



**Travis County Tax Office
Vehicle Inventory Tax
Special Revenue Fund Examination
#16-37**

February 8, 2017

TRAVIS COUNTY
AUDITOR'S OFFICE

NICKI RILEY, CPA
COUNTY AUDITOR



TRAVIS COUNTY
700 LAVACA
P.O. BOX 1748
AUSTIN, TX 78767
(512) 854-9125
FAX: (512) 854-9164

To: Bruce Elfant
Travis County Tax Assessor-Collector

From: Nicki Riley, CPA
Travis County Auditor

Date: February 8, 2017

Subject: Vehicle Inventory Tax Fund

Scheduled as part of our statutory requirements, the Risk Evaluation and Consulting Division of the Travis County Auditor's Office has completed an examination of the Tax Assessor-Collector's Vehicle Inventory Tax (VIT) Fund. 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.

BACKGROUND

In Travis County, motor vehicle dealers remit on a monthly basis estimates of the property taxes due on their automotive inventories. These estimated funds are held in escrow by the Tax Office until a final, annual property tax balance due can be determined for these vehicle inventories, at which point the taxes are paid from escrow and any difference is either collected or refunded as applicable. Per Section 23.122(c) of the Tax Code, the interest earned on these escrow funds is to be transferred into and accounted for in a special revenue fund maintained by the Tax Office. These funds are only to be used to defray the cost of administration of the VIT program.

SCOPE OF EXAMINATION

The primary objectives of this examination included an assessment of the adequacy and effectiveness of the overall system of internal controls in place for the Tax Office's VIT Fund during the period October 1, 2015 through September 30, 2016. This included examinations of controls over receipts and disbursements, reconciliation procedures for bank accounts, and accounting controls over internal functions for handling and managing these accounts.

EXAMINATION METHODOLOGY

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 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.

UPDATE ON PRIOR PERIOD ITEM

In FY15, we noted \$4,549.21 of inappropriate employee-related expenditures had been made from this fund in FY14 and FY15. The Tax Office was able to recoup \$3,234.20 of this amount from various sources. The remaining \$1,315.01 balance was accounted for in a receivable account as of September 30, 2016.

On January 10, 2017, the Commissioners Court approved a transfer of funds from the General Fund to the Motor Vehicle Inventory Tax to close this receivable and recoup these remaining funds. These funds were transferred on January 24, 2017.

OPINION OF INTERNAL CONTROL SYSTEM

Based upon our examination, we gave the overall system of financial controls for VIT funds during FY16 a rating of "Satisfactory," indicating this area has well-established internal controls with no material weaknesses noted. See Attachment A for a description for each of the ratings we use to describe the effectiveness of the internal controls environment for the functional area under review.

ATTACHMENTS

Attachment A: This attachment contains descriptions for each of the ratings we use to describe the effectiveness of the internal controls environment for the functional area under review.

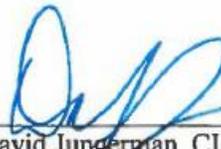
Attachment B: Copies of the financial statements for September 30, 2016 are provided in Attachment B. These statements include a detailed statement of revenues, expenditures and changes in fund balance, and a balance sheet for the special revenue fund. The express purpose of presenting these statements is to provide feedback to Travis County officials. These financial statements are currently being audited by Travis County's external auditors in conjunction with their annual audit of the County's Comprehensive Annual Financial Report (CAFR).

EXAMINATION TEAM

Lisa Denton, CFE, Senior Auditor

CLOSING

This report is intended solely for the information and use of your office and the Commissioners' Court. We greatly appreciate the cooperation and assistance received from the management and staff of the Travis County Tax Assessor-Collector's Office during this examination. Please contact us if you have any questions or concerns regarding this report.



David Jungerman, CIA
Chief Assistant County Auditor I – REC
Division



Patti Smith, CPA
First Assistant County Auditor



Nicki Riley, CPA
Travis County Auditor

REPORT DISTRIBUTION

Lora Livingston, Judge, 261st Judicial District
Brenda Kennedy, Judge, 403rd Judicial District
Sarah Eckhardt, Travis County Judge
Jeff Travillion, Commissioner, Precinct 1
Brigid Shea, Commissioner, Precinct 2
Gerald Daugherty, Commissioner, Precinct 3
Margaret Gomez, Commissioner, Precinct 4
Jessica Rio, County Executive, Planning and Budget Office
Joe Marshall, Financial Manager, Tax Office
Managers, Travis County Auditor's Office
Examination File

ATTACHMENT A – INTERNAL CONTROLS RATING KEY

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. The following details the various grades we assign to internal control systems:

RATING	RATING DESCRIPTION
Satisfactory	Well-established internal controls with no material weaknesses noted.
Satisfactory, with findings noted	A solid overall system of internal controls is in place; however, some material weaknesses were noted.
Inadequate	The existing system of internal controls is materially ineffective.

ATTACHMENT B – FINANCIAL STATEMENTS

**Travis County Tax Office Vehicle Inventory Tax
Special Revenue Fund
Balance Sheet
September 30, 2016**

Assets

Cash	14,721
Receivables	1,674
Due from General Fund	\$ -
	<hr/>
Total assets	\$ 16,395
	<hr/> <hr/>

Liabilities and Fund Balance

Liabilities:

Due to other funds	\$ -
	<hr/>
Total liabilities	-
	<hr/>

Fund balance:

Reserved for encumbrances	-
Unreserved - undesignated	16,395
	<hr/>
Total fund balance	16,395
	<hr/>
Total liabilities and fund balance	\$ 16,395
	<hr/> <hr/>

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 is currently being audited by Travis County's external auditors.

**Travis County Tax Office Vehicle Inventory Tax
Special Revenue Fund
Detailed Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended September 30, 2016**

Revenues:

Other revenues	-
Interest	\$ 11,787
	11,787
Total revenues	11,787

Expenditures:

Personnel costs	-
Supplies	-
Other charges	-
Capital outlay	-
	-
Total expenditures	-
Excess (deficiency) of revenues over expenditures	11,787

Other financing sources (uses):

Transfers in	-
Transfers out	-
	-
Total other financing sources (uses)	-

Net change in fund balance	11,787
Fund balance - beginning of year	4,608
Fund balance - end of year	\$ 16,395

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 is currently being audited by Travis County's external auditors.