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MICHAEL POST, C.P.A., M.B.A.
HARRIS COUNTY AUDITOR

March 25, 2022

Dear Constable Sherman Eagleton, Harris County Constable Precinct 3:

The Harris County Auditor's Office - Compliance Audit has completed an audit of the monthly collection reports submitted by Harris County Constable Precinct 3 for the three months ended November 30, 2021. The results of our audit are included in the attached report.

We appreciate the time and attention provided by you and your staff during this engagement. If you have any questions, please contact me or Errika Perkins, Chief Assistant County Auditor, at 713-274-5673.

Sincerely,

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

Michael Post
County Auditor

Report Copies:

District Judges
County Judge Lina Hidalgo
Commissioners:
R. Jack Cagle
Rodney Ellis
Adrian Garcia
Tom Ramsey
Christian Menefee

AUDIT REPORT
QUARTERLY REVIEW OF MONTHLY COLLECTION REPORTS
CONSTABLE PRECINCT 3
MARCH 25, 2022

Executive Summary

OVERALL CONCLUSION

Based on the procedures performed, monthly collection reports were submitted timely and receipts were sequenced properly and recorded into the Harris County (County) Financial System. However, the controls for ensuring that all funds collected were deposited timely did not operate as intended. The issue was discussed with the Constable Precinct 3 (Constable's Office) Chief Clerk, and a management action plan has been developed that will address the issue identified by April 30, 2022.

SCOPE AND OBJECTIVE

As required by Local Government Code (LGC) §115.002 (a) and (b), Compliance Audit examined the monthly collection reports and related records submitted by the Constable's Office for the three months ended November 30, 2021. The objectives of this engagement were to determine whether:

- The monthly collection reports were submitted timely and the amounts reported were properly recorded in the County's depository;
- The numerical sequencing of receipts was accounted for; and
- Receipts were properly allocated in the County's Financial System.

SUMMARY OF AUDIT ISSUES

- Funds collected were not deposited timely.

The issue, management's action plan to address the issue, and background information regarding this audit are discussed in more detail on the following pages. The audit issue is ranked based on the likelihood and impact of the risk to the County's departments.

AUDIT ISSUE

ISSUE #1: Funds collected were not deposited timely [High]

What is the Issue: Funds collected on September 7, 2021, totaling \$484,900, were not deposited into the County's depository until November 17, 2021, 51 business days after receipt. The deposit, consisting of all checks, was kept in a locked drawer and was not identified as missing until the Compliance Auditors inquired about it. After the missing deposit was brought to the attention of the Constable's Office, all funds were immediately deposited.

Why it Happened: Constable's Office personnel did not perform procedures to ensure that total receipts issued reconciled to the amounts deposited in the County's depository.

Why it Matters: Failure to deposit funds timely could result in the misappropriation of funds and misstatement of financial records.

What is Expected: In accordance with LGC §113.022, all funds received should be deposited by the next business day. If this deadline cannot be met, the department must deposit the funds on or before the fifth business day after the day the funds were received.

What Action(s) are Suggested: The Constable's Office should implement an internal procedure to reconcile funds collected to the amounts deposited to verify that all funds are deposited within five business days of receipt. An employee other than the one responsible for depositing the funds should perform these reconciliations. Documentation of the reconciliation should include a physical or electronic signature of the reviewer.

MANAGEMENT'S ACTION PLAN

Responsible Party: Jill Harrison, Chief Clerk

Constable Precinct 3 acknowledges the findings of this audit report and has since implemented an additional internal control to ensure timeliness of deposits. We have implemented the action suggested by the Auditor's Office by creating an internal reconciliation and deposit form that will be completed by an employee not responsible for depositing funds. This action was implemented on February 16, 2022.

Due Date: April 30, 2022

BACKGROUND

Pursuant to LGC §86.021, a Constable shall execute and return as provided by law each process, warrant, and precept that is directed to the Constable and delivered by a lawful officer. The Constable is authorized to perform an act or service, including the service of civil or criminal process, citation, notice, warrant, subpoena, or writ anywhere throughout the County. In addition, the Constable works in collaboration with collection attorneys and the County's Tax Assessor-Collector to conduct sales of properties with delinquent taxes.

The Constable collects fees for performing the various services. All collections must be detailed on the monthly collection reports, which are due on or before the fifth day of the subsequent month. Additionally, these collections must be deposited into the County's depository within five business days of receipt.

ACCOUNTABILITY

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing (Standards). The Standards require that we comply with the Code of Ethics and obtain reasonable assurance that significant risks to the activity are minimized to an acceptable level.

The engagement's scope did not include a detailed inspection of all transactions. There is a risk that fraud or errors were not detected during this engagement. Therefore, the official retains the responsibility for the accuracy and completeness of their financial records and for ensuring sufficient controls are in place to detect and prevent fraud, errors, or omissions.