



COMMISSIONERS COURT  
COMMUNICATION

REFERENCE NUMBER CO#115608

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DATE: 7/16/2013

SUBJECT: **RECEIVE AND FILE THE AUDITOR'S REPORT OF THE TAX OFFICE  
MOTOR VEHICLE BANK RECONCILIATION**

**COMMISSIONERS COURT ACTION REQUESTED:**

It is requested that the Commissioners Court receive and file the Auditor's Report of the Tax Office Motor Vehicle Bank Reconciliation.

**BACKGROUND:**

In accordance with Local Government Code, Section 115.0035, Examination of Funds Collected by County Entity or District Attorney, the Auditor's Office reviewed the motor vehicle credit card bank account reconciliation prepared by the Tax Office. The objective of the review was to determine whether the Tax Office recorded and reconciled the motor vehicle credit card transactions properly.

Attached to this report is a written response from the Tax Assessor-Collector.

**FISCAL IMPACT:**

There is no direct fiscal impact associated with this item.

SUBMITTED BY: Auditor

PREPARED BY: S. Renee Tidwell  
APPROVED BY:



## TARRANT COUNTY

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June 20, 2013

The Honorable Ron Wright, Tax Assessor-Collector  
The Honorable District Judges  
The Honorable Commissioners Court  
Tarrant County, Texas

RE: Auditor's Report – Review of the Motor Vehicle Credit Card Bank Reconciliation

### SUMMARY

In accordance with Local Government Code Section 115.0035, *Examination of Funds Collected by County Entity or District Attorney*, we reviewed the motor vehicle credit card bank account reconciliation prepared by the Tax Office. The objective of our review was to determine whether the Tax Office recorded and reconciled the motor vehicle credit card transactions properly. As a result, we found that the motor vehicle credit card account was not properly reconciled. Specifically, the bank reconciliations showed unexplained adjustments, or variances. We discussed this condition with Tax Office staff, and they implemented additional procedures to track monthly variances. We also recommended that the Tax Office remit the unexplained overage to the Auditor's Office in accordance with Local Government Code Chapter 113. Attached to this report is a written response from the Tax Office.

### BACKGROUND

Tax Office staff records motor vehicle transactions into the Registration and Title System (RTS), a system owned and operated by the State of Texas. RTS does not interface with the Tax Office general ledger. Based on the information provided by the state, the Tax Office prepares a weekly journal entry to record the motor vehicle transactions into the Tax Office general ledger. The Motor Vehicle Credit Card Account bank balance was approximately \$1.2 million as of April 30, 2013.

### OBSERVATION AND RECOMMENDATION

*The motor vehicle credit card account was not properly reconciled.*

During our review, we found that the Tax Office showed unexplained "adjustments" to the motor vehicle credit card bank reconciliations. The adjustments were not recorded in the Tax Office general ledger. The monthly adjustments date back to 2005 and were shown on the reconciliation as a net overage or shortage. These adjustments, also referred to as variances, occur each month because of timing differences between the date of internet transactions and the date of the deposits, charge-backs, and declined charges. In addition, some credit card service providers pay the gross amount without reducing the charge-back or declined charges and subsequently bill those amounts to the Tax Office.

## Auditor's Report – Review of Motor Vehicle Credit Card Bank Account Reconciliation

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As of September 30, 2012, a net overage totaling \$3,476.70 was recorded on the Tax Office bank reconciliation as an adjustment. This amount includes transactions dating back to 2005. During the audit, the Tax Office could not provide the composition of the adjustment. Later, Tax Office staff provided resolution for \$308.25, but the remaining overage totaling \$3,168.45 could not be explained. In October 2012, the Tax Office entered an adjusting entry into the Tax Office general ledger, but did not remit the overage to the Auditors Office in accordance with Local Government Code Section 113.003.

In October 2012, Tax Office staff implemented additional daily reconciliation procedures to track the composition of the individual variances.

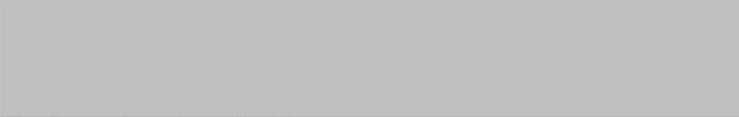
### **Recommendation**

In accordance with Local Government Code 113.003, we recommend that the Tax Office remit the overage totaling \$3,168.45 to the Auditor's Office. We also recommend that the Tax Office continue to provide a detailed composition of the variances as part of the monthly bank reconciliation. Although best practices would suggest that these variances (overages and shortages) be recorded into the Tax Office general ledger, we understand this would not be a practical solution given that the variances often clear in subsequent months. Therefore, the Tax Office should consider these variances as part of their year-end accruals.

### **CLOSING REMARKS**

We appreciate the cooperation of the Tax Office during our review. If you have any questions concerning this report, please do not hesitate to call.

Sincerely



S. Refee Tidwell, CPA  
County Auditor

#### *Distribution:*

Tom Spencer, Chief Deputy  
Anita El Sakhawy, Accounting Director  
Dorothy Star, Motor Vehicle Director

#### *Team:*

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## TARRANT COUNTY TAX OFFICE

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**RON WRIGHT**  
**Tax Assessor-Collector**

July 5, 2013

Rene Tidwell, County Auditor  
The Honorable District Judges  
The Honorable Commissioner's Court  
Tarrant County, Texas

**Subject: Tax Office Response to Auditor's Report – Motor Vehicle Credit Card Bank Reconciliation**

The Tarrant County Tax Office appreciates the ongoing effort of the Tarrant County Auditor's office in the review and audit of Tax Office operations. We encourage more meaningful reviews; similar to the subject audit.

The Tax Office recognizes the importance of proper reconciliations of bank accounts. Each month the Tax Office Accounting Department prepares a detailed reconciliation of each bank account along with detailed supporting schedules. I am very proud of our staff and the systems they have developed to account for all transactions. As you know, we process millions of transactions and deposit billions of dollars each year.

The Tax Office recorded the monthly credit card reporting variances each month on our financial statements. This practice was verified by the subject audit. The September 30, 2012 balance is an overage of \$3,476.70 and as of that date the funds had not been transferred to the County Auditor's office. We will remit those funds with our July 2013 fees of office submissions to the County. To provide detailed tracking of credit card reporting variances, the Tax Office developed and implemented a reporting schedule; effective October 2012.

As part of our annual year end accrual processing, we agree with the Auditors recommendation to record the reporting variance adjustment amounts with a reversing accrual entry to the Tax Office general ledger. We will also provide a detailed schedule of the transactions that comprise the adjusting amount.

**RECEIVED**  
**JUL 08 2013**  
**AUDITOR-YC**

The Tax Office understands the importance of accurate financial data. We will continue to work diligently to improve our processes to ensure adequate controls and accurate reporting. We support the Auditors effort to review and provide recommendations on Tax Office operations.



Ron Wright  
Tarrant County Tax Assessor Collector