

**Travis County Tax Office
Report of Findings and Recommendations
(Exit Examination)
#13-04**

**Report Date: April 19, 2013
Issue Date: November 18, 2013**

TRAVIS COUNTY
AUDITOR'S OFFICE

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April 19, 2013
Travis County Tax Office
Exit Examination
#13-04

Report of Findings and Recommendations

Bruce Elfant
Tax County Tax Assessor/Collector

Scheduled as part of our statutory requirements, the Revenue and Internal Controls Auditing Division of the Travis County Auditor's Office has completed an exit examination of the Travis County Tax Office. We conducted our examination in accordance with the applicable statutes governing the County Auditor's Office and those relating to County financial and accounting protocols. As a result of our examination, we are providing this report on our findings and recommendations.

The primary objective of this examination was to verify the validity of the Tax Office's books and reports as of the end of the prior tax assessor/collector's term of office. Our examination of this office included an assessment of the adequacy and effectiveness of the overall system of internal controls in place for the Tax Office's accounting system as of December 31, 2012. This included examinations of controls over fixed asset and motor vehicles inventories, physical and system access, the 2012 property tax levy reconciliation, and the disposition of funds on hand on December 31, 2012.

Our work was based on applying sampling procedures to office records and on verbal and written representations from this office. Sampling relates to examining, on a test basis, evidence supporting the amounts and disclosures in the financial records and statements. The use of sampling techniques would not necessarily disclose all matters in the Tax Office's financial statements, financial records and internal controls that might be material weaknesses or misstatements. In regards to the written and verbal representations made by this office, unless otherwise noted in this report, office management maintains that the assertions we relied upon in the examination were correct to the best of their knowledge.

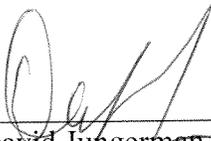
Based on our examination, we gave the system of internal controls for this functional area our rating of "Adequate", which indicates an overall solid system of internal controls that outweighs the relative number of minor audit findings. See Attachment A for an explanation of our grading system for the overall control environment.

Specifically, we noted discrepancies between the fixed asset inventory for this office maintained by the Purchasing Office and the fixed assets currently in the possession of the Tax Office. Details of this item, our recommendations, and management's responses to this issue can be found in Attachment B. Immediately after the title of the control issue listed in Attachment B, we have placed our assessment of the severity of that particular issue in parenthesis. They are assessed as having "Most Serious," "Serious" or "Less Serious" significance.

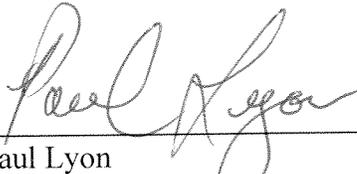
Copies of this office's financial statements for December 31, 2012 are provided in Attachment C. The express purpose of presenting these financial statements and the associated findings is to comply with the applicable local government code statutes and to provide internal control feedback to Travis County officials. This financial statement has not currently been audited by Travis County's external auditors.

These findings and recommendations are intended solely for the information and use of management and Commissioners' Court. We would like to note that this was an exit examination of the previous administration for this office only. No assessment was made of the internal controls put in place by the incoming tax assessor/collector.

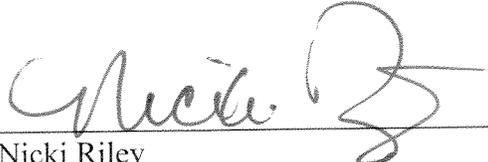
We greatly appreciate the cooperation and assistance received from the management and staff of the Tax Office during this examination. Please contact our office if you have any questions or concerns regarding this report.



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Examination File

EXECUTIVE SUMMARY

Functional Area:

The Travis County Tax Assessor/Collector's Office is responsible for assessing, recording, tracking, collecting, posting, and disbursing property taxes. In addition, this office tracks, stores and disburses vehicle license plates and tags; they also collect, track, and disburse the fees collected when these tags and plates are issued. Tax Office accounting personnel are responsible for making deposits and disbursements of the funds collected as well as reconciling the office bank accounts and producing the office financial schedules and statements. In addition, the Tax Office voluntarily performs the collection function for criminal fines, fees, and court costs associated with misdemeanor criminal cases assessed by the County Courts at Law; disbursing the collected funds to the applicable parties.

Prior Examination Exceptions (#12-02, Dated June 26, 2012):

No prior examination findings noted.

Current Examination Objective (Period – December 31, 2012):

This examination's scope was limited to fixed asset and motor vehicles inventories, physical and system access controls, the 2012 tax levy reconciliation, and the disposition of funds on hand on December 31, 2012.

Current Examination – Significant Findings:

During this examination, we reviewed only the records of the prior administration of this office. No assessment was made of the new tax assessor/collector's records or internal controls; nor were significant findings noted relating to the prior administration.

Overall Opinion (See Transmittal Letter for Specifics):

The overall system of internal controls in place for this office was rated "Adequate".

Internal Controls Rating Key

Rating Designation	Rating Description
Good	Well established internal controls with few, if any, minor exceptions
Adequate	Overall solid system of internal controls outweighs the relative number of minor or more serious findings
Requires Improvement	Weaknesses exist that negatively impact the overall system of internal controls
Requires Significant Improvement	Significant number of weaknesses that negatively impact the overall system of internal controls
Inadequate	Existing overall system of internal control is ineffective

Note: A good internal control system reduces the risk of errors, defalcations, and misappropriations of funds. Weak internal control systems provide an environment in which errors, defalcations, and misappropriations of funds can go undetected.

Attachment B

1. Fixed Asset Inventory (Less Serious)

As of December 31, 2012, there were 474 assets assigned to the Tax Office. During our inventory of these assets, we were unable to locate 6, which are detailed below:

TAG #	Asset #	Asset Description
69287	1004679	PRINTER IBM
97908	1008953	BARCODE PRINTER BLASTER ADVANTAGE
119704	1010077	PRINT SERVER HP JETDIRECT 300X
123167	1011714	PREMIER RAPIDFOLD AUTOMATIC LETTER FOLDER P7200
124705	1012977	TYPEWRITER ELEC STANDARD BRTML100
148552	1017882	GX745 W/2 GB RAM & 17" LCD FP MONITOR

Significance:

Article 3.10.4, "Missing Assets", of the Travis County Fixed Asset Policy and Procedures Manual states:

"The user department shall contact the Fixed Asset Manager when an item is identified as "missing" and the department cannot prove that theft occurred. Assets identified as "missing" shall not be immediately removed from the inventory listing, but shall be retained until a thorough search can be made to determine that the asset is not located elsewhere in the county. The user department is required to make a thorough and adequate search for the missing item and document steps taken to locate the asset."

Recommendation:

Based on the noted significance, we recommend that the Tax Office review the items listed above. Based on that review, this office should follow the procedures as outlined in Article 3.10.4 of the Travis County Fixed Asset Policy and Procedure Manual regarding these assets.

Management Response:

The Tax Office will make a thorough and adequate search for each of the six assets that could not be located. We will notify the Auditor's Office of any assets that we are able to locate. The Tax Office will follow the procedures outlined in Article 3.10.4 of the Travis County Fixed Assets Policy and Procedures Manual for any assets that we are unable to locate.

Tax Office
Statement of Fiduciary Assets and Liabilities
Agency Fund
December 31, 2012

Assets

Cash	\$	70,889,251
Investments		28,959,521
Accounts receivable, net		<u>528,450</u>
Total assets		<u>100,377,222</u>

Liabilities

Due to third parties		55,423,901
Due to other governmental entities		<u>44,953,321</u>
Total liabilities		<u>100,377,222</u>
Net Assets	<u>\$</u>	<u>-</u>

NOTE: The express purpose of presenting this financial statement and the appropriate findings is to comply with applicable local government code statutes and to provide internal control feedback to Travis County officials. This financial statement has not currently been audited by Travis County's external auditors.