for an amount of taxes less than \$15 if before the tax bill is prepared the property owner files a written request with the collector that a tax bill not be sent until the total amount of unpaid taxes the collector collects on the property is \$15 or more. The request applies to all subsequent taxes the collector collects on the property until the property owner in writing revokes the request or the person no longer owns the property.</p> <p>(g) Except as provided by Subsection (f) of this section, failure to send or receive the tax bill required by this section, including a tax bill that has been requested to be sent by electronic means under Subsection (k), does not affect the validity of the tax, penalty, or interest, the due date, the existence of a tax lien, or any procedure instituted to collect a tax.</p>





	<p>(i-1) If an assessor mails a tax bill under Subsection (a) or delivers a tax bill by electronic means under Subsection (k) to a mortgagee of a property, the assessor is not required to mail or deliver by electronic means a copy of the bill to any mortgagor under the mortgage or to the mortgagor's authorized agent.</p> <p>(k) The assessor for a taxing unit shall deliver a tax bill as required by this section by electronic means if on or before September 15 the individual or entity entitled to receive a tax bill under this section and the assessor enter into an agreement for delivery of a tax bill by electronic means. An assessor who delivers a tax bill electronically under this subsection is not required to mail the same bill under Subsection (a).</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>(b) An eligible person serving on active duty in any branch of the United States armed forces during a war or national emergency declared in accordance with federal law may pay delinquent property taxes on property in which the person owns any interest without penalty or interest no later than the 60th day after the date on which the earliest of the following occurs:</p> <ol style="list-style-type: none"> <li>(1) the person is discharged from active military service;</li> <li>(2) the person returns to the state for more than 10 days;</li> <li>(3) the person returns to non-active duty status in the reserves; or</li> <li>(4) the war or national emergency ends.</li> </ol> <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><b>Cause:</b> (Describe the cause of the condition if possible)</p>	<p>Large volume of payments during peak tax season</p>
<p><b>Effect:</b> (Describe or quantify any adverse effects)</p>	<p>Uncollected penalty &amp; interest</p>
<p><b>Recommendation:</b> (Describe corrective action)</p>	<p>Continue management review and staff training.</p> <p>Review and update documentation for technology and economic process changes affirming that:</p> <ul style="list-style-type: none"> <li>• Property tax levies, penalties and interest, and other fees properly assessed, collected, and receipted to the correct tax account are based on state law and contractual obligations.</li> <li>• Backdating functionality within ACT is limited to supervisory staff with adequate documentation retained to support backdated payment postings or authorized for tellers on an exception basis during peak tax season. Consider adding secondary approver and exception reporting.</li> </ul>



<b>Responsible Department / Organization(s) and Individual(s):</b>		Tax Office			
<b>Management's Response:</b>	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	<b>Respondent:</b>	Betty Holland, Interim Chief Deputy	<b>Date:</b> 6/20/2014
<b>Comments:</b>	Backdating property tax payments is necessary and required in certain circumstances; and, as noted above, backdating is minimal. The Tax Office will continue management review over the backdating of payments and authorize as deemed appropriate. This is considered to be a normal course of business.				
<b>Disposition:</b>	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration		



**Finding/Observation Number:** 2013-TD-01-A2  
**Date:** March 13, 2014  
**Audit:** Tax Office  
**Auditor(s) Assigned:** LW/AT

<p><b>Finding/Observation:</b></p>	<p><b>ACT System Processing – Pre-Conversion Overpayments/Erroneous Payments</b></p> <p>A review of ACT data for pre-conversion overpayments and erroneous payments as of January 2, 2014 revealed:</p> <ul style="list-style-type: none"> <li>• 3,176 accounts totaling \$2,786,819 remain undisbursed from “8021” (escrow for converted overpayments resulting from levy adjustments). In addition, 180 accounts with negative refund amounts totaling (\$391,225) remain uncorrected (majority negative amounts created in July 2010 via a transfer transaction).</li> <li>• 1,134 accounts totaling \$1,176,375 remain undisbursed from “8017” (RR – Research Required for converted overpayments resulting from erroneous payments)</li> </ul>
<p><b>Workpaper Reference:</b> (or other method by which finding was identified)</p>	<p>Review of Pre-Conversion Report date 6/28/2008, 7/7/08, 9/16/2008, 10/28/09, 4/2/2012, 1/24/2013 and 1/2/2014                  Discussion with Property Tax and Refund staff</p>
<p><b>Condition:</b> (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><b>Criteria:</b> (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</p>





	<p>erroneous or excessive and approves the refund if the amount of the refund exceeds:</p> <p>(A) \$5,000 for a refund to be paid by a county with a population of two million or more; or</p> <p>(B) \$2,500 for a refund to be paid by any other taxing unit.</p> <p>(b) A taxing unit that determines a taxpayer is delinquent in ad valorem tax payments on property other than the property for which liability for a refund arises may apply the amount of an overpayment or erroneous payment to the payment of the delinquent taxes if the taxpayer was the sole owner of the property:</p> <p>(1) for which the refund is sought on January 1 of the tax year in which those taxes were assessed; and</p> <p>(2) on which the taxes are delinquent on January 1 of the tax year for which those taxes were assessed.</p> <p>(c) Except as provided by Subsection (c-1), an application for a refund must be made within three years after the date of the payment or the taxpayer waives the right to the refund. A taxpayer may apply for a refund by filing:</p> <p>(1) an application on a form prescribed by the comptroller by rule; or</p> <p>(2) a written request that includes information sufficient to enable the collector and the auditor for the taxing unit and, if applicable, the governing body of the taxing unit to determine whether the taxpayer is entitled to the refund.</p> <p>(c-1) The governing body of the taxing unit may extend the deadline provided by Subsection (c) for a single period not to exceed two years on a showing of good cause by the taxpayer.</p> <p>(d) The collector for a taxing unit shall provide a copy of the refund application form without charge on request of a taxpayer or a taxpayer's representative.</p> <p>(e) An application for a refund must:</p> <p>(1) include an affirmation by the taxpayer that the information in the application is true and correct; and</p> <p>(2) be signed by the taxpayer.</p> <p>(f) This subsection applies only to a refund that is required to be approved by the governing body of a taxing unit. The presiding officer of the governing body of the taxing unit is not required to sign the application for the refund or any document accompanying the application to indicate the governing body's approval or disapproval of the refund. The collector for the taxing unit shall indicate on the application whether the governing body approved or disapproved the refund and the date of the approval or disapproval.</p> <p>(g) If a taxpayer submits a payment of taxes that exceeds by \$5 or more the amount of taxes owed for a tax year to a taxing unit, the collector for the taxing unit, without charge, shall mail to the taxpayer or the taxpayer's representative a written notice of the amount of the overpayment accompanied by a refund application form.</p> <p>(h) This section does not apply to an overpayment caused by a change of exemption status or correction of a tax roll. Such an overpayment is covered by Section 26.15 or 42.43, as applicable.</p> <p>(i) Notwithstanding the other provisions of this section, in the case of an overpayment or erroneous payment of taxes submitted by a taxpayer to a collector who collects taxes for one or more taxing units one of which is a county with a population of two million or more:</p> <p>(1) a taxpayer is not required to apply to the collector for the refund to be entitled to receive the refund if the amount of the refund is at least \$5 but does not exceed \$5,000; and</p> <p>(2) the collector is not required to comply with Subsection (g) unless the amount of the payment exceeds by more than \$5,000 the amount of taxes owed for a tax year to a taxing unit for which the collector collects taxes.</p>
<p><b>Cause:</b> (Describe the cause of the condition if possible)</p>	<p>N/A</p>



<b>Effect:</b> (Describe or quantify any adverse effects)	Additional staff time to research converted payment details in the historical UGSA database.		
<b>Recommendation:</b> (Describe corrective action)	Continue monitoring ACT data and research converted overpayments / erroneous payments as appropriate for: refund to the applicable party or escheatment to the County; correction of converted data and / or subsequent transfer errors on converted data; and, changes in baseline balances remaining in the designated refund 'buckets'.		
<b>Responsible Department / Organization(s) and Individual(s):</b>	Tax Office		
<b>Management's Response:</b>	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	<b>Respondent:</b> Betty Holland, Interim Chief Deputy
<b>Comments:</b>	<b>Date:</b> 6/20/2014  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 and remitting funds as appropriate to each entity for which we collect on a daily basis. The Tax Office was prepared to deal with refund issues that we knew would result from this conversion approach. Monitoring and quality control are performed by the Refunds Manager who ensures that each refund is valid, accurate, and authorized. Monitoring and quality control continue to be performed by the Refunds Manager under the direction of the Property Tax Director until all items have been refunded or a write-off to the General Fund occurs. The Tax Assessor/Collector will make the decision for when the final write-off is to occur.		
<b>Disposition:</b>	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration



Finding/Observation Number: 2013-TD-01-A3  
 Date: April 3, 2014  
 Audit: Tax Office  
 Auditor(s) Assigned: TM & MB

<p><b>Finding/Observation:</b></p>	<p><b>ACT System Processing – Supplemental Levy Adjustments</b></p> <p>Comparison of approximately 14,600 accounts on ACT to DCAD revealed <u>material compliance</u> except for:</p> <ul style="list-style-type: none"> <li>• One instance of ACT system reflecting full year as Zero taxable value for property becoming total exempt on December 12, 2012. Proration for taxable days not recorded to ACT resulting in taxpayer not billed.</li> </ul>
<p><b>Workpaper Reference: (or other method by which finding was identified)</b></p>	<p>Comparison of ACT to DCAD taxable values for accounts within Tax Increment Finance Districts.</p>
<p><b>Condition: (Describe the current condition)</b></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><b>Criteria: (Describe the optimal condition)</b></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. Supervisor/management review of those processed should be conducted throughout the process.</p> <p>Tax Code, Sec. 11.436. APPLICATION FOR EXEMPTION OF CERTAIN PROPERTY USED FOR LOW-INCOME HOUSING.</p> <p>(a) An organization that acquires property that qualifies for an exemption under Section 11.181(a) or 11.1825 may apply for the exemption for the year of acquisition not later than the 30th day after the date the organization acquires the property, and the deadline provided by Section 11.43(d) does not apply to the application for that year.</p> <p>(b) If the application is granted, the exemption for that year applies only to the portion of the year in which the property qualifies for the exemption, as provided by Section 26.111. If the application is granted after approval of the appraisal records by the appraisal review board, the chief appraiser shall notify the collector for each taxing unit in which the property is located. The collector shall calculate the amount of tax due on the property in that year as provided by Section 26.111 and shall refund any amount paid in excess of that amount.</p> <p>Tax Code, Sec. 26.111. PRORATING TAXES--ACQUISITION BY CHARITABLE ORGANIZATION.</p> <p>(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,</p>





	<p>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.</p> <p>Tax Code, Sec. 26.113. PRORATING TAXES--ACQUISITION BY NONPROFIT ORGANIZATION.                  (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.                  (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><b>Cause:</b> (Describe the cause of the condition if possible)</p>	<p>Exception reports (systemic comparison of taxable values per DCAD to ACT) not generated.</p>				
<p><b>Effect:</b> (Describe or quantify any adverse effects)</p>	<p>Potential for taxpayers to be over (under) billed.                  Additional staff time required to research and resolve.</p>				
<p><b>Recommendation:</b> (Describe corrective action)</p>	<ul style="list-style-type: none"> <li>• Continue corrective action plan monitoring ACT data and processing updates.                         <ul style="list-style-type: none"> <li>○ Periodic review by supervisory personnel to determine accuracy and timeliness of levy adjustments.</li> <li>○ Research, document, and communicate required ACT programming changes to proration calculations.</li> </ul> </li> <li>• Document and communicate development of an exception report comparing taxable values per DCAD to ACT.</li> <li>• Create an ad hoc report to identify other accounts affected by proration calculations. Correct applicable accounts as necessary.</li> </ul>				
<p><b>Responsible Department / Organization and Individual(s):</b></p>	<p>Tax Office</p>				
<p><b>Management's Response:</b></p>	<table border="1" style="width: 100%;"> <tr> <td style="width: 25%;"><input type="checkbox"/> Agree</td> <td style="width: 25%;"><input checked="" type="checkbox"/> Disagree</td> <td style="width: 25%;"><b>Respondent:</b> Betty Holland, Interim Chief Deputy</td> <td style="width: 25%;"><b>Date:</b> 5/28/2014</td> </tr> </table>	<input type="checkbox"/> Agree	<input checked="" type="checkbox"/> Disagree	<b>Respondent:</b> Betty Holland, Interim Chief Deputy	<b>Date:</b> 5/28/2014
<input type="checkbox"/> Agree	<input checked="" type="checkbox"/> Disagree	<b>Respondent:</b> Betty Holland, Interim Chief Deputy	<b>Date:</b> 5/28/2014		
<p><b>Comments:</b></p>	<p>A/C 0000013002400000 was sent to the Tax Office on the 06-2013 supplement as a total exempt property. DCAD failed to enter the 12-19-2012 effective date into their system which would have triggered a flag identifying this as a prorated account. Instead, they displayed the comments contained on their JE; consequently, there was no reason for the Tax Office to question the exemption since DCAD is the only recognized source of data for property tax accounts. Once the issue was discovered, it was confirmed with DCAD, the correction was made at both DCAD and DCTO.</p>				
<p><b>Disposition:</b></p>	<table border="1" style="width: 100%;"> <tr> <td style="width: 33%;"><input checked="" type="checkbox"/> Audit Report</td> <td style="width: 33%;"><input type="checkbox"/> Oral Comment</td> <td style="width: 33%;"><input type="checkbox"/> Deleted From Consideration</td> </tr> </table>	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration	
<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration			



**Finding/Observation Number:** 2013-TD-01-B1  
**Date:** January 27, 2014  
**Audit:** Tax Office  
**Auditor(s) Assigned:** LW

<p><b>Finding/Observation:</b></p>	<p><b>Accounting / Reconciliation – Unclaimed Funds over 3 Years Old – Property Tax Refund Account (Fund 715)</b>                  A review of 4625 outstanding checks (100% of population) totaling \$4,049,985 as of September 30, 2013 from the Property Tax Refund bank account (Fund 715) revealed:</p> <ul style="list-style-type: none"> <li>• 847 checks over three years old and \$100 or less, totaling \$26,294</li> <li>• 768 checks over three years old and greater than \$100, totaling \$662,999</li> </ul>
<p><b>Workpaper Reference: (or other method by which finding was identified)</b></p>	<p>Review of the Outstanding Check Register for Fund 715 obtained from the Tax Office. Discussion with Accounting personnel regarding the outstanding check list maintained by the Tax Office.</p>
<p><b>Condition: (Describe the current condition)</b></p>	<p>Data source for Account 715 disbursement activity includes: overpayments or erroneous payments, duplicate payments, and levy adjustments. Deposits are a result of reconciliations and wire transfers from Account 714.</p> <p>Refund batch files are created in ACT pending creation/printing of refund checks from the Tax Ledge system. Basis for refunds include: overpayments or erroneous payments, duplicate payments, and appraisal district levy adjustments. After batches are selected for processing in Tax Ledge, preliminary payment register reports are reviewed by Accounting section staff. On approval, payment register reports (Dallas County Bank Register) are printed from the Tax Ledge system and final data is systemically sent back to ACT updating account records to reflect the check number and amount. Subsequently, checks are mailed to the corresponding payees.</p> <p>Bank reconciliations are completed monthly with supervisory sign-off. Current reconciling items are resolved timely. However, unresolved prior periods' reconciling items are not listed on the current month's bank reconciliation. Ongoing research and review by Tax Office personnel results in periodic transfers of unclaimed funds to the General Fund. Unclaimed funds on stale dated checks are restated and made available for refund if subsequent claims are presented by taxpayers.</p> <p>Formal outstanding check write-off procedures were created in March 2012.</p>
<p><b>Criteria: (Describe the optimal condition)</b></p>	<p>Management judgment in designing, implementing and conducting internal control, and in assessing its effectiveness is emphasized in the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. Internal control requires that five core components be present: Control Environment; Risk Assessment; Control Activities, Information and Communication; and Monitoring Activities. Specific cash controls related to the disbursement process include:</p> <ul style="list-style-type: none"> <li>• Disbursements and cancellations should be timely and accurately posted to subsidiary systems. Fund balances must be reconciled against control records and bank statements. Assigned cash handling duties are separated.</li> <li>• Reports and refund requests should be reviewed on an ongoing basis and disbursements should be made to the appropriate parties in a timely manner.</li> <li>• The outstanding check list should be periodically reviewed and researched for checks that have been outstanding for three or more years in accordance with unclaimed property statutes, V.T.C.A., Property Code, § 72 and § 76.</li> </ul> <p>Tax Ledge reports and ACT system postings should accurately reflect corresponding</p>



	<p>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,                  c) Except as provided by Subsection (c-1), an application for a refund must be made within three years after the date of the payment or the taxpayer waives the right to the refund. A taxpayer may apply for a refund by filing:                  (1) an application on a form prescribed by the comptroller by rule; or                  (2) a written request that includes information sufficient to enable the collector and the auditor for the taxing unit and, if applicable, the governing body of the taxing unit to determine whether the taxpayer is entitled to the refund.                  (c-1) The governing body of the taxing unit may extend the deadline provided by Subsection (c) for a single period not to exceed two years on a showing of good cause by the taxpayer.</p> <p>Sec. 31.111. REFUNDS OF DUPLICATE PAYMENTS. (a) The collector of a taxing unit who determines that a person erred in making a payment of taxes because the identical taxes were paid by another person shall refund the amount of the taxes to the person who erred in making the payment.                  (b) A refund under Subsection (a) shall be made as soon as practicable after the collector discovers the erroneous payment. The refund shall be accompanied by a description of the property subject to the taxes sufficient to identify the property. If the property is assigned an account number, the collector shall include that number.                  (c) Each month, the collector shall inform the auditor of each appropriate taxing unit of refunds of taxes made under Subsection (a) during the preceding month.</p> <p>Outstanding check cancellation procedures require:</p> <ul style="list-style-type: none"> <li>• Annual review of the Outstanding Check List</li> <li>• All checks three (3) years old or older must be voided in Tax Ledge</li> <li>• A check is written to the General Fund for the amount written-off</li> <li>• Policies and procedures are reviewed and updated annually as necessary</li> </ul>						
<p><b>Cause:</b> (Describe the cause of the condition if possible)</p>	<p>N/A</p>						
<p><b>Effect:</b> (Describe or quantify any adverse effects)</p>	<p>Potential delays in revenue recognition</p>						
<p><b>Recommendation:</b> (Describe corrective action)</p>	<p>Continue to review outstanding checks for escheat analysis and stale dating. Outstanding check cancellation policies and procedures should be reviewed periodically and approved by management.</p>						
<p><b>Responsible Department / Organization(s) and Individual(s):</b></p>	<p>Tax Office</p>						
<p><b>Management's Response:</b></p>	<table border="1" style="width: 100%;"> <tr> <td style="width: 30%;"><input checked="" type="checkbox"/> Agree</td> <td style="width: 30%;"><input type="checkbox"/> Disagree</td> <td style="width: 20%;"><b>Respondent:</b></td> <td style="width: 10%;">Betty Holland, Interim Chief Deputy</td> <td style="width: 10%;"><b>Date:</b></td> <td>6/20/2014</td> </tr> </table>	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	<b>Respondent:</b>	Betty Holland, Interim Chief Deputy	<b>Date:</b>	6/20/2014
<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	<b>Respondent:</b>	Betty Holland, Interim Chief Deputy	<b>Date:</b>	6/20/2014		
<p><b>Comments:</b></p>	<p>While the Tax Office 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 a year as directed by the Tax Assessor/Collector. Checks are written off by calendar year, Jan-Dec, usually within the August timeframe. The Write-Off of Outstanding Refund Checks procedures dated 12/20/12 outlines our process. The Reconciliation Representative maintains a list of outstanding checks and it is up to the Refunds group to</p>						



County Auditor



Dallas County, Texas

	research and ensure that each outstanding check has never been reissued prior to the write-off occurring. The Tax Assessor/Collector makes the decision of when to schedule the write-off. Stale dated checks issued in 2009 (Jan-Dec) were written off on May 6, 2014 to the General Fund in the amount of \$417,823.13 via check #558404.		
<b>Disposition:</b>	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration



**Finding / Observation Number:** 2013-TD-01-B2  
**Date:** November 15, 2013  
**Audit:** Tax Office  
**Auditor(s) Assigned:** SO

<p><b>Finding / Observation:</b></p>	<p><b>Accounting / Reconciliation – Unclaimed Funds 3 Years and Older – Fund 710 (Registrations, Titles, and Sales Tax account)</b></p> <p>A review of 2,998 outstanding checks (100% of population) totaling \$247,075 as of September 30, 2013 from RTS bank account (Fund 710) revealed:</p> <ul style="list-style-type: none"> <li>• 1,944 checks over three years old and \$100 or less, totaling \$58,823</li> <li>• 207 checks over three years old and greater than \$100, totaling \$84,559</li> </ul> <p><b>Status Prior Year – Closed Substation Bank Accounts</b>                  Twenty-six outstanding checks totaling \$5,787 indicated on the “710 Sub Accts Outstanding Check List from November 2003” were carried over to Fund 710 from the closure of substation bank accounts.</p>
<p><b>Workpaper Reference: (or other method finding was identified)</b></p>	<p>Review of the Outstanding Check Register for Fund 710 as of September 30, 2013.                  Review of 2003 supporting documentation related to bank account closings for substations.</p>
<p><b>Condition: (Describe the current condition)</b></p>	<p>Data source for Account 710 disbursement activity includes: weekly refunds for vehicle registrations; refunds for Remittance Processing System (RPS) corrections; overpayment refunds; postage payments to Pitney Bowes; invoices from UPS; 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>A total of 2,177 checks from Fund 710 and closed substation accounts are outstanding as of September 30, 2013, three years or longer, with research pending for escheatment to the state or county.</p> <p>Bank reconciliations are completed monthly with supervisory sign-off. Current reconciling items are resolved timely. However, unresolved prior periods’ reconciling items are not listed on the current month’s bank reconciliation.</p> <p>Formal outstanding check write-off procedures were updated in March 2012.</p>
<p><b>Criteria: (Describe the optimal condition)</b></p>	<p>Management judgment in designing, implementing and conducting internal control, and in assessing its effectiveness is emphasized in the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. Internal control requires that five core components be present: Control Environment; Risk Assessment; Control Activities, Information and Communication; and Monitoring Activities. Specific cash controls related to the disbursement process include:</p> <ul style="list-style-type: none"> <li>• Disbursements and cancellations should be timely and accurately posted to subsidiary systems. Fund balances must be reconciled against control records and bank statements. Assigned cash handling duties are separated.</li> <li>• Reconciling items should be researched and resolved timely.</li> <li>• Reports and refund requests should be reviewed on an ongoing basis and disbursements should be made to the appropriate parties in a timely manner.</li> <li>• The outstanding check list should be periodically reviewed and researched for checks that</li> </ul>



	<p>have been outstanding for three or more years in accordance with unclaimed property statutes, V.T.C.A., Property Code, § 72 and § 76.</p> <p>Outstanding check cancellation procedures require:</p> <ul style="list-style-type: none"> <li>• Annual review of the outstanding check list.</li> <li>• All checks three (3) years old or older voided</li> <li>• Funds disbursed for stale dated checks in accordance with unclaimed property statutes.</li> </ul>					
<p><b>Cause:</b> (Describe the cause of the condition if possible)</p>	<p>Exceptions in applying updated departmental procedures.</p>					
<p><b>Effect:</b> (Describe or quantify any adverse effects)</p>	<p>Potential State inquiry and/or penalty regarding delinquent reporting.</p>					
<p><b>Recommendation:</b> (Describe corrective action)</p>	<ol style="list-style-type: none"> <li>1. Expedited escheat analysis and stale dating of outstanding checks should be emphasized in accordance with unclaimed property statutes, V.T.C.A., Property Code, § 72 and § 76 (website: <a href="http://www.window.state.tx.us/up/forms.html">http://www.window.state.tx.us/up/forms.html</a> ).             <ol style="list-style-type: none"> <li>a. Outstanding checks should be promptly researched / reconciled with proper disposition determined in a timely manner (e.g. 180 days).</li> <li>b. Management review of outstanding checks should be documented.</li> </ol> </li> <li>2. Outstanding checks from the closure of the substation bank accounts should be cancelled.</li> <li>3. Outstanding check cancellation policies and procedures should be reviewed periodically, when there is a change in the process, or when a new system is implemented and approved by management. A process owner should be assigned the responsibility of reviewing the procedures.</li> </ol>					
<p><b>Responsible Department / Organization and Individual(s):</b></p>	<p>Tax Office</p>					
<p><b>Management's Response:</b></p>	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	<p><b>Respondent:</b></p>	<p>Betty Holland, Interim Chief Deputy</p>	<p><b>Date:</b></p>	<p>6/20/2014</p>
<p><b>Comments:</b></p>	<p>While the Tax Office 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 a year as directed by the Tax Assessor/Collector. Checks are written off by calendar year, Jan-Dec, usually within the August timeframe. The Write-Off of Outstanding Refund Checks procedures dated 12/20/12 outlines our process. The Reconciliation Representative maintains a list of outstanding checks and it is up to the Refunds group to research and ensure that each outstanding check has never been reissued prior to the write-off occurring. The Tax Assessor/Collector will make the decision of when to schedule a write-off and which items will be written off to the General Fund with the proviso that if any taxpayer or other entity steps forward to claim funds that have been written off the money will be returned to the entity from the General Fund upon presentment of requested documentation that is reviewed and approved by the Tax Office and the County Auditor.</p>					
<p><b>Disposition:</b></p>	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration			





Finding/Observation Number: 2013-TD-01-B3  
 Date: January 16, 2014  
 Audit: Tax Office  
 Auditor(s) Assigned: MB

<p><b>Finding/Observation:</b></p>	<p><b>Accounting / Reconciliation – Unclaimed Funds Over 3 Years Old – Beer &amp; Wine Account (Fund 713)</b>                  A review of beer and wine applications without State approval as of March 31, 2014 for activity prior to October 1, 2013 from the Beer &amp; Wine bank account (Fund 713) revealed:</p> <ul style="list-style-type: none"> <li>• Old beer and wine application fees totaling approximately \$41,000 (net of return items, refunds, and old bank adjustments) without State approval for permit issuance. A tracking list of applications without State approval is not currently maintained for researching ownership of application fees without permit issuance.</li> </ul>
<p><b>Workpaper Reference:</b> (or other method by which finding was identified)</p>	<p>Review of the Outstanding Check Register for Fund 713 obtained from the Tax Office                  Review of TABC monthly statements and proof of cash</p>
<p><b>Condition:</b> (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 (Process changed effective February 2014 with customers renewing and paying directly through the State. The County will be required to bill customers for the County portion of the renewal fees upon notification from the State of permit issuance) by the special handling area of the Tax Office and deposited into the Beer &amp; 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 &amp; Wine bank Account (Fund 713) without refund and/or disbursement to Dallas County or TABC.</u></p> <p>Bank reconciliations are completed monthly with supervisory sign-off. Current reconciling items are resolved timely. However, unresolved prior periods' reconciling items are not listed on the current month's bank reconciliation.</p> <p>Formal outstanding check write-off procedures were documented in March 2012.</p>
<p><b>Criteria:</b> (Describe the optimal condition)</p>	<p>Management judgment in designing, implementing and conducting internal control, and in assessing its effectiveness is emphasized in the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. Internal control requires that five core components be present: Control Environment; Risk Assessment; Control Activities, Information and Communication; and Monitoring Activities. Specific cash controls related to the disbursement process include:</p> <ul style="list-style-type: none"> <li>• Overpayment and pending distribution reports should be reviewed on a periodic basis and disbursements should be made to the appropriate parties in a timely manner.</li> <li>• The outstanding check list should be periodically reviewed and researched for checks that have been outstanding for three or more years in accordance with unclaimed property statutes, V.T.C.A., Property Code, § 72 and § 76.</li> </ul> <p><i>Texas Alcoholic Beverage Code</i>  <b>§11.38. Local Fee Authorized.</b></p>



	<p>(a) The governing body of a city or town may levy and collect a fee not to exceed one-half the state fee for each permit issued for premises located within the city or town. The commissioners court of a county may levy and collect a fee equal to one-half of the state fee for each permit issued for premises located within the county. Those authorities may not levy or collect any other fee or tax from the permittee except general ad valorem taxes, the hotel occupancy tax levied under Chapter 351, Tax Code, and the local sales and use tax levied under Chapter 321, Tax Code.</p> <p><b>§61.36. Local Fee Authorized.</b>                  (a) The governing body of an incorporated city or town may levy and collect a fee not to exceed one-half of the state fee for each license, except a temporary or agent's beer license, issued for premises located within the city or town. The commissioners court of a county may levy and collect a fee equal to one-half the state fee for each license, except a temporary or agent's beer license, issued for premises located within the county. Those authorities may not levy or collect any other fee or tax from the licensee except general ad valorem taxes, the hotel occupancy tax levied under Chapter 351, Tax Code, and the local sales and use tax levied under Chapter 321, Tax Code.</p> <p><b>§11.09. Expiration or Suspension of Permit.</b>                  (a) A permit issued under this code expires on the second anniversary of the date it is issued, except as provided by Subsections (d) and (e) or another provision of this code. Notwithstanding Section 5.50(b), the commission shall double the amount of fees and surcharges otherwise applicable under this code for a permit with a two-year term.</p> <p><b>§61.03. Expiration or Suspension of License.</b>                  (a) Except as provided by Subsections (d) and (e) or another provision of this code, any license except a branch, importer's, importer's carrier's, or temporary license expires on the second anniversary of the date on which it is issued. Notwithstanding Section 5.50(b), the commission shall require double the amount of fees and surcharges otherwise applicable under this code for a license with a two-year term.</p> <p><i>TABC Administrative Rules</i>  <b>§33.23 and 33.25. Alcoholic Beverage License and Permit Fees and Surcharges.</b>                  These rule implement the provisions of § 5.50, 11.09 and 61.03 of the Texas Alcoholic Beverage Code (Code). Section 5.50 authorizes the Texas Alcoholic Beverage Commission (commission) by rule to assess surcharges on all applicants for original or renewal certificate, permit, or license issued by the commission. Sections 11.09 and 61.03 of the Code authorize the commission to issue a license or permit for a two-year term and double the amount of the fees established for each license or permit by the Code or a rule of the commission, and surcharges established in §33.23 of this chapter (relating to Alcoholic Beverage License and Permit Surcharges).</p>
<p><b>Cause:</b>                  (Describe the cause of the condition if possible)</p>	<p>Undistributed collections for licenses not approved by State.</p>
<p><b>Effect:</b>                  (Describe or quantify any adverse effects)</p>	<p>Unrecognized revenue                  Fiduciary responsibility for funds</p>
<p><b>Recommendation:</b>                  (Describe corrective action)</p>	<p>Escheat analysis of application fees without corresponding State approval / license issuance should be managed in accordance with unclaimed property statutes, V.T.C.A., Property Code, § 72 and § 76 (website: <a href="http://www.window.state.tx.us/up/forms.html">http://www.window.state.tx.us/up/forms.html</a> ) unless directed otherwise by the TABC.</p> <p>Management review of aged undistributed collections should be documented.</p>



<b>Responsible Department / Organization and Individual(s):</b>	Tax Office						
<b>Management's Response:</b>	<input checked="" type="checkbox"/> Agree	<input checked="" type="checkbox"/> Disagree	<table border="0"> <tr> <td data-bbox="769 415 943 485"><b>Respondent:</b></td> <td data-bbox="948 415 1235 485">Betty Holland, Interim Chief Deputy</td> <td data-bbox="1240 415 1333 485"><b>Date:</b></td> <td data-bbox="1338 415 1515 485">5/27/2014</td> </tr> </table>	<b>Respondent:</b>	Betty Holland, Interim Chief Deputy	<b>Date:</b>	5/27/2014
<b>Respondent:</b>	Betty Holland, Interim Chief Deputy	<b>Date:</b>	5/27/2014				
<b>Comments:</b>	<p><b>Agree:</b> While the Tax Office 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 a 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 outlines our process with this account being exempted due to lack of ownership information; however, due to the new permit legislation implemented by TABC; the Tax Assessor/Collector and the Accounting Director are willing to agree upon a date and perform a one-time write-off of all aged balances in this account.</p> <p><b>Disagree:</b> The stated period of time covered by this audit was for Jan – Dec 2013 yet when describing the current condition on page 1 of this document, the description addresses future conditions based on legislative changes effective for February 2014 which are not applicable to this review.</p>						
<b>Disposition:</b>	<input checked="" type="checkbox"/> Audit Report <input type="checkbox"/> Oral Comment <input type="checkbox"/> Deleted From Consideration						



**Finding/Observation Number:** 2013-TD-01-B4  
**Date:** November 15th, 2013  
**Audit:** Tax Office  
**Auditor(s) Assigned:** SO

<p><b>Finding/Observation:</b></p>	<p><b>Accounting / Reconciliation – Unclaimed Funds 3 Years and Older – Special Inventory Tax (SIT) - Fund 718</b></p> <p>A review of 120 outstanding checks (100% of population) totaling \$57,556 as of September 30, 2013 from the SIT bank account (Fund 718) revealed:</p> <ul style="list-style-type: none"> <li>• 83 checks over three years old and \$100 or less, totaling \$1,978</li> <li>• 36 checks over three years old and greater than \$100, totaling \$55,536</li> </ul>
<p><b>Workpaper Reference:</b> (or other method by which finding was identified)</p>	<p>Review of the Outstanding Check Register for Fund 718 as of September 30, 2013.</p>
<p><b>Condition:</b> (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><b>Refunds to dealers</b> – After all motor vehicle inventory tax payments are made to the taxing jurisdictions, funds which remain undisbursed from each dealer’s escrow are researched. If a refund is warranted, a refund request is submitted by the SIT clerk to Accounting. Accounting will review the request and process the refund checks through TaxLedge as necessary.</p> <p><b>Expenditures</b> – Interest earned on funds in the Special Inventory (SIT) 718 bank account can be used in accordance with statute to offset Tax Office costs of the prepayment process. All earned interest, fines, and penalties are transferred from Account (Fund) 718 to Account (Fund) 731. Requests and supporting documentation from Tax Office management are submitted to Accounting with a request to issue checks for the required amounts from Account (Fund) 731. Accounting will review the request and process the checks through TaxLedge as necessary.</p> <p>Bank reconciliations are completed monthly with supervisory sign-off. However, aged recon items are not cleared timely and unresolved prior periods’ reconciling items are not listed on the current month’s bank reconciliation. There are 119 checks for refunds, escrow distributions, and miscellaneous expenditures outstanding three years or longer without research for escheatment to the state or to the SIT account.</p> <p>SIT records were migrated from the Hill Country system to the ACT and TaxLedge systems in October 2011. Some of the migrated records do not contain any information other than an amount while others are incomplete, making research difficult.</p> <p>Formal outstanding check write-off procedures were documented in March 2012.</p>
<p><b>Criteria:</b> (Describe the optimal condition)</p>	<p>Management judgment in designing, implementing and conducting internal control, and in assessing its effectiveness is emphasized in the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. Internal control requires that five core components be present: Control Environment; Risk Assessment; Control Activities, Information and Communication; and Monitoring Activities. Specific cash controls related to the disbursement process include:</p> <ul style="list-style-type: none"> <li>• Disbursements and cancellations should be timely and accurately posted to the SIT system.</li> </ul>





	<p>Fund balances must be reconciled against control records and bank statements. Assigned cash handling duties are separated.</p> <ul style="list-style-type: none"> <li>• Overpayment and pending distribution reports should be reviewed on a periodic basis and disbursements should be made to the appropriate parties in a timely manner.</li> <li>• The outstanding check list should be periodically reviewed and researched for checks that have been outstanding for three or more years in accordance with unclaimed property statutes, V.T.C.A., Property Code, § 72 and § 76.</li> </ul> <p>Outstanding check cancellation procedures require:</p> <ul style="list-style-type: none"> <li>• Annual review of the outstanding check list</li> <li>• All checks three (3) years old or older researched and voided in the appropriate records</li> <li>• Funds disbursed for stale dated checks in accordance with unclaimed property statutes</li> <li>• Policies and procedures are reviewed and updated annually as necessary</li> </ul>						
<p><b>Cause:</b> (Describe the cause of the condition if possible)</p>	<p>Complete payment details are not readily available for old outstanding checks.</p>						
<p><b>Effect:</b> (Describe or quantify any adverse effects)</p>	<p>Accounting delays for escheat or research</p>						
<p><b>Recommendation:</b> (Describe corrective action)</p>	<ol style="list-style-type: none"> <li>1. Escheat analysis and stale dating of outstanding checks should be managed in accordance with unclaimed property statutes, V.T.C.A., Property Code, § 72 and § 76 (website: <a href="http://www.window.state.tx.us/up/forms.html">http://www.window.state.tx.us/up/forms.html</a> ) unless a District Attorney or Attorney General opinion directs otherwise.             <ol style="list-style-type: none"> <li>a. Outstanding checks should be promptly researched / reconciled with proper disposition determined in a timely manner (e.g. 180 days).</li> <li>b. Management review of outstanding checks should be documented.</li> </ol> </li> <li>2. Outstanding check cancellation policies and procedures should be reviewed periodically, when there is a change in the process, or when a new system is implemented and approved by management. A process owner should be assigned the responsibility of reviewing the procedures.</li> </ol>						
<p><b>Responsible Department / Organization and Individual(s):</b></p>	<p>Tax Office</p>						
<p><b>Management's Response:</b></p>	<table border="1"> <tr> <td><input checked="" type="checkbox"/> Agree</td> <td><input type="checkbox"/> Disagree</td> <td><b>Respondent:</b></td> <td>Betty Holland, Interim Chief Deputy</td> <td><b>Date:</b></td> <td>5/22/2014</td> </tr> </table>	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	<b>Respondent:</b>	Betty Holland, Interim Chief Deputy	<b>Date:</b>	5/22/2014
<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	<b>Respondent:</b>	Betty Holland, Interim Chief Deputy	<b>Date:</b>	5/22/2014		
<p><b>Comments:</b></p>	<p>While the Tax Office 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 a year as directed by the Tax Assessor/Collector. Checks are written off by calendar year, Jan-Dec, usually within the August timeframe. The attached Write-Off of Outstanding Refund Checks procedures dated 12/20/12 outlines our process. The Reconciliation Representative maintains a list of outstanding checks; however, a write-off from this account has never occurred and is deemed as being exempted from that process by the Tax Assessor/Collector since he has control of these funds.</p>						
<p><b>Disposition:</b></p>	<table border="1"> <tr> <td><input checked="" type="checkbox"/> Audit Report</td> <td><input type="checkbox"/> Oral Comment</td> <td><input type="checkbox"/> Deleted From Consideration</td> </tr> </table>	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration			
<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration					



**Finding/Observation Number:** 2013-TD-01-B5  
**Date:** January 16, 2014  
**Audit:** Tax Office  
**Auditor(s) Assigned:** MB

<p><b>Finding / Observation:</b></p>	<p><b>Accounting / Reconciliation – Suspense / Undisbursed Funds - Fund 719</b></p> <p>A review of the Suspense / Undisbursed Funds account (Fund) 719 as of September 30, 2013 revealed:</p> <ul style="list-style-type: none"> <li>• Unresolved old reconciling items</li> <li>• Bank balance of \$1,364.57 less than unmatched / unposted customer payments totaling \$1,932.32 remain undisbursed from the Suspense / Undisbursed Funds account (Fund) 719 due to insufficient information</li> <li>• Accumulated interest earned totaling \$691.95 not transferred</li> </ul>
<p><b>Workpaper Reference: (or other method by which finding was identified)</b></p>	<p>Review of Tax Office bank reconciliations and corresponding bank statements                  Monthly proof of cash                  Discussion with the Directors of Tax Accounting and Process Initiative Management</p>
<p><b>Condition: (Describe the current condition)</b></p>	<p>Checks received from trustees for bankruptcy proceedings are deposited to the Suspense / Undisbursed Funds account 719 pending a breakdown of distribution by property tax account. After the required information is received, the property tax clerk handling bankruptcy activity requests that Accounting transfer the funds from the Suspense / Undisbursed Funds account 719 to the Property Tax account 714 to correspond to the receipt postings to ACT.</p> <p>Periodically, restitution is received on old criminal cases related to improper handling of registration stickers by former employees. Funds generally remain undisbursed for extended periods. Disbursements and postings to the identified RTS vehicle registration accounts were limited due to time lapse.</p> <p>Unidentified customer payments are deposited to the Suspense / Undisbursed Funds account 719 pending additional information from the taxpayer.</p> <p>Bank reconciliations are completed monthly with supervisory sign-off. However, aged recon items are not cleared timely and unresolved prior periods' reconciling items are not listed on the current month's bank reconciliation.</p> <p>Formal outstanding check write-off procedures were documented in March 2012.</p>
<p><b>Criteria: (Describe the optimal condition)</b></p>	<p>Management judgment in designing, implementing and conducting internal control, and in assessing its effectiveness is emphasized in the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. Internal control requires that five core components be present: Control Environment; Risk Assessment; Control Activities, Information and Communication; and Monitoring Activities. Specific cash controls include:</p> <ul style="list-style-type: none"> <li>• Overpayment, restitution, and pending distribution reports should be reviewed on a periodic basis and disbursements should be made to the appropriate parties in a timely manner.</li> <li>• Unprocessed customer payments should be periodically reviewed and researched by supervisory personnel with payments aged for three or more years escheated in accordance with unclaimed property statutes, V.T.C.A., Property Code, § 72 and § 76.</li> </ul>
<p><b>Cause:</b></p>	<p>Insufficient information to resolve old reconciling items.</p>



<b>(Describe the cause of the condition if possible)</b>	Incomplete payer/account/address information inhibiting application of customer payments to the appropriate system.		
<b>Effect: (Describe or quantify any adverse effects)</b>	Accounting and research		
<b>Recommendation: (Describe corrective action)</b>	Escheat analysis of unprocessed customer payments should be managed in accordance with unclaimed property statutes, V.T.C.A., Property Code, § 72 and § 76 (website: <a href="http://www.window.state.tx.us/up/forms.html">http://www.window.state.tx.us/up/forms.html</a> ).  A plan should be developed and implemented to clear old reconciling items and unidentified customer payments.		
<b>Responsible Department / Organization and Individual(s):</b>	Tax Office		
<b>Management's Response:</b>	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	<b>Respondent:</b> Betty Holland, Interim Chief Deputy <b>Date:</b> 6/18/2014
<b>Comments:</b>	This account receives deposits for a multitude of reasons as recognized by Audit; and, a write-off occurred in Sept. 2013 based on last year's audit and recommendation. The amount of the write-off was \$2,350.44. This account is not normally governed by the Write-Off of Outstanding Refund Checks procedures due to issues in determining true ownership of the funds.  The Reconciliation Representative is unable to match the balance as stated in this Observation and an offer was made to Internal Audit to visit with this individual to ensure both sets of data are on track with each other; however, Audit has not accepted that offer as to date.		
<b>Disposition:</b>	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration



**Finding / Observation Number:** 2013-TD-01-C1  
**Date:** January 16, 2014  
**Audit:** Tax Office  
**Auditor(s) Assigned:** MB

<p><b>Finding / Observation:</b></p>	<p><b>Security – Cash and Technology: Cash Overages / Shortages – Property Tax</b></p> <p>Review of Daily Close Out reports and deposit transactions for the Property Tax section for fiscal year 2013 revealed <u>material compliance</u> with limited exceptions:</p> <ol style="list-style-type: none"> <li>1. Thirty-two cash <u>shortages</u> totaling \$2,611.35 and one check <u>shortage</u> totaling \$36.01.  <b>Status:</b> Resolved. \$993.46 recovered through Tax Office personnel payments, \$250 cash found, \$304 system adjustments processed, and \$1,099.90 customer returned and paid additional funds.</li> <li>2. Four counterfeit bills totaling \$400 debit by bank not recovered.</li> <li>3. Twenty overages totaling \$716.78.</li> <li>4. One system error totaling \$7,836.88.  <b>Status:</b> Corrected.</li> <li>5. One credit card processing/posting error totaling \$34,38.69.  <b>Status:</b> Corrected.</li> </ol>
<p><b>Workpaper Reference: (or other method by which finding was identified)</b></p>	<p>Review of shortages/overages of \$10 and greater.</p>
<p><b>Condition: (Describe the current condition)</b></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 may be tested by the clerks using a counterfeit bill detection pen. Training and additional procedures have been implemented to detect counterfeit bills through alternate methods such as visual recognition and touch/feel of genuine bills versus counterfeit bills. Most genuine bills that have been transformed from a lower denomination to a higher one have a “washed” or altered appearance.</p> <p>At the end of the day, 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>





	Managers notate the clerk and over/short amount on a Property Tax Summary Report as the instances occur.				
<b>Criteria:</b> (Describe the optimal condition)	Management judgment in designing, implementing and conducting internal control, and in assessing its effectiveness is emphasized in the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. Internal control requires that five core components be present: Control Environment; Risk Assessment; Control Activities, Information and Communication; and Monitoring Activities. Specific cash controls include: <ul style="list-style-type: none"> <li>• Standard accounting and system control procedures require daily reconciliation and balancing of collected funds.</li> <li>• Receipts should be promptly issued for the amount of funds tendered, correct change given to customer, all funds received properly secured, and deposited consistent with state law.</li> <li>• 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.</li> </ul>				
<b>Cause:</b> (Describe the cause of the condition if possible)	Unknown				
<b>Effect:</b> (Describe or quantify any adverse effects)	Resolution by insurance or other source				
<b>Recommendation:</b> (Describe corrective action)	The number of instances and the amounts found in total are considered to be immaterial. Continue management review to mitigate potential losses and reinforce proper cash handling procedures including: <ul style="list-style-type: none"> <li>• Prior to generating a receipt: <u>cash tendered</u> should be counted in the customer's presence and <u>check guaranteed amount (legal written)</u> should be agreed to the numeric amount.</li> <li>• Receipts should be <u>verified for accuracy</u> of amount, payment type, property tax account number, and payer before issuing to customer.</li> </ul>				
<b>Responsible Department / Organization(s) and Individual(s):</b>	Tax Office				
<b>Management's Response:</b>	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	<b>Respondent:</b>	Betty Holland, Interim Chief Deputy	<b>Date:</b> 5/21/2014
<b>Comments:</b>	As stated above by Internal Audit, all cash shortages and the single check shortage were collected. Management will continue to enforce proper cash handling procedures with employees. Counterfeit currency detection is extremely difficult and the Tax Office utilizes the most recent technology for detection; however, \$400 was undetected. Compared to the amount of currency handled, this is a nominal amount and is considered an acceptable risk to doing business.				
<b>Disposition:</b>	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration		



**Finding / Observation Number:** 2013-TD-01-C2  
**Date:** February 25, 2014  
**Audit:** Tax Office  
**Auditor(s) Assigned:** AT

<p><b>Finding / Observation:</b></p>	<p><b>Security – Cash and Technology – Motor Vehicle (MV)</b></p> <p>Review of daily RTS close out reports and deposit transactions for the Motor Vehicle section including the nine (eight after consolidation of Irving branch with Grand Prairie and North Dallas) substations for Fiscal Year 2013 revealed <u>material compliance</u> except for the below items:</p> <ul style="list-style-type: none"> <li>• Office policy does not require employee payback of shortages \$5 or less                         <ul style="list-style-type: none"> <li>○ Twenty-one instances of \$5 shortages totaling \$105 not recovered from employees</li> </ul> </li> <li>• 271 cash shortages, check or credit card processing errors, and out-of-balance conditions totaling \$13,820.  <b>Status:</b> Resolved. Funds have been recovered through payments by MV employees and vehicle owners or system corrections have been processed.</li> <li>• Eighteen counterfeit bills totaling \$1,110 debited by bank not recovered.</li> </ul>
<p><b>Workpaper Reference: (or other method by which finding was identified)</b></p>	<p>Review of cash shortages greater than \$5, monthly audit work                  Monthly Fund 710 Proof of Cash</p>
<p><b>Condition: (Describe the current condition)</b></p>	<p>The Tax Office has written cash handling procedures for 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 may be tested by the clerks using a counterfeit bill detection pen. Training and additional procedures have been implemented to detect counterfeit bills through alternate methods such as visual recognition and touch/feel of genuine bills versus counterfeit bills. Most genuine bills that have been transformed from a lower denomination to a higher one have a “washed” or altered appearance.</p> <p>At the end of the day, 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><b>Criteria: (Describe the optimal)</b></p>	<p>Management judgment in designing, implementing and conducting internal control, and in assessing its effectiveness is emphasized in the Committee of Sponsoring Organizations of the Treadway</p>



<p><b>condition)</b></p>	<p>Commission (COSO) framework. Internal control requires that five core components be present: Control Environment; Risk Assessment; Control Activities, Information and Communication; and Monitoring Activities.</p> <p>Standard accounting and system control procedures require daily reconciliation and balancing of 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><b>Cause:</b> (Describe the cause of the condition if possible)</p>	<p>Unknown</p>				
<p><b>Effect:</b> (Describe or quantify any adverse effects)</p>	<p>Financial risks for Dallas County</p>				
<p><b>Recommendation:</b> (Describe corrective action)</p>	<p>Continue management review to mitigate potential losses and reinforce proper cash handling procedures including:</p> <ul style="list-style-type: none"> <li>• Prior to generating a receipt: <u>cash tendered</u> should be counted in the customer's presence and <u>check guaranteed amount (legal written)</u> should be agreed to the numeric amount.</li> <li>• Receipts should be <u>verified for accuracy</u> of amount, payment type, property tax account number/motor vehicle information, and payer before issuing to customer.</li> </ul>				
<p><b>Responsible Department or Organization:</b></p>	<p>Tax Office</p>				
<p><b>Management's Response:</b></p>	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	<p><b>Respondent:</b></p>	Betty Holland, Interim Chief Deputy	<p><b>Date:</b></p> 5/27/2014
<p><b>Comments:</b></p>	<p>As stated above, all cash outages over \$5, check or credit card processing errors, and out of balance conditions were all resolved and all funds recovered. The only concern is the eighteen counterfeit bills which, in comparison to the total amount of cash handled daily is minimal and is considered to be a risk of doing business. The breakdown of denominations were: 8 @ \$20, 9 @ \$100, 1 @ \$50; however, one of the \$100 bills was caught at the branch cashiers cage before going to the bank and a cash outage was shown for that day. Each branch location, including downtown, has a currency counter with counterfeit detection capability but it is not foolproof especially when valid bills have altered values. Management will continue to enforce proper cash handling procedures with employees.</p>				
<p><b>Disposition:</b></p>	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration		



**Finding / Observation Number:** 2013-TD-01-C3  
**Date:** January 14, 2014  
**Audit:** Tax Office  
**Auditor(s) Assigned:** LW

<p><b>Finding / Observation:</b></p>	<p><b>Security – Cash and Technology – ACT Users and Granted Roles</b>                  A review of 346 users with active system access listed on the ‘Dallas County List of the Users and Granted Roles’ (User Access List) report dated January 6, 2014 for the Appraisal &amp; Collection Technologies (ACT) system was performed to determine the accuracy and the validity of the roles and access rights of users granted by Tax Office management.</p> <p>We noted the following :</p> <ol style="list-style-type: none"> <li>1. 38 users with access (“CONNECT”) not removed after being terminated or no longer employed; 29 of the 38 users are LGBS law firm staff</li> <li>2. Four Tax Accounting, four Tax IT, and three law firm IT users granted entitlements “LP_CHANGE_PAIDDATE”, “LP_CHANGE_PMT_PAIDDATE”, “LP_CHANGE_DEPDATE”, and “LP_REOPEN_DEPOSIT_ANY_DAY”</li> <li>3. Four Tax IT and three law firm IT users granted entitlement “LP_DISBURSEMENT_VOID”.</li> <li>4. Three Tax Accounting, four Tax IT, and ten law firm IT users granted entitlement “MANAGE_DEPOSITS”</li> <li>5. Ten law firm IT users granted entitlement “TAX_CAD_ROLL”</li> <li>6. Four Tax IT and twelve law firm IT users granted entitlement “RECEIVABLE UPDATE”</li> <li>7. Four Tax IT users granted 302 entitlements in ACT</li> <li>8. One generic User ID ‘DCVIT 01’ used by ACT programmers with complete system rights as of January 6, 2014</li> </ol> <p><b>Status:</b> User account is “Locked”</p>
<p><b>Workpaper Reference: (or other method by which finding was identified)</b></p>	<ul style="list-style-type: none"> <li>• The January 6, 2014 list of the ‘Dallas County Users and Granted Roles’ report provided by the Tax Office.</li> <li>• Kronos system</li> <li>• Oracle Payroll system</li> <li>• IT – Tax Office</li> </ul>
<p><b>Condition: (Describe the current condition)</b></p>	<p>Supervisors sign and submit access requests to the Tax Office IT staff when a new employee is hired or when a promoted employees needs access / additional access rights to ACT. 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 by</p>





	<p>Tax Office IT staff which prevents a user from accessing ACT. No specific tracking for reclassification from job function to another is performed, e.g. from Tax IT group to Customer Care.</p> <p>Some users were granted rights in excess of job function / description requirements. Review and clean-up of 'user access' is ongoing.</p>
<p><b>Criteria:</b> (Describe the optimal condition)</p>	<p>Information systems processing controls must be continually updated and monitored to help ensure that transactions completed through computerized applications are valid, authorized, complete and accurate.</p> <p>COSO standards for internal control include adequate segregation of duties so no one user has two or more business processes that could result in compromise of the integrity of the process or allow that person to commit fraud.</p> <p>Automated business management systems should include a review of access controls against an authorization matrix that defines "least privilege" access levels and authority for an individual's role to their job function / responsibilities. Control objectives:</p> <ul style="list-style-type: none"> <li>• Periodic management review of User Access Lists</li> <li>• Ensure termed users are removed timely by comparing weekly Termination report from HR to User Access List</li> <li>• Ensure all information and changes to the User Access List are accurate, complete, authorized and timely</li> </ul> <p>Third-party IT management of the production environment should be based on approved policies and procedures established by the County Tax Assessor-Collector. Support teams accessing the system must use specific user ID (associated to assigned roles/rights) authorized by the County. The County IT department should also monitor this activity if County network is accessed to ensure County policies and procedures are adhered to.</p>
<p><b>Cause:</b> (Describe the cause of the condition if possible)</p>	<ul style="list-style-type: none"> <li>• Incomplete system security access matrix</li> <li>• Limited management review of the User Access List</li> </ul>
<p><b>Effect:</b> (Describe or quantify any adverse effects)</p>	<p>Increased risk to system infrastructure Users with more rights than needed</p>
<p><b>Recommendation:</b> (Describe corrective action)</p>	<ul style="list-style-type: none"> <li>• Review all rights and roles to ensure users have only the rights necessary to perform their core job functions. A proper segregation of duties reduces the risk of misappropriated funds.</li> <li>• Review and update user's assignment for any users changing departments or positions to reflect current County responsibilities. Procedures should be in place to ensure user's roles are changed and periodically reviewed.</li> <li>• Restrict law firm IT support team, including internal IT staff, from roles that grant rights to perform/update financial transactions and any other transactions not required for business needs in the production instance.</li> <li>• Generate a report or query to capture all activity from 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.</li> <li>• Create a process to detect activity during off hours. The creation and monitoring of the tool (such as a report/query) should be independent of the support team.</li> </ul>



<b>Responsible Department or Organization:</b>	Tax Office		
<b>Management's Response:</b>	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	<b>Respondent:</b> Betty Holland, Interim Chief Deputy
			<b>Date:</b> 6/11/2014
<b>Comments:</b>	<p>There continues to be a notification disconnect between LGB&amp;S and Tax IT of separated employees needing to have system access deleted. Tax IT will continue its efforts to strengthen this process with LGB&amp;S.</p> <p>Users of the ACT system must have entitlements in order to perform their jobs. Some employees must have separate user names and entitlements in ACT &amp; SIT because each is a separate system unto itself; otherwise, an employee would be unable to function in both ACT and SIT which would have a negative impact on the Tax Office by creating job and servicing deficiencies.</p> <p>ACT programmers in Dallas and in San Antonio along with DC Tax IT group must have all applicable entitlements in order to program, test, troubleshoot, and perform problem resolution. Each time an authorized user performs a function an audit trail is created. This audit trail never drops off - it is always there to explain who did what, when where and why.</p> <p>There was one generic user ID that was "Locked" and, therefore, unable to be used; however, that generic ID was deleted on 6/11/14.</p>		
<b>Disposition:</b>	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration



Finding/Observation Number: 2013-TD-01-C4  
 Date: January 6, 2014  
 Audit: Tax Office  
 Auditor(s) Assigned: LW

<p><b>Finding/Observation:</b></p>	<p><b>Security-Cash and Technology – Property Tax Refund Bank Account (Fund) 715 - Positive Pay Processing</b></p> <p>A review of Property Tax Refund bank account (Fund) 715 monthly transactions revealed:</p> <ul style="list-style-type: none"> <li>• Bank contracts and management controls are consistently monitored</li> <li>• Positive pay controls successfully detected fraudulent check activity and prevented County from incurring financial losses</li> <li>• Bank reconciliation process successfully detected check clearing errors with complete recovery of excess debits</li> <li>• ACH Blocks &amp; Filters are <b>not</b> used to block ACH debits from posting to the County’s account(s) {except for substation branch accounts} and ACH Filters are <b>not</b> used to set various criteria to authorize certain ACH debits and/or credits and to post to the County’s accounts while excluding others.</li> </ul> <p><b>Status:</b> ACH Block and two filters were added to the Property Tax Refund bank account (Fund) 715 in January 2014.</p>
<p><b>Workpaper Reference: (or other method by which finding was identified)</b></p>	<p>Review of Fund 715 monthly account reconciliation and Property Tax Refund bank account (Fund) 715 bank statements                  Discussion with Director of Tax Office Accounting</p>
<p><b>Condition: (Describe the current condition)</b></p>	<p>Tax Office depository bank accounts utilize the Positive Pay system for issued checks to reduce the risk of unauthorized checks clearing. Positive Pay is a fraud prevention tool that allows Tax Office personnel to manage payment activity. As checks are issued, the Tax Office transmits check files to the depository bank. The check issuance files contain the check number, account number, issue date, and dollar amount.</p> <p>As checks are presented for payment at the bank, the checks are compared electronically against the Tax Office list of transmitted checks. Checks that do not reconcile are listed as exceptions with a notification sent to the Tax Office. The Tax Office has one day to make a decision to allow clearing or refuse clearance of unauthorized checks. If a “refuse to clear” notice is received from the Tax Office, the County’s depository bank restores cash to the account and returns the rejected check through the clearing house. Tax Office accounting personnel rely on notifications from the bank when the Positive Pay file contains “non-match” exceptions.</p> <p>ACH Blocks were added to the substation branch accounts in March 2013. ACH Block and two filters were added to the Property Tax Refund bank account (Fund) 715 in January 2014.</p> <p>Bank reconciliations are completed monthly with supervisory sign-off.</p>
<p><b>Criteria: (Describe the optimal condition)</b></p>	<p>Financial controls require reconciliation of bank statements to include review, research, and matching of reconciling items by account. Bank reconciliations are reviewed by supervisors for accuracy and completion with reconciling items clearing, periodically.</p> <p>Best practices require banking controls to be in place to prevent unauthorized access and improper withdrawals of funds. Control measures include the use of Positive Pay files of checks issued, ACH filters and ACH blocks. Other safeguards include dual authorization for electronic fund transfers. Extra care and follow-up should be performed when system failures</p>



	or new processes occur. The outstanding check register should be reviewed for anomalies/errors.				
<b>Cause:</b> (Describe the cause of the condition if possible)	Processing error by Compass Bank Fraudulent check scheme				
<b>Effect:</b> (Describe or quantify any adverse effects)	Potential loss of funds if corrections are incomplete or untimely Risk of bank shortages or unrecovered funds Additional staff time to monitor, research, and follow-up				
<b>Recommendation:</b> (Describe corrective action)	Continue existing Positive Pay procedures and monitor activity for inaccurate or inappropriate debits.  Continue working with depository bank to update controls for increasing risk of ecommerce.  Implement ACH blocks and filters on all accounts.				
<b>Responsible Department / Organization(s) and Individual(s):</b>	Tax Office				
<b>Management's Response:</b>	<input checked="" type="checkbox"/> Agree	<input checked="" type="checkbox"/> Disagree	<b>Respondent:</b>	Betty Holland, Interim Chief Deputy	<b>Date:</b> 6/18/2014
<b>Comments:</b>	<p>The name of this Observation is Positive Pay on Account 715; and, as stated in this document by the County Auditor, this process works even when a scam was taking place in December 2013/January 2014 – no money was lost.</p> <p>All Tax Office bank accounts with Bank of America had Positive Pay established in Feb 2012; however, ACH blocks were placed on only 11 accounts in March 2013 because these are branch sub-accounts tied to the State Highway account 710. Checks are never issued from these sub-accounts; however, the possibility of acceptance of ACH transactions did exist. The Tax Office has never lost funds from any Tax Office accounts due to fraudulent activity. Both Debit and Credit transactions are reviewed and balanced daily to ensure accuracy. Any anomalies are immediately reported to the bank and dual control has always been required for initiating the transfer of funds.</p> <p>A business decision was made to add Blocks and filters to the Property Tax Refund account 715 in January 2014; however, no other accounts are being considered at this time due to the current monitoring process that is in place.</p>				
<b>Disposition:</b>	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration		





**Finding Number:** 2013-TD-01-F1  
**Date:** November 15th, 2013  
**Audit:** Tax Office  
**Auditor(s) Assigned:** SO

<p><b>Finding:</b></p>	<p><b>Non-Property Tax Activity - Special Inventory Tax – SIT Interest, Penalties, Fines, and Expenditures (Funds 718 and 731)</b></p> <p>Interest earned during previous and the current fiscal year on SIT funds, totaling approximately \$61,380, was used for travel, conference expenses, equipment, furniture, cubicles, and office construction expenses for Tax Office, SIT administration, and Property Tax staff. Justification for expenses not directly related to the administration of the prepayment process during fiscal year ended September 30, 2013, was not presented for review but expenses were briefed to the Court for approval.</p>
<p><b>Work paper Reference:</b> (or other method by which finding was identified)</p>	<p>SIT check disbursements, Proof of Cash, and supporting documentation as of September 30, 2013.</p>
<p><b>Condition:</b> (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 SIT stopped in February 2013. Allocation of SIT payroll expenditures as determined by Tax Office management results in periodic transfers of interest earned from the SIT Interest Earned Fund 731 account to the General Fund. The escrow account is seldom used by the Tax Office to pay other expenditures.</p> <p>Other expenditures are directly charged by the Tax Office to Fund 731. The laws governing purchasing within the County are followed. Decisions made regarding relevancy to prepayment process are made by the elected official.</p> <p>Funds in the amount of \$61,380 were disbursed from SIT Fund 731 for travel, hotel stays, meals, conferences, education, equipment, facilities, etc. including general office costs.</p>
<p><b>Criteria:</b> (Describe the optimal condition)</p>	<p>Property Tax Code § 23.122          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          (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.          (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</p>



	<p>budget officer shall make a copy of the budget filed with the budget officer available to the public at all reasonable times. The budget filed with the county budget officer is not subject to approval by the commissioner's court of the county, but any member of the public is entitled to speak for or against the budget during the county's budget process. Funds in the accounts under this section may be spent only in compliance with the budget filed with the county budget officer under this subsection.</p> <p>(c) Funds in the accounts under this section may not be used to supplement the salary or cover the personal expenses of the county tax assessor-collector.</p> <p>(d) The provisions of this section are cumulative with the provisions of other statutes pertaining to county funds.</p> <p>OMB Circular A-87 - Cost Allocation Guide for State and Local Government is based on the authority included in the office of Management and Budget:</p> <p><u>Travel Cost</u> Allocated based on purpose of travel. All travel costs (local and out-of-town) are charged directly to the program /service for which the travel was incurred. Travel costs that benefit more than one program/service will be allocated to those programs/services based on the ratio of each program/service's salaries to the total of such salaries. Travel costs that benefit all programs/services will be allocated based on the ratio of each program/service's salaries to total salaries.</p> <p><u>Office Expense and Supplies</u> Allocated based on usage. Expense used for a specific program will be charged directly to that program/service. Cost that benefits more than one program/service will be allocated to those program/services based on the ratio of each program/service's expenses to the total of such expenses. Costs that benefit all program/services will be allocated based on the ratio of each program/service's expenses to total expenses.</p>						
<b>Cause: (Describe the cause of the condition if possible)</b>	Fact determination by official.						
<b>Effect: (Describe or quantify any adverse effects)</b>	The interest/penalties/fines earned or collected from the special inventory account supplements general office expenditures of the Tax Office.						
<b>Recommendation: (Describe corrective action)</b>	<ul style="list-style-type: none"> <li>• Implement a Cost Allocation Plan according to the guide provided by Office of Management and Budget (OMB) Circular A-87.</li> <li>• Include justification for all expenses reimbursed from SIT accounts.</li> <li>• Consider processing all authorized payments relevant to the SIT administration through the escrow account maintained in the county's general ledger.</li> </ul>						
<b>Responsible Department/Organization, and Individual(s):</b>	Tax Office						
<b>Management's Response:</b>	<table border="1"> <tr> <td><input type="checkbox"/> Agree</td> <td><input checked="" type="checkbox"/> Disagree</td> <td>Respondent:</td> <td>Betty Holland, Interim Chief Deputy</td> <td>Date:</td> <td>5/21/2014</td> </tr> </table>	<input type="checkbox"/> Agree	<input checked="" type="checkbox"/> Disagree	Respondent:	Betty Holland, Interim Chief Deputy	Date:	5/21/2014
<input type="checkbox"/> Agree	<input checked="" type="checkbox"/> Disagree	Respondent:	Betty Holland, Interim Chief Deputy	Date:	5/21/2014		
<b>Comments:</b>	Decisions over the use of the funds in the SIT interest account are made by the Tax Assessor/Collector since this account is under his sole control per the Texas Tax Code. Funds used from this account are briefed to the Commissioners Court for public review.						
<b>Disposition:</b>	<input checked="" type="checkbox"/> Audit Report <input type="checkbox"/> Oral Comment <input type="checkbox"/> Deleted From Consideration						