

AUDITOR'S REPORT

HARRIS COUNTY CONSTABLE PRECINCT 3 THREE MONTHS ENDED NOVEMBER 30, 2018



March 15, 2019

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HARRIS COUNTY AUDITOR

March 15, 2019

Constable Sherman Eagleton
Harris County Constable Precinct 3
701 West Baker Road
Baytown, Texas 77521

RE: Procedures applicable to the monthly collection reports submitted by the Office of Constable Precinct 3 for the three months ended November 30, 2018

As required by Local Government Code (LGC) §115.002 (a) and (b), the Compliance Audit Department examined the monthly collection reports submitted by the Office of Constable Precinct 3 (Office) for the three months ended November 30, 2018.

We performed procedures to determine whether:

- The monthly collection reports were submitted timely and the amounts reported were properly deposited in the County's depository.
- The numerical sequencing of computer generated and manual receipts was accounted for.
- Selectively tested receipts were properly allocated in the County's Financial Records (IFAS).
- Selectively tested proceeds from Orders of Sale were properly disbursed.
- Selectively tested invoices for services rendered to other entities were remitted timely.

The enclosed Auditor's Report presents issues identified during our procedures and recommendations developed in conjunction with your staff.

We appreciate the time and attention provided by you and your staff during our procedures.

Sincerely,

A handwritten signature in blue ink that reads "Michael Post".

Michael Post
County Auditor

cc: District Judges

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OVERVIEW

The objective of this engagement was to perform procedures in accordance with LGC §115.002 (a) and (b) which state, “(a) The county auditor shall carefully examine and report on all reports that are about the collection of money for the county and that are required to be made to the commissioners court. (b) At least once each quarter, the county auditor shall check the books and shall examine in detail the reports of the county tax assessor-collector, the county treasurer, and all other officers. The auditor shall verify the footings and the correctness of those books and reports.”

RESULTS

Based upon the procedures performed in accordance with LGC §115.002 (a) and (b), the Office complied with the County’s policies and procedures for the following items:

- The numerical sequencing of computer generated and manual receipts was accounted for.
- Selectively tested receipts were properly allocated in IFAS.
- Selectively tested proceeds from Orders of Sale were properly disbursed.
- Selectively tested invoices for services rendered to other entities were remitted timely.

However, our procedures identified the following opportunities for improvement:

- In accordance with LGC §114.001, *General Requirements Applicable to Reports*, the Office should submit their monthly reports timely, within five days after the last day of each month.
- Manual receipts should be entered into IFAS within two business days after the date on which the manual receipts were issued.
- In accordance with the County’s Accounting Procedure A.1, *Cash Handling Guidelines*, deposits should be made on or before the next regular business day after the date on which the money is received. If this deadline cannot be met, the officer or person must deposit the money, without exception, on or before the fifth business day after the day on which the money is received.

These matters are discussed in more detail within the Issues and Recommendations section of this report.

ISSUES AND RECOMMENDATIONS

Reporting Collections

Background

In accordance with LGC §114.001, *General Requirements Applicable to Reports*, monthly collection reports must be filed within five days after the last day of each month.

Issue

The Office does not have adequate controls in place to help ensure that monthly collection reports are submitted timely, within five days after the last day of each month. The collection report for the month of September 2018 was submitted twenty-six days late.

Failure to submit monthly collection reports timely, within five days after the last day of each month, is not in compliance with LGC §114.001, *General Requirements Applicable to Reports*, and could cause delays in recording financial activity in the County's Financial Records.

Recommendation

Constable management should strengthen their internal controls to help ensure monthly collection reports are submitted timely, within five days after the last day of each month, in accordance with LGC §114.001, *General Requirements Applicable to Reports*.

Management Response

We acknowledge the issue and have since made it a policy that the report must be printed within 3 days of the end of the month to ensure that it is completed prior to the fifth day of the following month.

ISSUES AND RECOMMENDATIONS

Timeliness of Recording Manual Receipts

Background

Harris County Accounting Procedure A.1, *Cash Handling Guidelines*, states, “Manually receipted transactions by departments with an internal electronic receipting system or with receipting access to the County’s financial system are to be entered into the applicable electronic system within two business days following the day the manual receipt is issued. If electronic system entry is not within two business days following the day the manual receipt is issued, the Auditor’s Office - Compliance Audit Department should be notified.”

Issue

The Office does not have adequate controls in place to help ensure that manual receipts are recorded in a timely manner. As a result, 2 of 7 (29%) manual receipts issued during the month of October 2018, totaling \$13,250.95, were not entered into IFAS within 2 business days following the day the receipts were issued.

Failure to enter manual receipts into IFAS within 2 business days following the day the receipts were issued is not in compliance with Harris County Accounting Procedure A.1, *Cash Handling Guidelines*, and could result in financial misstatements to the County.

Recommendation

Constable management should implement and/or enhance internal controls to help ensure manual receipts are entered into IFAS within 2 business days following the day the receipts are issued, in accordance with Harris County Accounting Procedure A.1, *Cash Handling Guidelines*.

Management Response

We acknowledge the issue and have implemented a revised receipting process that assures manual receipts are completed within the 2-day period.

ISSUES AND RECOMMENDATIONS

Timeliness of Deposits

Background

Pursuant to the County's Accounting Procedure A.1, *Cash Handling Guidelines*, "A county officer or other person who receives money shall deposit the money with the county treasurer on or before the next regular business day after the date on which the money is received. If this deadline cannot be met, the officer or person must deposit the money, without exception, on or before the fifth business day after the day on which the money is received."

Issue

The Office did not have procedures in place to help ensure collections are deposited timely when the primary depositor is unavailable. As a result, 3 of 15 deposits (20%), totaling \$18,874.47, made during the month of October 2018 were held from 9 to 16 business days before being deposited in the County depository. Deposits from collections for 38 receipts received from October 12 to 18, 2018, were not deposited with the County Treasurer until October 31, 2018. This is not in compliance with the County's Accounting Procedure A.1, *Cash Handling Guidelines*.

Cash collections which are not deposited with the County depository timely could increase the risk for misappropriation of collections.

Recommendation

Constable management should reinforce the controls designed to help ensure deposits are made timely by designating backup personnel when the primary depositor is unavailable.

Management Response

We acknowledge this issue and have implemented corrective measures that comply with Harris County procedures that include a designated backup person with access to the deposits in the absence of the assigned employee.