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

June 4, 2021

Sheriff Ed Gonzalez
Harris County Sheriff's Office

Dear Sheriff Gonzalez:

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 (Office) for the six months ended November 30, 2020. 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

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

AUDIT REPORT
QUARTERLY REVIEWS OF MONTHLY COLLECTION REPORTS
SHERIFF'S OFFICE
JUNE 4, 2021

Executive Summary

OVERALL CONCLUSION

Based on the procedures performed, monthly collections were deposited timely and accurately, receipts were sequenced properly and recorded into the County's Financial System, and voided receipts were properly approved. However, the controls for ensuring that monthly collection reports were submitted accurately were not operating as intended. The issue was discussed with Michael Lanham, the Office's Director of Finance, and a management action plan has been developed, which will address the issue identified by June 30, 2021.

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 Office for the six months ended November 30, 2020. 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.

AUDIT ISSUE

ISSUE #1: MONTHLY COLLECTION REPORTS WERE NOT SUBMITTED ACCURATELY

What is the Issue: The Office did not include all funds received on its monthly collection reports. As a result, the monthly collection reports for the six months ended November 30, 2020, were understated by \$121,712. However, the funds were deposited timely.

Why it Happened: The Office does not have an internal process in place to ensure that all divisions within the Office submit their monthly receipts to the Office's Accounting Department within five days after the last day of each month for the Office to generate its monthly collections report.

Why it Matters: Failure to ensure the monthly collection reports include all funds received could result in financial misstatements for the County.

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 Office should implement an internal process to have each division submit its collections to the Accounting Department within two days after the end of each month to help ensure they are included in the monthly collections report. The Office should require all divisions to prepare a monthly collections log; and submit that log along with copies of the corresponding receipts to the Accounting Department to help ensure the Office's monthly collections report is accurately stated.

MANAGEMENT'S ACTION PLAN

Responsible Party: Michael Lanham, Director of Finance

All departments are currently required to send their respective receipts in after the close of every month but we will strengthen internal controls to ensure that all activity is captured. We will work with the end users to develop a log that will be submitted along with their receipts to confirm the accuracy of each department

Due Date: June 30, 2021

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 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

The work performed required our staff to exercise professional judgment in completing the engagement’s objectives. As the engagement’s scope did not include a detailed inspection of all expenses or collections, there is a risk that fraud, errors, or omissions were not detected during this engagement. The official therefore, 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.