

AUDITOR'S REPORT

INTERIM CSCD DIRECTOR HELEN HARBERTS CLOSEOUT PROCEDURES



June 35, 2014

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BARBARA J. SCHOTT, C.P.A.
HARRIS COUNTY AUDITOR

June 35, 2014

Ms. Teresa May
Director
Community Supervision & Corrections Department
49 San Jacinto
Houston, Texas 77002

RE: Interim CSCD Director Helen Harberts Closeout Procedures as of February 17, 2013.

With the resignation of Interim CSCD Director Helen Harberts, the Audit Services and Compliance Audit Departments performed closeout procedures of the Community Supervision & Corrections Department (the Office). Although you were not the office holder during the period of our procedures, we are addressing this Auditor's Report to you as the current office holder. Our procedures included the following:

- Verified the cash in the Office reconciled to the imprest balance, and the balance was accurately recorded on the County's financial records.
- Verified the collections on hand reconciled to County receipts, financial reports generated by the Office and a validated bank deposit slip or Treasurer's Receipt.
- Reviewed the custodial bank accounts and claimant restitution account balances to determine whether they were accurately stated, account activity was accurately recorded in the County's financial records, bank reconciliations were timely and accurately prepared, and reconciling items were timely resolved.
- On a test basis, verified controlled and capital assets existed and were accurately recorded in the County's property and equipment inventory records.

The engagement process included providing you with a combined engagement/scope letter and conducting an entrance and exit conference with your personnel. The purpose of the letter and conferences was to explain the process, identify areas of concern, describe the procedures to be performed, discuss issues identified during the engagement, and solicit suggestions for resolving the issues. A draft report was provided to you and your personnel for review.

Ms. Teresa May
Director

The enclosed Auditor's Report presents the significant issues identified during our procedures, recommendations developed in conjunction with your staff, and any actions you have taken to implement the recommendations. Less significant issues and recommendations have been verbally communicated to your staff.

We appreciate the time and attention provided by you and your staff during this engagement.

Sincerely,



Barbara J. Schott
County Auditor

cc: District Judges
County Judge Ed Emmett
Commissioners:
R. Jack Cagle
El Franco Lee
Jack Morman
Steve Radack
Devon Anderson
Vince Ryan
William J. Jackson

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Subject	Background	Issue	Recommendation	Management Response
Annual Inventory	<p>County Accounting Procedures Manual A.1-1, “<i>Property Handling Guidelines</i>”, Section 14 requires each department to perform annual inventory verification for County Capital Assets in accordance with the County Purchasing Agent Rules and Procedures. Discrepancies should be documented, investigated, and reconciled.</p> <p>County Purchasing Agent Rules and Procedures, section 11.2.2(a) County Inventory Procedures, requires that no later than May 1 of each year, every department and elected office is required to submit to Purchasing Services a completed Inventory Completion Statement (County Auditor's Form 3368).</p>	<p>CSCD management did not complete the 2012 or 2013 annual inventory form 3368. The most recent form submitted to Purchasing was dated August 2011.</p> <p>Not performing and documenting the annual inventory can result in financial loss by not safeguarding County property.</p>	<p>Management needs to increase supervision of this process to ensure the Department completes, signs, and submits form 3368 to the Purchasing Agent’s Office by May 1 of each year to support that the annual inventory was performed, and to be compliant with the requirements of the Accounting Procedure and the Purchasing Agent Rules and Procedures.</p>	<p>We agree. The inventory review was done but we are unable to locate a copy of form 3368. In the future, we will make sure to retain copies of from 3368 on file.</p>

ISSUES AND RECOMMENDATIONS

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Collections Theft	<p>County Accounting Procedures Manual A.1, “Cash Handling Guidelines” requires that if a theft is suspected or discovered, the following individuals should be contacted:</p> <ul style="list-style-type: none"> • County Auditor-Chief Assistant-Audit Division • District Attorney-Public Integrity Division <p>Budget Management Department-Risk Management-Assistant Director-Claims</p>	<p>CSCD Management did not notify the County Auditor, Chief Assistant of the Audit Division as required by County Procedures when a probation office employee was suspected and subsequently arrested for theft of funds at the Eastex Freeway location.</p> <p>The theft occurred from January 2013 through February 2013, totaling approximately \$7,000.</p> <p>In addition, this was the second occurrence whereby the Auditor’s Office was not notified. A theft occurred during October 2008, which was reported by CSCD to the District Attorney’s Office, but not to the County Auditor’s Office, Chief Assistant of the Audit Division.</p>	<p>Management should review the requirements of Accounting Procedure Manual A.1 and review their internal process for reporting suspected or discovered theft to establish a method that alerts the appropriate departments to be compliant with County procedures. Management should also plan and initiate a sustained awareness and training program to ensure that this policy is met.</p>	<p>Due to an oversight, the theft was not communicated to all the appropriate departments on a timely basis. We agree with the recommendation and will broaden the reporting responsibility to ensure that such events will, in the future, be timely communicated to all appropriate departments.</p>

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Unreceipted Funds	County Accounting Procedures Manual A.1, “Cash Handling Guidelines” requires that at least three copies of the receipt should be generated; one for the payer, one for the clerk, and one for the Auditor.	Three payments (money orders) received at the West Region office were not receipted as required by Accounting Procedure A.1. Failure to issue a receipt at the time of collection increases the risk that funds could be lost, inappropriately used, or result in a financial loss to the County.	Management should review the requirements of Accounting Procedure Manual A.1 and review their internal process for receipting funds to establish a method that ensures all items received are receipted timely and in compliance with County policy.	Our internal policy requires that receipts be issued, as well. The person responsible has since resigned. We agree with the recommendation to review our internal process to establish a method that ensures timely receipts.
Timely Deposits - West Region	County Accounting Procedures Manual A.1, “Cash Handling Guidelines” requires, for internal control purposes, that deposits should be made on a daily basis if average weekly deposits total \$5,000 or more. If this deadline cannot be met, the officer or person must deposit the money, without exception, on or before the fifth business day after the day on which	Approximately 92% of the money orders received (342 money orders out of 370) by CSCD’s West Region office between November 18, 2013 and November 26, 2013 were not deposited within the 5 day period as required by Accounting Procedure A.1. The review of 370 money orders totaling \$54,520.22 identified that 342 money orders totaling \$45,053 were not deposited timely.	Management should review the requirements of Accounting Procedure Manual A.1, increase their supervision of the deposit process, and enforce the 5 day requirement to be compliant with County policy.	This situation was the result of high payment volume coupled with staffing issues. To ensure this does not happen again we have done the following: 1) to address the volume issue, we have added a cashier to the downtown business office to post all online credit card payments, thus relieving the region cashiers from this responsibility (effective date 4/16/2014). 2) We have instituted a process (effective date 3/5/2014) where regions

ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
(Continued) Timely Deposits West Region	the money is received. - The CSCD West Region office collects more than \$5,000 a week on average.	Failure to perform daily deposits increases the risk that funds could be lost, inappropriately used, or result in a financial loss to the County.		notify the Field Services Manager in all situations where they fall behind by two days to ensure help is provided.
Manual Receipts West Region	County Accounting Procedures Manual A.1, " <i>Cash Handling Guidelines</i> " requires manually receipted transactions by departments with an internal electronic receipting system are to be entered into the applicable electronic system within two business days following the day the manual receipt is issued.	Approximately 99% (336 out of 337) of the manual receipts reviewed were not entered into the department's information management system within two business days as required by County procedure. In addition, two of the manual receipts were not entered until the 22nd business day. Failure to enter manually receipted transactions into the department's electronic system timely could result in incorrect probationer account balances.	Management should increase supervision over the manual receipt entry process and enforce the requirements of Accounting Procedure Manual A.1 to be compliant with County policy.	Our internal policy requires posting by the next business day. This situation was the result of high payment volume coupled with staffing issues. To ensure this does not happen again we have done the following: 1) to address the volume issue, we have added a cashier to the downtown business office to post all online credit card payments, thus relieving the region cashiers from this responsibility (effective date 4/16/2014). 2) We have instituted a process (effective date 3/5/2014) where regions notify the Field Services Manager in all situations where they fall behind by two days to ensure help is provided.

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Mail Deposit Log	<p>County Accounting Procedures Manual A.1, “<i>Cash Handling Guidelines</i>” requires that all payments received by mail should be logged and immediately stamped “For Deposit Only” with the appropriate organization name, organization number, and location number before being distributed for processing to other clerks.</p> <p>A supervisor should reconcile all checks deposited against the log listing payments.</p>	<p>The South Region office and the Downtown Region office did not use a log to record payments received by mail as required by Accounting Procedures A.1. Failure to utilize the required log could compromise the agency’s ability to verify that all payments received are properly recorded.</p>	<p>Management should review the requirements of Accounting Procedure Manual A.1 and implement a process to ensure all payments received by mail are recorded in a log to be compliant with County procedure.</p>	<p>While compensating controls are in place to ensure that all payments received are properly recorded (i.e. clients expect to get receipts during their office visits), logs do provide additional assurance. Accordingly, we will implement a process where the person opening the mail makes a copy of all mailed in payments (this is better and more efficient than a log because it eliminates log errors and accomplishes the same things that a log would). The copies are turned in to the cashier supervisor to ensure proper posting of such payment. This process has been piloted in the business office effective 4/30/2014 and is working well. Mailed in payments are small in volume. Less than 10% of our payments come through the mail.</p>

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Payment Receipt	<p>CSCD probation officers receive payments (money orders) from probationers. Probation officers complete payment receipts, which are used by the office staff in correctly updating the appropriate probationer's account.</p> <p>Probationers submit multiple payments simultaneously on a regular basis. The probation officer is required to complete individual payment receipts for each payment, and attach the receipts to the money order for processing by the office staff.</p>	<p>One payment was recorded to the wrong probationer's account. A probationer made a payment consisting of two money orders for \$67 each on 11/19/2013. One money order was correctly recorded to the probationer's account; however, the second money order was recorded to an incorrect account.</p> <p>The error was identified during our procedures and was subsequently corrected with the exception of an overcharged transaction fee of \$2.</p> <p>Incorrectly recorded payments could result in erroneous balances in probationer's accounts.</p>	<p>Management should review their internal process for processing and recording probationer payments and design a control to establish a method that ensures payments are properly received and recorded correctly.</p>	<p>Currently we process approximately 1,400 payments per day and occasionally posting errors will occur. The cashiers have been trained/instructed to verify all payment postings to make sure they have been correctly entered in the fee system. Additionally, clients also help ensure correct postings because they are given system generated receipts which show the client's name, SPN, Case number, date and amount posted. However, as recommended, we will review our process to see what else can be done to improve our posting process within reasonable cost constraints.</p>
Timely Deposits - South Region	<p>Texas Local Government Code §113.022(a) requires that a county officer or other person who receives money shall deposit the</p>	<p>Thirteen manually receipted money orders were not deposited with the bank by the fifth business day after receipt as required by Local</p>	<p>Management should establish a process to track payments that require further investigation, while ensuring the money is</p>	<p>We will review our process for handling money orders with incomplete or missing information. One option would be to: 1) Establish an</p>

ISSUES AND RECOMMENDATIONS

Subject	Background	Issue	Recommendation	Management Response
<p>(Continued) Timely Deposits - South Region</p>	<p>money with the county treasurer on or before the next regular business day after the date on which the money is received.</p> <p>If this deadline cannot be met, the officer or person must deposit the money, without exception, on or before the fifth business day after the day on which the money is received.</p>	<p>Government Code:</p> <ul style="list-style-type: none"> • Four checks totaling \$506 were deposited 8 days after receipt. • Nine checks totaling \$2,049 were deposited 9 days after receipt. <p>Management informed us that certain payments were received in the mail that contained incorrect or ineligible information, or were missing information needed to process the payments. The additional processing time required to correct these issues prevented CSCD staff from meeting the Local Government Code requirement in some cases.</p>	<p>deposited within the 5 day requirement to be compliant with the statute.</p>	<p>account in the fee system to post these payments to. 2) Make a copy of the money order for research purposes. 3) Reclassify the posting once the research is completed and all required information is obtained.</p>