



COMMISSIONERS COURT
COMMUNICATION

REFERENCE NUMBER 139632

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DATE: 11/08/2022

SUBJECT: **RECEIVE AND FILE THE AUDITOR'S REPORT OF THE REVIEW OF MOTOR VEHICLE, CONTROLS OVER MERCHANT CONTRACTS**

COMMISSIONERS COURT ACTION REQUESTED

It is requested that the Commissioners Court receive and file the Auditor's Report of the Review of Motor Vehicle, Controls over Merchant Contracts.

BACKGROUND

In accordance with Local Government Code, the Auditor's Office reviewed controls over the merchant contracts for the sale and issuance of motor vehicle registration stickers during the period October 2021 through July 2022.

FISCAL IMPACT

There is no fiscal impact associated with this item.

SUBMITTED BY:	Auditor Office	PREPARED BY: APPROVED BY:	Kim Trussell S. Renee Tidwell
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TARRANT COUNTY
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October 26, 2022

The Honorable Wendy Burgess, Tax Assessor-Collector
The Honorable District Judges
The Honorable Commissioners Court
Tarrant County, Texas

RE: Auditor's Report – Motor Vehicle, Controls over Merchant Contracts

In accordance with Local Government Code, the Auditor's Office reviewed controls over the merchant contracts for the sale and issuance of motor vehicle registration stickers during the period October 2021 through July 2022. Merchants include multiple Kroger, Tom Thumb, and AAA Texas locations, Avis Rent A Car System, and DFW International Airport. During this period, the merchants collected and remitted over \$18 million to the Tax Office.

Except for remitting the registration paperwork to the Tax Office weekly, the merchants generally complied with the terms of their respective contracts. Furthermore, the Tax Office remitted the motor vehicle registration taxes to the State Comptroller's Office timely and accurately.¹ However, we found that procedures related to the inventory of the State of Texas's registration stickers provided to the merchants were not adequate. The Tax Office uses the Motor Vehicle Inventory Tracking System (MVITS) to record the number of registration stickers issued to each merchant. MVITS is updated as the merchants sell the registration stickers. We performed a physical inventory of registration stickers at three merchant locations. All three locations had inventory shortages of 318, 88, and 56.


In May 2022, Tax Office staff *called* the merchants and requested the inventory balances. A physical inventory was not performed. Tax Office staff updated MVITS using the inventory balances reported by the merchants. According to Tax Office staff, an inventory was previously performed in May 2021. Staff provided a spreadsheet listing the merchant locations and the "pack count" per location. However, the spreadsheet did not include information such as the date each location was counted, any variances between the count and MVITS, who performed the count, or an attestation from the merchant's staff agreeing with the inventory count.

¹ See Auditor's Report – Timeliness of Motor Vehicle Payments to the State Comptroller's Office received and filed with the Commissioners Court on September 27, 2022, CO #139251.

Although the Texas Department of Motor Vehicle does not track or place any value on the registration stickers, there is "street" value. Therefore, we recommend that the Tax Office perform a quarterly *physical* inventory at every merchant location. For each merchant, the physical inventory count should be documented and, at a minimum, include the date of the inventory, the number of registration stickers on hand, and then reconciled to the inventory recorded in MVITS. Both the Tax Office staff who performed the inventory and the merchant's staff should sign the inventory as agreement to the count. Any differences should be researched for resolution.

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

Sincerely,



S. Renée Tidwell, CPA
County Auditor

Attachment: Management's Response

Distribution: Katy Owens, Tax Office, Chief of Staff
Amber Wilson, Tax Office, Director of Motor Vehicle

Audit Team: Kim Trussell, Audit Manager
Brandy Greene, Senior Auditor



TARRANT COUNTY TAX OFFICE

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In God We Trust

WENDY BURGESS
Tax Assessor-Collector

November 1, 2022

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

Subject: Response to Auditor's Report – Motor Vehicle, Controls Over Merchant Contracts


The Tarrant County Tax Office values its partnership with local merchant contractors for the sale and issuance of motor vehicle registration stickers. These partnerships are crucial in meeting the needs of Tarrant County citizens and allowing the demand on Tax Office branches and their resources to be directed to more complex transactions. For reference, during the relevant audit period of October 1, 2021, through July 31, 2022, the Tax Office's subcontractors renewed over 247,000 vehicle registrations. The Tax Office appreciates the review of the contracts and controls governing these partnerships by the Auditor's Office.

The Auditor's Office is correct that the Texas Department of Motor Vehicle (TxDMV) does not track or place any value on these registration stickers. Despite this, for many years now, the Tax Office has recognized the "street" value of this sticker paper. Because of this, the Tax Office pioneered the creation of an internal Motor Vehicle Inventory Tracking System (MVITS), as well as processes governing how the Tax Office's audits its contractors. In the midst of the COVID-19 pandemic the last few years, the Tax Office conducted these audits via telephone so as to not risk unnecessary exposure of its employees. With the decline of reported COVID-19 cases, the Tax Office has resumed these in-person audits and will continue at the frequency suggested by the Auditor's Office.

The auditor reported two issues in the recent review. For the first issue, the Tax Office acknowledges that certain contractors find it difficult to adhere to the weekly deadline to remit registration paperwork. This is something the Tax Office was already aware of and continues to work with the contractors to ensure timely compliance. The second issue reported was registration sticker shortages during the physical inventory of three subcontractor locations. As addressed earlier, the Tax Office goes above and beyond what is required by the TxDMV in accounting for these resources but does recognize that MVITS is not yet a perfect system. The results of the audit provide an excellent opportunity to reconsider the current tracking processes. It is anticipated that the result will be more frequent physical inventories of subcontractor locations and development of a fully electronic method of tracking all steps of this process. We will keep the Auditors informed of upcoming changes.

We value and appreciate our strong relationship with the Auditor's Office. We welcome the auditors in our offices and encourage additional reviews.

Should you have any questions, please contact me or my Chief of Staff, Katie Owens.


Wendy Burgess, PCC, CTOP, PCAC, CSTA
Tax Assessor-Collector – Tarrant County