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

June 19, 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 has completed an audit of the monthly collection reports submitted by the Harris County Sheriff's Office (Sheriff's Office) for the three months ended November 30, 2019. 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
JUNE 19, 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 Director of Finance and management action plans have been developed which will address the issues identified by May 31, 2020.

SCOPE AND OBJECTIVE

As required by Local Government Code (LGC) §115.002 (a) and (b), the Compliance Audit Department of the Harris County Auditor's Office audited the books and examined the monthly collection reports submitted by the Sheriff's Office for the three months ended November 30, 2019. The objectives of this engagement were to determine whether:

- The monthly collection reports were submitted timely and the amounts reported 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 timely and 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 TIMELY AND ACCURATELY

What is the Issue: Monthly collection reports were not in compliance with the requirements of the Local Government Code. The following exceptions were noted for the Sheriff's Office monthly collection reports:

- The September 2019 Monthly Collections Report was not notarized.
- The October 2019 Monthly Collections Report was inaccurate, as it excluded collections from the Alarm Detail Division.
- The November 2019 Monthly Collections Report was not signed and notarized until January 3, 2020.

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." In addition, LGC §114.001 (b) states "A monthly report must be filed within five days after the last day of each month."

Why it Matters: Failure to submit monthly collection reports timely, within five days after the last day of each month, could cause delays in reporting financial activity in the County's Financial System. In addition, failure to ensure the reports are accurate and complete could result in financial misstatements.

Why it Happened: The Sheriff's Office experienced turnover in key accounting positions. Due to a lack of adequately trained backup personnel, the monthly collection reports were not submitted timely and accurately.

What Action(s) are Suggested: Management should ensure adequately trained backup personnel are available for all key accounting positions.

MANAGEMENT'S ACTION PLAN

Responsible Party: Michael Lanham

We agree that it is important to have adequately trained backup personnel. 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 not adequate. 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.

Due Date: July 10, 2020

AUDIT ISSUES

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

What is the Issue: Fourteen receipts from the Sheriff's Office's internal receipting system for the months of September 2019 through November 2019, totaling \$10,327, were not recorded into the County's Financial System for 59 to 106 business days from the dates they were received.

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, Harris County Accounting Procedure F.1-1-2, *Cash Receipts Recapping to IFAS*, recommends 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.

Why it Happened: The Sheriff's Office experienced turnover in key accounting positions. Due to a lack of adequately trained backup personnel, the receipt were not entered timely.

What Action(s) are Suggested: Management should ensure adequately trained backup personnel are available for all key accounting positions.

MANAGEMENT'S ACTION PLAN

Responsible Party: Michael Lanham

We agree that deposits should be recorded timely in order to limit the potential for financial misstatement. After an employee retired we discovered that they were performing a task that should have been done by an end user. We experienced difficulties in processing the receipts because the end user and new reconciler were not trained on this task because they weren't aware of it. When it was discovered we ran into complications due to the implementation of the State of Texas Senate Bill 346.

SB346 legislatively mandates 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. Universal Services corrected the reporting issues in early February of 2020, once fixed we were able to enter the receipts. All receipts are now being entered in accordance with County Policy F.1-1-2

Due Date: July 10, 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.”

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.