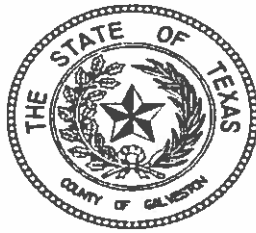


# GALVESTON COUNTY



## Office of County Auditor

**Randall Rice CPA CISA CIO, County Auditor**  
Jeff Modzelewski CPA, First Assistant Accounting  
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P.O. Box 1418, Galveston, Texas 77553

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722 Moody Ave 4<sup>th</sup> Floor, Galveston, TX 77550

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June 7, 2016

Honorable Mark A. Henry, County Judge, and  
Members of the Commissioners Court

Honorable Mark A. Henry and Members of the Court:

Attached for your consideration is the internal audit report of the Tax Office's Registration and Title System (RTS). The audit covered the period January 1, 2015 through December 31, 2015. Also attached is the response letter from Honorable Cheryl E. Johnson dated May 17, 2016.

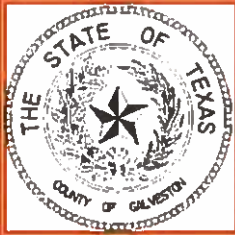
Sincerely,

A handwritten signature in blue ink that reads "Rice CPA".

Randall Rice CPA  
County Auditor

cc: Honorable Cheryl E. Johnson

Attachment: Tax Office's RTS Audit Report  
Response Letter, Honorable Cheryl E. Johnson



# Tax Office Registration and Title System (RTS) Audit

April 13, 2016

Galveston County  
Internal Audit  
Division

Randall Rice CPA  
CITP CISA CIO  
CBM DABFA CGMA  
County Auditor

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# Executive Summary

## Reliability and Integrity of Information (pages 3)

- The Auditor's Office tested Internet Vehicle Registration Renewals and Weekly Auto Reports and did not detect any material discrepancies. Controls over record keeping and reporting appear to be adequate and effective.

## Safeguarding of Assets (page 4)

- Controls are in place to physically secure assets.
- Bank reconciliations are performed monthly.

## Compliance with Statutes, Policies and Procedures (pages 5-6)

- Refunds tested were in compliance with the Tax Office policies OPS-19 and ACCT-18.
- NSFs (Insufficient Funds) reviewed were in compliance with Tax Office policy ACCT-03.
- Voided transactions were processed in accordance with Tax Office policy OPS-12.
- Subcontractor transactions tested were in compliance with Tax Office policies OPS-63 and OPS-67.
- The interest earned on RTS related bank accounts was transferred to the Money Market Account in compliance with Transportation Codes §501.138(d) and §502.1983(b).

# Introduction

The Internal Audit Division conducted an internal audit of the Tax Office's Registration and Titling System (RTS) in accordance with Local Government Code §115. The internal audit covered the period January 1, 2015 through December 31, 2015. The audit was performed from January 12, 2016 through April 13, 2016.

The primary objectives of the internal audit are to ensure:

- Reliability and integrity of the information.
- Safeguarding of assets.
- Compliance with laws, regulations, contracts, policies, plans and procedures.

The scope of the internal audit encompassed the financial records and administrative procedures related to the RTS. The internal audit included, but was not limited to, the books, accounts, reports and records of the Tax Office.

The internal audit included examining transactions on a test basis, and required exercising judgment in the selection of such tests. As the internal audit was not a detailed examination of all transactions, there is a risk that errors or fraud were not detected during the internal audit. The official therefore retains the responsibility for the accuracy and completeness of the financial information.

Because of certain statutory duties required of the County Auditor, we are not independent with regard to the Galveston County Tax Office as defined by the AICPA professional standards. However, our internal audit was performed with objectivity and due professional care.

Jordan Guss, Information Systems Audit Team Lead, performed the audit.

## **Reliability and Integrity of Information**

Reliable information is accurate, timely, complete and useful. In order to achieve this, controls over recordkeeping and reporting must be adequate and effective.

One of the most important controls is to have proper separation of duties. No one person should authorize a transaction, record the transaction and have custody of the assets. The office has instituted procedures to separate the custody of the assets from the recording and authorization functions.

### **Internet Vehicle Registration Renewals (IVRRs)**

Vehicle registration renewals can be processed through the internet using a credit card. The online payments are recorded in the Registration and Titling System (RTS) and a report detailing the Internet Vehicle Registration Renewals (IVRR) transactions is emailed to Tax Office daily. The Tax Office uses the report to verify each payment was posted to the IVRR bank account. Every month, the IVRR collections are transferred from the IVRR bank account to the Highway bank account.

No material discrepancies were noted in the review of IVRRs.

### **Weekly Auto Reports (WARs)**

Every Monday, the RTS generates reports that reflect the preceding week's collections. The reports are used to distribute the fees collected to the applicable entities. Cash receipts are created in ONESolution for fees submitted to the county and electronic fund transfers are created for fees submitted to outside entities (Texas Department of Motor Vehicles and the State Comptroller).

No issues were noted in the review of the Weekly Auto Reports (WARs).

# Safeguarding of Assets

## Physical Security - Collections

Depositing daily is one of the best safeguards of collections as well as providing the county with maximum benefit of the collections.

Controls are in place to ensure that deputies use lockable cash drawers to safeguard their cash and the cash is locked in the office safe overnight. The Tax Office deposits daily, utilizing the Deputy Constables and Deputy Sheriffs to transport and deposit the money.

## Physical Security – Inventory of Supplies

The Galveston County Tax Assessor Collector (TAC) is responsible for maintaining an inventory of TXDMV supplies that motorists need to purchase in order to stay compliant with the Transportation Code. These items are tracked inside the RTS system. When a transaction is recorded in RTS, any inventory item that is part of that transaction is listed as a 'SOLD' item and is accounted for in the deputy's daily transaction reports. It is the policy of the Tax Office to ensure that all motor vehicle inventories are verified weekly to ensure that all allocations are accurate.

The state performed an audit of the expired and non-expired Texas Department of Motor Vehicles (TXDMV) supplies during the audit period. The state audit concluded that all inventoried items were accounted for with no discrepancies found.

## Cash Management

Bank reconciliations, properly prepared and adequately supported, are one of the best methods of cash management available to any official. The accounting staff routinely performs 4-column proof-of-cash bank reconciliations on a monthly basis.

The bank reconciliations were reviewed and no discrepancies were detected.

# **Compliance with Statutes, Policies and Procedures**

## **RTS Refund Policies OPS-19 and ACCT-18**

The Tax Office processes motor vehicle refunds for the state (TXDMV) upon receipt of the refund request and performs all the local motor vehicle refunds for Galveston County. The Tax Office's policy (OPS-19) requires motor vehicle refunds to be processed within two weeks of their origination. The Auditor's Office tested motor vehicle refunds issued during the audit period for accuracy and completeness, as well as for compliance in timeliness.

No material discrepancies were found in reviewing the accuracy, completeness and timeliness of the refunds tested.

RTS refunds are requested using a Tax Office 'Refund Request Form' completed by the Customer Service Representative who processed the original transaction. Tax Office policy (ACCT-18) requires the Tax Office Accounting Department to maintain a register of requested refunds. The 'Refund Request Form' information is recorded on the 'Refund Request Register' spreadsheet. The refund request is sent to the Treasurer's Office for check production. Upon completion, the refund check number, date and amount are recorded in the 'Refund Request Register'.

There were no discrepancies detected in testing compliance with Tax Office policy ACCT-18.

## **NSF (Insufficient Funds) Policy ACCT-03**

It is the policy of the Tax Office to actively pursue collection of returned checks (ACCT-03). The Chief Deputy, Operations is responsible for compliance with this policy. A letter and a copy of the returned check are sent via certified mail to the address shown on the check. The individual responsible for the returned check has two weeks to reimburse the Tax Office for the insufficient funds. If the due date passes and the funds have not been collected, the Tax Office Accounting Department notifies the Chief Deputy, Operations, who reverses the payment in RTS in the form of 'Hot Check Credit' and notifies the constable for collection. The 'Hot Check Credit' informs the TXDMV (via RTS) that money has not been collected for that particular transaction and therefore won't be received from the county until collected.

The Tax Office is in compliance with policy ACCT-03.

## **RTS Voids Policy OPS-12**

The Tax Office's policy (OPS-12) requires all voided transactions to be processed at the time the error occurs. The Customer Service Representative (CSR) must notify a supervisor when a voided transaction is required. The reason for the void and the corrected transaction number must be included in the void support documentation. After the void has been processed, the support documents must be signed and dated by the CSR and the supervisor.

There were no material discrepancies detected in the testing of voided transactions.

# **Compliance with Statutes, Policies and Procedures (Continued)**

## **Subcontractor Policies OPS-63 and OPS-67**

Subcontractors are businesses authorized by the County Tax Assessor-Collector (TAC) to process vehicle registration renewals. It is the policy of the Galveston County Tax Assessor/Collector to record the exchange of data/materials from the subcontractors on a 'Subcontractor Data Receipt Log' (OPS-63). The log is used to record the receipt and pick-up of subcontractor payments and other materials exchanged between the subcontractor and the branch office.

No issues were noted in the review of the 'Subcontractor Data Receipt Logs'.

Web Agent is a web-enabled application that provides real-time registration functions to the subcontractors. Collections for vehicle registration renewals made by the subcontractors are delivered to the Tax Office each week. Payments received from the subcontractors are included in the daily collections and reconciled at the end of each day with the payment report (OPS-67).

There were no discrepancies detected in testing for compliance with Tax Office policy OPS-67 regarding the subcontractor transactions.

## **Transfer of Accrued Interest**

Transportation Code §501.138(d) regarding certificates of vehicle titles and §502.1983(b) regarding registration of vehicles state "the county owns all interest earned on fees deposited under this section. The county treasurer shall credit the interest to the county general fund." The auditor verified the interest for all of the RTS related bank accounts was transferred to the Money Market Account for every month in the audit period. No exceptions were noted.





**Cheryl E. Johnson, PCC**  
**Assessor and Collector of Taxes**  
Galveston County Courthouse, 722 Moody, Galveston, Texas 77550  
Toll Free (877) 766-2284 Fax (409) 766-2479  
galcotax@co.galveston.tx.us



May 17, 2016

Mr Randall Rice, CPA  
County Auditor  
Galveston County Texas  
722 Moody  
Galveston, Texas 77550

Re: 2015 Motor Vehicle Registration  
and Title System (RTS) Audit

Dear Mr. Rice:

I am in receipt of the above referenced audit and wish to express my appreciation to you, Ms Lori McWhirter and Ms. Jordan Guss. We have enjoyed a mutually beneficial partnership through the years and appreciate you and your team's effort in insuring accountability and processes in the Galveston County Tax Office represent best practices for Galveston County.

I am pleased that my office continues to follow the established statutes, policies and procedures. I will be certain to let my leadership team know of this achievement.

On behalf of my team and the taxpayers of Galveston County, please extend my appreciation to all appropriate personnel of your office for their efforts.

Sincerely,

A handwritten signature in cursive script that reads "Cheryl E. Johnson".

Cheryl E. Johnson

cc: Ms. Jordan Guss, Information Systems Audit Team Lead  
Ms. Lori McWhirter, Internal Audit Manager  
Ms. Kimberly Hall, Chief Deputy Operations  
Ms. Sheryl Swift, Chief Deputy Business Services