



COLLIN COUNTY

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Date: June 16, 2010
To: Mr. Kenneth Maun, Tax Assessor/Collector
From: Jeff May, County Auditor 
Subject: Fourth Quarter FY08 and First Quarter FY09 Audit Results - Final

An entrance conference was conducted with you on March 18, 2009 to start an examination of the books and records for the fourth quarter of FY08 and first quarter of FY09. The audit objectives were to confirm county property and cash receipts were promptly accounted for, accurately recorded, safeguarded and disbursed properly.

The time period reviewed was July 1, 2008 through December 31, 2008. The scope of the audit included a cash count at McKinney, Plano and Frisco locations; an examination of deposits, disbursements, bank statements and bank reconciliations; investments; prior audit issues; and a fixed asset inventory.

During the examination, we identified certain practices and procedures we believe could be enhanced to strengthen internal controls and increase efficiencies. The examination was not intended to be a comprehensive examination of every procedure or activity. Accordingly, the findings and recommendations presented in this report should not be considered as all-inclusive of areas where improvements may be needed.

The Tax Assessor/Collector's personnel were extremely helpful and courteous in assisting with the quarterly review. An exit conference was held with you and your supervisors on March 4, 2010.

Please feel free to contact us with any questions or desired assistance

Cash Drawer

Findings:

On March 17-18, 2009, Internal Audit verified sixty-five change fund drawers in the Tax Office, funds totaling \$19,200, allocated to three locations Plano, Frisco, and McKinney; the following exceptions were found:

Three separate change fund drawers were found to be over, two drawers were short and an unsigned check was identified.

- Plano Dealer Station # 002 – Change fund drawer was over by \$0.10, check was accepted for incorrect amount and was not caught.
- Plano #102 B – Change fund drawer was over by \$0.40. No explanation was given for the overage.
- Plano Dealer Station #321- Change fund drawer was over by \$10.00. Dealer charged \$64.30 instead of \$54.30.
- Plano # 336 – Change fund drawer was short by \$0.51. No explanation was given for the shortage.
- Frisco # 251 B- Change fund drawer was short by \$0.08, check was accepted for the incorrect amount and was not caught.
- Plano # 337 A – Mail in check was not signed; this was discovered at the time of the cash count. The transaction was voided and the customer was contacted to sign the check.

Recommendations:

- According to the Cash Short/Over Policy – Court Order #2003-960-11-24, less than \$5.00 may be netted against overages on a daily basis. However, any shortage of \$5.00 or more should not be netted against overages and it should be repaid by the Tax Assessor/Collector with his personal funds or his bond. There were no shortages of \$5.00 or more identified.
- Checks should be verified for accuracy prior to acceptance for payment.

Response:

Cash drawers are balanced at the end of the day; therefore, these variances would not have been located until the end of the day. All of these were documented as a part of the end-of-day balancing.

Whenever a cash drawer audit is conducted any variances will be found just the same as when the end-of-day balancing is done by the clerks.

Every cash drawer used is balanced by the employee using the drawer, and then a cashier counts both the drawer and the deposit to ensure all funds are accounted for correctly.

Bank Reconciliation

The Tax Office maintains three checking accounts: General Account, Highway Account, and Wine and Beer Account.

Findings:

The checking accounts were examined and cash balances were verified. Each account was reconciled to the bank statement, checkbook and to the Tax Office accounting system, AccPac.

Recommendations: None at the time of audit.

Response: None required.

Bank Reconciliation's TexPool Investment:

The Tax Office maintains four investment accounts:

- General account (with escrows for prepaid property taxes identified)
- VIT account (vehicle inventory tax account)
- Marine account: BIT (boat inventory tax), HIT (heavy equipment inventory tax), and TRIT (truck tractor inventory tax)
- Motor/Vehicle Highway account.

Findings:

These investment accounts were examined and cash balances verified. Each account was reconciled to the TexPool Statement, Escrow Ledger, and Wire Transfers and to the Tax Office's accounts system, AccPac. No discrepancies were found.

Recommendations: None at the time of audit.

Response: None required.

Report Verification

Receipts

Findings:

A review of receipts disclosed that all deposits were properly supported and accurately deposited in a timely manner. Supporting documentation for all voided transactions were properly supported and retained. We examined thirteen thousand six hundred sixty six (13,666) receipts of three hundred seventy two thousand six hundred two (372,602) receipts written in the audit period (3.67%), finding no discrepancies in the total fees assessed and total amount of the fees collected. We did find that one (1) of the thirteen thousand six hundred sixty six (13,666) receipts examined was not retained in the archived records

Recommendations:

All receipts should be retained in the archived records for the required retention period.

Response:

We are aware of the legal requirement of retaining records. All supervisors and clerks are instructed to pull and make copies of receipts when a next day void is required. The original is to remain in the original day's records. This procedure is not followed sometimes and the original receipt will be attached to the next day void documentation the following day or attached to title/registration correction reports.

Findings:

We verified both manual and computer receipts for the months of July – December 2008 for the McKinney, Plano and Frisco offices. The receipts were compared to the deposit slips and bank statements with no exceptions identified.

Recommendations: None at time of audit.

Response: Not required.

General Account Disbursements

A random sample of disbursements for the fourth quarter, July – September, of FY08 and the first quarter, October – December, of FY09 was taken using one day of each of the months during the stated time period. There were three hundred thirty five (335) checks viewed for the sample and all checks on that day were included. The purpose of the verification was to ensure that the checks were properly documented, they were due and payable, and the amount due was correctly calculated and in agreement with the bank statement.

Findings: No exceptions were noted.

Recommendations: None at time of audit.

Response: None required.

Highway Account Disbursements

We verified all disbursements checks for the months of July through December 2008. All disbursements were made timely and properly documented.

Findings: No exceptions were noted.

Recommendations: None at time of audit.

Response: None required.

Wine & Beer Disbursements

Verified disbursements were made promptly and properly documented. We traced all disbursements for the fourth quarter FY08 and first quarter FY09 to state reports and the bank statements for the period ending December 2008.

Findings: No exceptions were noted.

Recommendations: None at time of audit.

Response: None required.

Asset Verification - Tax Office

We identified 280 assets over \$200, with one asset greater than \$5,000.00. Of the 280 assets, 59 were located in Frisco; 174 were located in McKinney; and 47 were located in Plano. The one asset from McKinney greater than \$5,000.00 was reviewed; the asset number listed on the report was compared to actual tag numbers displayed on the asset, description and location. No highly attractive assets over \$200 were on the list of assets printed from the AS400. No discrepancies were found.

Recommendations: None at time of audit.

Response: None required.

Overage/Shortage

Property Section

Findings:

There were no findings regarding overages and shortages in the Property Section.

Recommendations: None at time of audit.

Response: None required.

Motor Vehicle Section

Findings:

- A counterfeit \$100 bill was identified by the bank upon deposit. The bill was receipted on December 2, 2008 for drawer #305.
- We reviewed the documents on overages and shortage in the Motor Vehicle Section and found that total cash overages exceeded total shortages for the fourth quarter 2008 and first quarter 2009. However, fifty-eight (58) daily shortage amounts were not repaid to the County by the Tax Assessor/Collector as they were netted against the overages paid to the County Treasury at the end of each

month. Thirty-seven (37) of the fifty-eight (58) net shortage amounts were greater than \$5.00.

Date	Workstation	Shortage	Overage	Due
07/01/08	301	8.98	0.00	8.98
07/28/09	329	10.00	0.00	10.00
07/28/09	101	10.00	0.00	10.00
07/31/08	Variance	1.00	0.00	1.00
08/04/08	305	15.25	0.00	15.25
08/04/08	330	10.00	0.00	10.00
08/05/08	304	0.86	0.02	0.84
08/06/08	329	55.00	0.00	55.00
08/08/08	330	10.00	0.00	10.00
08/13/08	329	10.00	0.00	10.00
08/14/08	305	19.00	0.00	19.00
08/15/08	330	9.50	0.00	9.50
08/25/08	302	5.00	0.00	5.00
08/25/08	329	3.00	1.00	2.00
08/27/08	316	9.00	0.00	9.00
08/28/08	335	10.00	0.00	10.00
09/05/08	330	5.00	0.00	5.00
09/09/08	329	10.00	0.00	10.00
09/10/08	316	19.00	0.00	19.00
09/11/08	330	10.00	0.00	10.00
09/15/08	102	10.00	0.00	10.00
09/19/08	338	10.00	0.00	10.00
09/29/08	007	7.00	0.00	7.00
10/01/08	304	5.00	0.00	5.00
10/03/08	304	10.00	0.00	10.00
10/03/08	306	54.30	0.00	54.30
10/03/08	307	55.30	0.00	55.30
10/03/08	316	64.30	0.00	64.30
10/06/08	001	10.00	0.00	10.00
10/07/08	323	5.00	0.00	5.00
10/07/08	330	5.00	0.00	5.00
10/14/08	330	20.00	0.00	20.00
10/15/08	305	10.00	0.00	10.00
10/15/08	325	2.30	2.00	0.30
10/17/08	201	1.00	0.00	1.00
10/31/08	100	10.00	0.00	10.00
10/31/08	Variance	0.30	0.00	0.30
11/04/08	334	50.00	0.00	50.00
11/06/08	306	1.00	0.00	1.00
11/06/08	101	0.05	0.00	0.05
11/07/08	316	0.50	0.30	0.20

Date	Workstation	Shortage	Overage	Due
11/11/08	325	2.70	1.25	1.45
11/13/08	316	10.00	0.00	10.00
11/14/08	101	8.00	0.00	8.00
11/30/08	Variance	0.15	0.00	0.15
12/01/08	329	10.00	0.00	10.00
12/08/08	329	10.00	0.00	10.00
12/09/08	301	6.30	0.00	6.30
12/10/08	332	5.00	0.00	5.00
12/11/08	316	10.01	0.00	10.01
12/11/08	332	20.00	0.00	20.00
12/19/08	304	10.00	0.00	10.00
12/22/08	101	10.00	0.00	10.00
12/29/08	306	0.98	0.00	0.98
12/29/08	102	0.25	0.00	0.25
12/29/08	001	10.00	0.00	10.00
12/29/08	101	10.00	0.00	10.00
12/31/08	Variance	0.03	0.00	0.03
Total		685.06	4.57	680.49

Recommendations:

- At a minimum, all bills \$20 and over should be checked to ensure they are not counterfeit bills. Training for front line personnel should be provided on what to look for to identify counterfeit bills visually and marking pens provided at each station. An amount of \$100 should be remitted to the Treasury by the Tax Assessor/Collector.
- According to the Cash Short/Over Policy – Court Order #2003-960-11-24, less than \$5.00 may be netted against overages on a daily basis. However, any shortage of \$5.00 or more should not be netted against overages and it should be repaid by the Tax Assessor/Collector with his personal funds or his bond. An amount of \$680.49 should be remitted to the Treasury by the Tax Assessor/Collector.

Response:

Clerks are trained on using counterfeit pens, as well as, watermarks. The Tax Office has had the Secret Service in to conduct the training. Per the Secret Service, the marking pens are virtually useless with the “washed” bills used by the counterfeiters. There has been a general agreement between the Tax Office and Commissioners Court that overage and shortages will be netted when transferred to the county. That is the way that the funds have been and are being transferred. The Tax Office deposits over \$2 billion each year, including over 10,000 deposits and over 2 million accounts/transactions. The majority of the businesses in the United States would be overwhelmingly pleased to have the standards and performance that this office has shown over the years. We will continually work to improve, but understand that we will never be perfect.

Due diligence is being followed, which is the legal standard for negligence. If higher standards than the use of marking pens are to be maintained, machines similar to those used by the bank would need to be purchased and all funds received in the office would need to be run through the machines prior to acceptance of any cash by the office.

While counterfeit detection machines have been considered, the cost of the machines is much higher than any counterfeit losses that we have had in a number of years. The machines do not make economic sense for our losses at this time.

If the Court believes that the County Auditor's standard should be held we request seven machines (3 for McKinney, 3 for Plano, and 1 for Frisco.) The machines cost about \$7,000 each, so that would be \$49,000; which would require only 163 years to amortize the value, if the U.S. Treasury hasn't in the meantime changed the currency.