



JACKSON COUNTY

Oregon

Internal Audit Report

**Motor Vehicle Use and Fuel Tax
Compliance Audit**

Fiscal Year 2011-12

October 10, 2012

**Presented To The
Jackson County Board of Commissioners
By The
Internal Audit Program**

Audit Team

**Debbie Taylor, County Auditor
Nicole Rollins, Senior Auditor
Tanya Baize, Senior Auditor**




**JACKSON
COUNTY**
Oregon

MEMO
INTER-OFFICE

Internal Audit

Debbie Taylor, County Auditor
CIA, CGAP, CGIM, CFE

10 S. Oakdale, Room 214
Medford, OR 97501
Phone: 541 774 6021
Fax: 541 774 6705
Taylordk@jacksoncounty.org

To: Board of Commissioners
From: Debbie Taylor, County Auditor 
Subject: Motor Vehicle Use and Fuel Tax Compliance Audit
Date: October 10, 2012

The attached audit report provides information concerning the adequacy of internal controls and compliance with the Oregon Constitution Article IX, Section 3a *Use of revenue from taxes on motor vehicle use and fuel*, ORS 366.514 *Use of highway fund for footpaths and bicycle trails* and ORS 366.774 *Authorized use of allocation to counties*. The audit was included in the fiscal year 2012-13 Internal Audit Plan, and the work was performed in conjunction with the County's annual external financial audit.

The audit results were discussed with the County's Audit Committee and the County's Roads & Parks Director John Vial. Mr. Vial's response to the audit is included at the end of the report.

The Internal Audit Program appreciates the cooperation and assistance it received from Roads & Parks staff throughout the audit process.

Cc: Audit Committee
Moss Adams, LLP
John Vial, Director of Roads & Parks

MOTOR VEHICLE USE AND FUEL TAX COMPLIANCE

Audit Authority We conducted our audit in accordance with Codified Ordinance 218 pertaining to the County Auditor. Our audit was included in the Fiscal Year 2012-13 Internal Audit Plan as part of the work performed annually in support of the County's external audit.

Audit Background The Roads and Parks Department receives all motor vehicle use and fuel tax receipts that are remitted to Jackson County by the State of Oregon. In fiscal year 2011-12, the County received \$11,824,412 in motor vehicle use and fuel tax revenue. The General Road Fund received \$11,706,168 and reported expenditures of \$17,669,457 in programs dependent on these revenues. The County Trails Fund received the remaining \$118,244 and reported expenditures of \$209,064 on footpaths and bicycle trails.

Motor vehicle use and fuel tax revenue can only be used for the purposes stated in the Oregon Constitution Article IX, Section 3a *Use of revenue from taxes on motor vehicle use and fuel* and the statutes enacted pursuant thereto including ORS 366.514 *Use of highway fund for footpaths and bicycle trails* and ORS 366.774 *Authorized use of allocation to counties*. More specifically the funds are to be spent on the construction, reconstruction, improvement, repair, maintenance, operation and use of public highways, roads, streets and roadside rest areas. The funds may also be used for other items allowed under subsection (2) of Section 3a, such as for the cost of administration. The amount to be expended on footpaths and bicycle trails is required to never in any one fiscal year to be less than one percent of the total amount of motor vehicle use and fuel tax receipts received from the highway fund. The county in lieu of expending the funds each year may credit the funds to a financial reserve fund to be held for not more than 10 years.

Audit Objectives The objectives of our audit were to determine if:

- Roads and Parks Department internal controls were reasonably adequate to ensure compliance with the Oregon Constitution Article IX, Section 3a *Use of revenue from taxes on motor vehicle use and fuel*, ORS 366.514 *Use of highway fund for footpaths and bicycle trails* and ORS 366.774 *Authorized use of allocation to counties*; and
- Roads and Parks Department complied with the Oregon Constitution Article IX, Section 3a *Use of revenue from taxes on motor vehicle use and fuel*, ORS 366.514 *Use of highway fund for footpaths and bicycle trails* and ORS 366.774 *Authorized use of allocation to counties*.

**Scope &
Methodology**

We reviewed General Road Fund and County Trail Fund activity for FY 2011-12 pertaining to motor vehicle use and fuel tax receipts. In addition, we reviewed in detail expenditures, excluding labor costs, chargebacks, and transfers, totaling \$1,177,230 or 12% of the amount of the motor vehicle use and fuel tax revenue received in the General Road Fund. We also reviewed in detail expenditures totaling \$8,588 or 6% of the amount of the motor vehicle use and fuel tax revenue received in the County Trails Fund.

Our audit procedures included:

- Reviewing a memorandum from Roads and Parks Department showing revenue received from motor vehicle use and fuel tax receipts and the programs in which these funds were expended;
- Comparing amounts listed on the Roads and Parks' memorandum to those in the County's financial system and other supporting documentation;
- Reviewing expenditures for appropriate use of motor vehicle use and fuel tax revenue;
- Verifying that the amount of motor vehicle use and fuel tax receipts and expenditures were reasonable based on the Oregon Department of Transportation forecast;
- Discussing motor vehicle use and fuel tax revenue processes with the Roads and Parks Deputy Director;
- Verifying that the required one percent was spent on footpaths and bicycle trails or funds were reserved in accordance with ORS 366.514 *Use of highway fund for footpaths and bicycle trails*.
- Other activities as considered appropriate.

Audit Criteria

Criteria represent the laws, regulations, contracts, grant agreements, standards, measures, expected performance, defined business practices and benchmarks against which performance is compared or evaluated. Criteria identify the required or desired state or expectation with respect to the program or operation. The criteria we used for the audit consisted of the Oregon Constitution Article IX, Section 3a *Use of revenue from taxes on motor vehicle use and fuel*, ORS 366.514 *Use of highway fund for footpaths and bicycle trails* and ORS 366.774 *Authorized use of allocation to counties*.

Internal Controls

Internal controls relate to an organization’s system of controls that are designed to provide reasonable assurance of achieving effective and efficient operations, reliable financial and performance reporting, or compliance with applicable laws and regulations. Internal control comprises the plans, policies, methods, and procedures used to meet the organization’s mission, goals, and objectives. Internal control includes the processes and procedures for planning, organizing, directing, and controlling program operations, and management’s system for measuring, reporting, and monitoring program performance.

We gained an understanding of internal controls by discussing motor vehicle use and fuel tax processes with the Roads and Parks Deputy Director.

Compliance with Government Auditing Standards

We conducted this performance audit in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Privileged & Confidential Information

We did not withhold information from this report for privileged or confidentiality reasons.

Audit Results Adequacy of Internal Controls

We found that internal controls over the motor vehicle use and fuel tax process were adequate to reasonably ensure compliance with the Oregon Constitution Article IX, Section 3a *Use of revenue from taxes on motor vehicle use and fuel*, ORS 366.514 *Use of highway fund for footpaths and bicycle trails* and ORS 366.774 *Authorized use of allocation to counties*.

Compliance with Oregon Constitution and Oregon Revised Statutes

We found that the Roads and Parks Department complied with the Oregon Constitution Article IX, Section 3a *Use of revenue from taxes on motor vehicle use and fuel*, ORS 366.514 *Use of highway fund for footpaths and bicycle trails* and ORS 366.774 *Authorized use of allocation to counties*.

Recommendations

None

Management Response

The following response was received from the Roads & Parks Director:

Thank you for the opportunity to review the Motor Vehicle Use and Fuel Tax Audit. We are pleased that this audit found that internal controls over the motor vehicle use and fuel tax process were adequate to reasonably ensure compliance with the Oregon Constitution Article IX, Section 3a, Use of revenue from taxes on motor vehicle use and fuel, ORS 366.514 Use of highway fund for footpaths and bicycle trails and ORS 366.774 Authorized use of allocation to counties.

Thank you for your thorough review and support.

John Vial, Director
Roads and Parks Department
Jackson County