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

October 30, 2020

Sheriff Ed Gonzalez
Harris County Sheriff's Office
1200 Baker Street
Houston, Texas 77002

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 three months ended February 29, 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

Attachment

cc: District Judges
County Judge Lina Hidalgo
Commissioners:
R. Jack Cagle
Rodney Ellis
Adrian Garcia
Steve Radack
Vince Ryan

AUDIT REPORT
QUARTERLY REVIEW OF MONTHLY COLLECTION REPORTS
SHERIFF'S OFFICE
OCTOBER 30, 2020

Executive Summary

OVERALL CONCLUSION

Based on the procedures performed, monthly collections were deposited properly, numerical sequencing of receipts was accounted for, and voided receipts were properly approved. However, the monitoring controls for preparing and submitting monthly collection reports and for entering internal receipts into the County's Financial System were not operating as intended. These issues were discussed with the Office's Director of Finance and management action plans have been developed, which will address the issues identified by October 31, 2020.

SCOPE AND OBJECTIVE

As required by Local Government Code (LGC) §115.002 (a) and (b), the Compliance Audit Department examined the monthly collections reports and related records submitted by the Office for the three months ended February 29, 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 properly deposited into 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.
- Receipts from an internal receipting system were not recorded into the County's Financial System in a timely manner.

These issues, management's action plans to address the issues, and background information regarding this audit are discussed in more detail on the following pages.

AUDIT ISSUES

ISSUE #1: MONTHLY COLLECTION REPORTS WERE NOT SUBMITTED ACCURATELY

What is the Issue: Monthly collection reports for the three months ended February 29, 2020, were understated by \$26,480 as a result of excluding collections on their internal reports. The funds were deposited timely; however, they were not receipted into the County's financial system timely. A preliminary review of Fiscal Year 2021 Quarter 1 and Quarter 2 monthly collection reports indicated that the reports submitted have a similar issue.

What is Expected: LGC §114.001 (a) states "Each report required under this subtitle must be made in writing and must be sworn to before an officer authorized to administer oaths by the officer making the report or by a person designated by the officer to receive fees, commissions, or costs." The statement on the report that is being sworn to states "I, the undersigned officer (or designee), being first duly sworn, hereby certify that the attached Auditor authorized monthly report(s) of revenues collected inclusive constitutes a true and correct statement of all County revenue, funds, fees, and all other monies collected by me during the period covered by this report."

Why it Matters: Failure to ensure the monthly collection reports are accurate could result in financial misstatements and/or financial loss to the County.

Why it Happened: Due to inadequate training and a lack of necessary system access rights to generate collection reports, the Office's reports were not submitted accurately.

What Action(s) are Suggested: Office Management (Management) should ensure Office personnel have adequate training related to preparation of monthly collection reports. In addition, appropriate system access rights should be granted to Office personnel responsible for preparing monthly collection reports to help ensure all collections are included on the Office's monthly reports.

MANAGEMENT'S ACTION PLAN

Responsible Party: Michael Lanham, Director of Finance

We agree that deposits should be made accurately in order to limit the potential for financial misstatement. Upon receiving notification of an impending retirement we cross trained another individual to complete this monthly task. After the handover we realized the training the new person received was inadequate.

The employee received additional training to be able to complete this task in accordance with the Local Government Code. We have since backfilled the role of the retired employee and now have two adequately trained individuals.

All discrepancies are being researched and correcting entries will be submitted to Revenue Accounting once identified.

Due Date: November 13, 2020

AUDIT ISSUES

ISSUE #2: RECEIPTS WERE NOT ENTERED IN A TIMELY MANNER

What is the Issue: Thirteen receipts from the Justice Information Management System (JWEB) internal receipting system for the three months ending February 29, 2020, totaling \$6,846, were not recorded into the County's financial system for 4 to 48 business days from the dates they were receipted. Additionally, a preliminary review of Fiscal Year 2021 Quarter 1 monthly collection reports indicates a similar issue.

What is Expected: Departments issuing receipts from internal receipting systems create cash receipts on Auditor's Office approved receipt forms and input these internally generated receipts into the County's financial system. To ensure all collections are recorded in the County's financial system timely, the County's accounting procedures recommend that internally generated receipts should be entered into the County's financial system on the same business day.

Why it Matters: Failure to record receipts timely could result in financial misstatements, the misappropriation of funds, and/or financial loss to the County.

Why it Happened: Due to a lack of adequate training for Office personnel, the receipts were not entered timely.

What Action(s) are Suggested: Management should ensure Office personnel receive adequate training regarding the timely recording of receipts. In addition, Management should enhance the supervision of personnel responsible for recording receipts in the County's financial system.

MANAGEMENT'S ACTION PLAN

Responsible Party: Michael Lanham, Director of Finance

We agree that deposits should be recorded timely in order to limit the potential for financial misstatement. SB346 legislatively mandated revision of certain criminal court costs and other court related costs, fines, and fees. Due to the changes required by this bill and the subsequent impact on reporting we did not have access to the reports to perform the receipts in the system of record.

Universal Services has since corrected the reporting issues and all receipts are now being entered in accordance with County Policy F.1-1-2.

Due Date: November 13, 2020

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.