

Memorandum



CITY OF DALLAS

DATE: June 25, 2004

TO: Honorable Mayor and Members of the City Council

SUBJECT: Follow-up report of the September 20, 2002, *Audit of the Short Term Motor Vehicle Rental Tax Collections--Report #366*

We conducted this follow-up audit under the authority of Chapter IX of the City Charter, City Council Resolution No. 920779, and performed it according to applicable government auditing standards.

Our objective was to determine whether the Special Collections Group (SCG) of the Dallas Water Utilities (DWU) have implemented the audit's recommendation or taken other acceptable actions to remedy the control weaknesses identified in the original audit report.

The original audit contained three findings with seven recommendations. Management has implemented six of them, and partially implemented one.

1. **One auto rental company has not paid taxes since November 2000.** *We recommended that the Director of DWU:*

Request periodic updates from the City Attorney on the collection/litigation status on the delinquencies referred to her by the Special Collections Group (SCG). **(Implemented)**

Require that written policies and procedures be developed to estimate the amount of taxes due from the motor vehicle rental agencies that do not file the monthly reports with the City. By having established procedures for estimating the amount of revenues and taxes due, collection efforts can begin immediately, using data on hand. These procedures should be communicated to all rental car companies. **(Implemented)**

Require that written policies and procedures adequately address the accounting and tracking of delinquent accounts. **(Implemented)**

Obtain an opinion from the City Attorney on whether it is feasible for the City to adopt an ordinance that contains provisions similar to Section 111.016 of the Texas Tax Code. **(Implemented)**

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To change the City's collection ordinance in this manner would require a change in State law. The State legislature did not act on the City's request for this change during the 2001 session. The SCG has requested that the City Attorney include this proposal again in the City's 2005 legislative package.

2. **The descriptive information on the MRVT monthly report form is not consistent with the terms and definitions contained in the City Code.** *We recommended that the Director of DWU revise the MVRT form to agree with the terms and definitions of the City Code, and clearly communicate to tax collecting entities which revenues are subject to tax, which are exempt, and how each item is to be reported. (Implemented).* *We also recommend that the SCG use the City's web site to provide information for the MRVT program as well as provide instructions for the reporting form. (Partially implemented).*

We found that management revised the form, and has given its information to CIS to place on the website, but it is not yet there.

3. **The City should consider using the State Comptroller's Office to collect the MRVT.** *We recommended that the Director of DWU confer with the City Attorney regarding whether there are any legal impediments in the transferring of MRVT collection responsibilities from the SCG to the Comptroller. If none are found, the Director should ask the City Manager or the Mayor to contact the Comptroller to discuss an inter-local cooperation contract for the collection of this tax. If an agreement is achieved, the City should retain its right to audit.*

We found that the SCG contacted the State Comptroller and was told that the Comptroller only collects taxes for other entities that have never had an organized collections structure. Since Dallas has such a structure, the Comptroller would not transfer that function to itself; and there was no need to for the SCG to ask the City Attorney to look at this issue. **(Implemented)**

Thomas M. Taylor

Thomas M. Taylor, CPA
City Auditor

c: Mary K. Suhm, Interim City Manager
Robert M. Johnson, Director of Dallas Water Utilities