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

January 14, 2022

Dear Sheriff Gonzalez, Harris County Sheriff's Office:

The Harris County Auditor's Office - Compliance Audit Department (Compliance Audit Department) has completed an audit of the monthly collection reports submitted by the Harris County Sheriff's Office (Sheriff's Office) for the six months ended August 31, 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, at 713-274-5673.

Sincerely,

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

Michael Post
County Auditor

Attachment

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
SHERIFF'S OFFICE
JANUARY 14, 2022

Executive Summary

OVERALL CONCLUSION

Based on the procedures performed, monthly collections were deposited timely, receipts were sequenced properly and recorded into the Harris County (County) Financial System, and voided receipts were properly approved. However, the controls for ensuring that the monthly collection reports were submitted accurately were not operating as intended. The issue was discussed with the Sheriff's Office Director of Finance, and a management action plan has been developed which will address the issue identified by February 28, 2022.

SCOPE AND OBJECTIVE

As required by Local Government Code (LGC) §115.002 (a) and (b), the Compliance Audit Department examined the monthly collection reports and related records submitted by the Sheriff's Office for the six months ended August 31, 2021. The objectives of this engagement were to determine whether:

- The monthly collection reports were submitted timely and accurately.
- The amounts reported on the monthly collection reports were deposited in the County's depository.
- The numerical sequencing of receipts was accounted for.
- Receipts were properly recorded into the County's Financial System.
- Voided receipts were properly approved and accounted for.

SUMMARY OF AUDIT ISSUES

- Monthly collection reports were not submitted accurately.

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.

AUDIT ISSUE

ISSUE #1: MONTHLY COLLECTION REPORTS WERE NOT SUBMITTED ACCUATELY [MEDIUM] – REPEAT ISSUE

What is the Issue: The Sheriff's Office did not include all funds collected and deposited into the County's depository on its monthly collection reports for July and August 2021. As a result, the monthly collection reports were understated by \$21,788 and \$42,241, respectively. Although the monthly collection reports were not accurate, the funds were deposited timely.

Why it Happened: The Sheriff's Office did not follow its internal review processes to ensure monthly collection logs and receipt detail included all funds collected and receipted by its various divisions. The information submitted by the various divisions is used to compile the Sheriff's Office monthly collection reports.

Why it Matters: Failure to ensure the monthly collection reports include all funds received and deposited into the County's depository could result in financial misstatements.

What is Expected: In accordance with LGC §114.001, *General Requirements Applicable to Reports*, departments must submit a monthly collections report within five days after the last day of each month. The elected official must sign the monthly collections report and attest that it is complete and accurate.

What Action(s) are Suggested: The Sheriff's Office should strengthen its internal review processes to include a second level review of the monthly collection logs within the various divisions to ensure the logs include all funds collected and deposited. Documentation of the second level review should include a physical or electronic signature of the reviewer. The Sheriff's Office should use the reviewed monthly collection logs to ensure the submitted information is accurate before compiling the monthly collection reports.

MANAGEMENT'S ACTION PLAN

Responsible Party: Michael Lanham, Director of Finance

After meeting with the auditors regarding this audit, we discovered that we were not utilizing the correct reports to help us identify potential discrepancies between funds collected and funds reported. In fact, the report that is available to us does not contain all of the necessary activity for us to reconcile the two. For example, the Alarm Detail Division was not included in the available report. Going forward, we will use both the Bolt On report and the monthly collection reports generated by STARS to ensure our book activity is reconciled to our cash collections report.

There has always been a second level review of the monthly collections report. However, since we were using the wrong reports during our internal review (due to lack of training during STARS implementation), we did not detect all of the errors. We have implemented the updated reports in our review process and have made necessary adjustments to prior reports. Starting with December 2021, we will utilize the reports needed to assist us with our review.

Due Date: February 28, 2022

BACKGROUND

Harris County Accounting Procedure F.1-2-3, *Reporting Collections*, states, “Each County official/department that has collections is required to furnish a monthly report of those collections and other requested supporting documentation to the County Auditor’s Office - Compliance Audit Department for review.” Collections for the Sheriff’s Office include bail bonds and surety bonds, criminal fines and fees, charges for copies of public records and patrol contracts, impound fees (animals), and permits (alarm, sexually oriented businesses, game rooms, and towing and storage).

Multiple receipting systems are used for these collections. Receipts for bail and surety bonds as well as receipts for copies of public records and patrol contracts are issued directly from the County’s Financial System. Criminal fines and fees are receipted using the County’s JWEB system, which is a countywide Justice Information Management System. Receipts issued from JWEB are recapped and manually entered in the County’s Financial System. Impound fees and permits are receipted using manual receipts and are submitted to the Treasurer’s Office for deposit and for posting in the County’s Financial System. Alarm permits are receipted using the Cry Wolf system. This system automatically interfaces the receipt data with the County’s Financial System.

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.