

AUDITOR'S REPORT

SHERIFF'S OFFICE BANK ACCOUNTS, PETTY CASH, AND CHANGE FUNDS FOR THE 12 MONTH PERIOD ENDED JUNE 30, 2014



September 11, 2015

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HARRIS COUNTY AUDITOR

September 11, 2015

Sheriff Ron Hickman
Harris County Sheriff's Office
1200 Baker Street
Houston, Texas 77002

RE: Sheriff's Office Bank Accounts, Petty Cash, and Change Funds for the 12 Month period ended June 30, 2014

Although you were not the office holder during the period of our procedures, we are addressing this audit report to you as the current office holder.

The Audit Services Department performed procedures relative to the Sheriff's Office Bank Accounts, Petty Cash, and Change Funds. The objective of the engagement was to evaluate compliance with the County's Accounting Procedures.

Our procedures included the following:

- Selectively tested whether the Sheriff's Office bank accounts, petty cash, and change funds were in compliance with the County's Accounting Procedures.
- Selectively tested whether the Sheriff's Office change funds and petty cash funds reconciled to their respective imprest balance and whether the petty cash balances were accurately recorded in the County's Integrated Financial and Administrative Solution (IFAS) system.
- Selectively tested whether disbursements from the Sheriff's Office bank accounts and petty cash funds were in compliance with the purpose of the accounts/funds as approved by Commissioners Court.
- Selectively tested whether disbursements from the Sheriff's Office bank accounts and petty cash funds were properly authorized, appropriately supported, accurately recorded in IFAS, and were reconciled on a frequent basis as required by the County's Accounting Procedures.
- Determined whether the funds utilized to replenish the Sheriff's Office petty cash funds were appropriate based on the petty cash fund type.
- Determined whether previously reported recommendations related to bank accounts, petty cash, and change funds were implemented.

Sheriff Ron Hickman
Harris County Sheriff's Office

The engagement process included providing you with engagement and scope letters and conducting an entrance and exit conference with your personnel. The purpose of the letters 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.

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

TABLE OF CONTENTS

OVERVIEW	4
RESULTS	5
ISSUES AND RECOMMENDATIONS	6
Policies and Procedures	6
Segregation of Duties	7
Travel Bank Account Petty Cash Fund.....	8
IFAS Reconciliation	11
Petty Cash Funds.....	13
Operation of Petty Cash Funds.....	15
Safeguarding Assets	17
Petty Cash Reimbursements	18
Change of Custodians	20
Petty Cash Replenishment Checks	22
Expenditure Authorizations	24
Bank Account Signatories	25
Bank Account Form Submittals.....	27
Voided Checks	28
RISK ASSESSMENT AND SUMMARY OF RECOMMENDATIONS.....	29

OVERVIEW

The County Sheriff's Office (Sheriff's Office) is the largest sheriff's office in Texas and the third largest in the United States with more than 4,000 employees who aid in providing safety to approximately 4.4 million residents in the County. The Sheriff's Office is the primary law enforcement agency in the County for people living in the unincorporated areas. Unincorporated areas are defined as areas that are not governed by their own local municipal corporation, but rather as part of a larger administrative division, such as a township, parish, borough, county, city, canton, state, or province.

The Sheriff's Office has fully empowered peace officers with county-wide jurisdiction and, thus, may legally exercise their authority in unincorporated and incorporated areas of the County, but it primarily provides law enforcement services for only the unincorporated areas of the county. The Sheriff's Office also has state-wide warrantless arrest powers for any criminal offense (except certain traffic offenses) committed within their presence or view. They also may make arrests with a warrant anywhere in the state.

The jurisdiction of the Sheriff's Office often overlaps with several other law enforcement agencies. Among them are the Texas Department of Public Safety Highway Patrol, the eight County Constable Precincts, and several municipal police agencies including the City of Houston Police Department. The duties of the Sheriff's Office generally include keeping the County jail, providing bailiffs for the County and district courts, serving warrants issued by said courts, and providing general law enforcement services to residents.

To aid the Sheriff's Office in performing their duties, they have a total of 10 bank accounts and 8 petty cash funds in the scope of this engagement, which include accounts for travel, criminal investigations, prisoner transfers, and seized/forfeited assets.

RESULTS

Based on the procedures performed covering the Sheriff's Office's bank accounts and petty cash funds for the 12 Month period ended June 30, 2014, the Sheriff's Office is not in compliance with certain County Accounting Procedures and/or state statutes as explained in the body of the report. As a result, controls governing the Sheriff's Office's bank accounts and petty cash funds need improvement.

Specifically, the following was noted:

- The Sheriff's Office's bank accounts and petty cash funds were not in compliance with the County's Accounting Procedures. The specific areas of noncompliance with the County's Accounting Procedures are explained within the Issues and Recommendations Section of the report.
- The Sheriff's Office's petty cash funds did not reconcile to their respective imprest balance, and the petty cash balances were not accurately recorded in IFAS. The Sheriff's Office did not have any change funds, so procedures regarding change funds was not applicable.
- The Sheriff's Office does not have sufficient controls in place to ensure expenditures from the Travel Bank Account Petty Cash Fund are in accordance with the purpose of the fund as approved by Commissioner's Court.
- It appears the Sheriff's office is not submitting petty cash reimbursements for the Travel Bank Account Petty Cash Fund in a timely manner after receiving approval from Commissioner's Court with respect to emergency use of the funds.
- We were unable to obtain a copy of Form 1235 authorizing an increase to the approved balance of the Travel Bank Account Petty Cash Fund of \$25,000 to a total balance of \$149,208.80 or an increase of \$124,208.80.
- Disbursements from the Sheriff's Office's bank accounts and petty cash funds were properly authorized, appropriately supported, and accurately recorded in IFAS.
- The funds utilized to replenish the Sheriff's Office's petty cash funds were appropriate based on the petty cash fund type.
- Five audit recommendations related to bank accounts and petty cash were similar in nature to the recommendations presented in the County Auditor's Report titled, *Sheriff Tommy Thomas, Closeout Procedures* dated 2/12/2010. These 5 issues are identified within the Issues and Recommendations Section.

These and other matters are discussed in the Issues and Recommendations Section below.

ISSUES AND RECOMMENDATIONS

Policies and Procedures

Background

Pursuant to the Government Finance Officers Association and the Committee on Accounting, Auditing and Financial Reporting *Best Practice Guidance for Documentation of Accounting Policies and Procedures (2002 and 2007)*, "every government should document its accounting policies and procedures." This includes all financial areas including procedures for opening, closing and maintaining petty cash funds.

Issue

Although Sheriff's Office personnel perform processes they have established over time, there are no formal written policies and procedures governing the Sheriff's Office's petty cash funds. In addition, the current processes being performed are not adequate as the Sheriff's Office is not in compliance with the County's Accounting Procedures and the custodians are not applying these processes consistently across all petty cash funds.

Without detailed procedures in place for petty cash funds, cash could be misappropriated or lost, and expenditures could be misstated in IFAS.

Recommendation

Sheriff's Office management should establish a timeline for approval and implementation of a formal comprehensive policy governing its petty cash fund process and require all petty cash custodians to read the policy and sign indicating their understanding and commitment to compliance with the policy. The Sheriff's Office should utilize the County's Accounting Procedure D.3, *Petty Cash Accounts*, in drafting their petty cash fund policy and require all custodians to reconcile their petty cash funds to the imprest balance recorded in IFAS at least quarterly. Finally, the policy should be reviewed annually to determine if any changes need to be made for "best practice" purposes or to remain in compliance with the County's Accounting Procedures.

Management Response

The Sheriff's Office will have a formal policy drafted no later than August 31, 2015, which will be shared and discussed with each custodian to ensure their understanding. We will utilize the County's Accounting Procedure D.3, *Petty Cash Accounts* to draft the policy and the policy will require custodians to reconcile their petty cash accounts at least quarterly. This policy will be reviewed annually going forward, to ensure compliance with County procedures.

ISSUES AND RECOMMENDATIONS

Segregation of Duties

Background

Pursuant to the County's Accounting Procedure C.8, *Custodial Bank Accounts*, the County Department is required to ensure that adequate controls are in place for custodial bank accounts and comply with Accounting Procedure A.1, *Cash Handling Guidelines*, as applicable. County Accounting Procedure A.1, *Cash Handling Guidelines*, requires that employees who accept payments should not be the same employees who balance receipts or deposit collections.

Issue

Duties related to the operation of a custodial bank account are not adequately segregated. Specifically, during our procedures, it was determined that the custodian of the Petty Cash Bank Account Travel Fund has the following responsibilities:

- Maintaining the QuickBooks subsidiary ledger used to reconcile the petty cash bank account.
- Receiving cash and checks for travel funds not utilized from Sheriff's Office employees and depositing these funds.
- Maintaining custody of blank check stock.
- Reviewing and approving County Auditor's Form 1268 *Request for Payment*.

As a result, the Sheriff's Office is not in compliance with the County's Accounting Procedures C.8, *Custodial Bank Accounts*, and A.1, *Cash Handling Guidelines*. In addition, improper segregation of duties can result in a failure to detect errors and omissions and presents the opportunity for misappropriation of County funds.

Recommendation

Sheriff's Office management should comply with the County's Accounting Procedure C.8, *Custodial Bank Accounts*, and A.1, *Cash Handling Guidelines*, by reallocating the duties performed by the custodian to ensure proper segregation. If this is not possible due to staffing restraints or other considerations, the Sheriff's Office should implement one or more mitigating controls such as a secondary review.

Management Response

As of August 11, 2015 a reallocation of duties has been implemented to ensure proper segregation of duties. In addition, all County Auditor's Form 1268 *Request for Payment* are now being approved by the Sheriff's Office Chief Financial Officer, which provides a secondary review.

ISSUES AND RECOMMENDATIONS

Travel Bank Account Petty Cash Fund

Background

Pursuant to a Sheriff's Office letter dated April 19, 2010, the Sheriff's Office requested a \$25,000 Travel Bank Account Petty Cash Fund to be used for emergency travel and training cost. The request was approved by Commissioner's Court on April 27, 2010. The letter defined emergency travel "as a situation warranted by a trip that the Sheriff's Office deems necessary, but is unable to present to Commissioner's Court due to the scheduled date of the event." The letter also states that except in emergency situations, all travel and training request should be requested in compliance with the County's Accounting Procedure T.1, *Travel Policies, Guidelines, and Procedures*. Emergency travel and training should be submitted to Commissioner's Court on the court meeting following the event.

Pursuant to the County's Accounting Procedures D.3, *Petty Cash Accounts*, when a new petty cash fund is established or an increase to an existing fund is required, the County department must perform the following:

- Complete County Auditor's Form 1235, *Request to Open/Increase Petty Cash or Custodial Account*, (Form 1235) and obtain approval from the Official / Department Head.
- Submit the completed approved Form 1235 to the County Auditor's Office - Compliance Audit Department (Compliance Audit) for approval.
- Receive notification from The County Auditor's Office - Financial Accounting Department (Financial Accounting) that Commissioners Court has approved the opening/increasing of the requested petty cash fund.

Issue

The Sheriff's Office does not have sufficient controls in place to ensure expenditures from the Travel Bank Account Petty Cash Fund are in accordance with the purpose of the fund as approved by Commissioner's Court with respect to emergency use of the funds. In contrast, it appears they are using the fund for general travel purposes as 17 of the 40 petty cash expenditures tested were requested at least 63 days before the scheduled date of the event which does not constitute an emergency as there was a reasonable amount of time for the Sheriff's Office to comply with the County's Accounting Procedure T.1, *Travel Policies, Guidelines, and Procedures*.

In addition, it appears the Sheriff's office is not submitting reimbursements for the Travel Bank Account Petty Cash Fund in a timely manner after receiving approval from Commissioner's Court. Sixteen of the 40 travel expenditures tested were not reimbursed for at least 105 days after Commissioners Court approval 5 of which were not reimbursed for over 200 days after Commissioner's Court approval and 1 of which was not reimbursed until 357 days after Commissioner's Court approval. Not submitting reimbursements in a timely manner could result in financial loss to the County and could result in needing a higher imprest balance than

what is needed to operate the fund efficiently. In addition, it could impair the Sheriff Office's ability to match expenses with the appropriate period.

Finally, we were unable to obtain a copy of Form 1235 authorizing an increase to the approved balance of the Travel Bank Account Petty Cash Fund of \$25,000 to a total balance of \$149,208.80 or an increase of \$124,208.80. Management informed us that the Special Investigations Fund Bank Account was used for travel and training expenses prior to April of 2010. In April of 2010, based on a County Auditor's Office internal audit recommendation to close the Special Investigations Fund Bank Account, the Sheriff's Office no longer used the Special Investigations Fund Bank Account for travel and training and a new \$25,000 Travel Bank Account Petty Cash Fund was authorized by Commissioner's Court for emergency travel which was funded by state forfeiture funds in accordance with the Code of Criminal Procedure Chapter 59. However, the Special Investigations Fund Bank Account was never closed and all of the outstanding travel and training advances from the Special Investigations Fund Bank Account were deposited in the new Travel Bank Account Petty Cash Fund. As a result, the actual balance in the Travel Bank Account Petty Cash Fund increased from the court approved \$25,000 to \$149,208.80 without proper authorization.

This issue was similar in nature to an issue presented in the County Auditor's Report titled, *Sheriff Tommy Thomas Closeout Procedures*, dated 2/12/2010.

Recommendation

Sheriff's Office Management needs to implement controls to ensure that expenditures from the Travel Bank Account Petty Cash Fund are in accordance with the purpose of the fund as approved by Commissioner's Court (i.e. an emergency).

In addition, Sheriff's Office Management should implement procedures where petty cash reimbursements are submitted to Accounts Payable immediately after an emergency travel/training event occurs and approval is received by Commissioner's Court.

Sheriff's Office Management needs to ensure that petty cash or other imprest funds have no more cash than authorized by Commissioner's Court. If the Sheriff's Office believes this account needs to be increased, they need to complete Form 1235 and submit it to the Auditor's Office who will analyze the request. Management should also implement procedures to ensure that any future increases to or establishment of petty cash funds are done in accordance with Accounting Procedure D.3, *Petty Cash Accounts*. Management should consider retaining all support in a permanent file or electronically in order to evidence compliance with the County's Accounting Procedure D.3 and to act as a record for both the authorization and purpose of the petty cash fund.

The Auditor's Office Systems and Procedures Department should consider creating formal policies and procedures governing the Travel Bank Account Petty Cash Fund for the Sheriff's Office. These procedures should establish replenishment guidelines.

Management should include any new implemented procedures within their overarching formal written policies and procedures over petty cash once they are established.

Management Response

Sheriff's Office Response:

Beginning on Oct 1, 2015 the Sheriff's Office will cease issuance of advances for travel and will begin complying with the stated purpose of the Travel Bank Account (emergency only). Procedures will be implemented to ensure petty cash reimbursement requests are submitted to Accounts Payable immediately after an emergency travel/training event occurs. Once all the currently outstanding travel/training events have been completed, and the bank account has been reimbursed to the full \$149,208.80, the Sheriff's Office will work with the County Auditor's Office to reduce the Travel Bank Account to the authorized \$25,000. Procedures will also be implemented to ensure that any future increases to or establishment of petty cash funds are done in accordance with Accounting Procedure D.3, *Petty Cash Accounts*. These, and all other procedures regarding petty cash will be included in the Sheriff's Office overarching petty cash policy, which will be maintained in a permanent file, along with documentation of any and all changes to petty cash accounts.

Systems & Procedures Response:

The Auditor's Office Systems and Procedures Department will consider creating formal policies and procedures governing the Travel Bank Account Petty Cash Fund for the Sheriff's Office, including replenishment guidelines.

ISSUES AND RECOMMENDATIONS

IFAS Reconciliation

Background

Pursuant to the County's Accounting Procedure D.3, *Petty Cash Accounts*, departments are required to reconcile each petty cash fund at least quarterly, and the "total amount of cash on hand or reconciled check register balance (if a petty cash checking account) plus substantiating vouchers should always reconcile to the total fixed amount authorized by Commissioners Court" and recorded in IFAS.

Issue

The Sheriff's Office's internal records for petty cash fund balances do not reconcile to the petty cash fund balances authorized by Commissioners Court and recorded in IFAS. During our procedures, it was noted that the Sheriff's Office's internal records for the criminal investigations petty cash fund had a balance of \$38,500, which exceeded the amount recorded in IFAS by \$1,500. In addition, the Sheriff's Office's internal records for the Forfeit Assets-Justice Petty Cash Fund had a balance of \$47,500, which was \$2,500 less than the amount recorded in IFAS.

As a result, the Sheriff's Office's internal records for all petty cash fund balances in total is understated by a net total of \$1,000 compared to the petty cash fund balances authorized by Commissioners Court and recorded in IFAS.

This issue was similar in nature to an issue presented in the County Auditor's Report titled *Sheriff Tommy Thomas Closeout Procedures* dated 2/12/2010.

Recommendation

Sheriff's Office management should comply with the County's Accounting Procedure D.3, *Petty Cash Accounts*, by ensuring their internal records for petty cash fund balances reconcile to the petty cash fund balances authorized by Commissioners Court and recorded in IFAS at all times. If they are unable to determine the cause of the \$1,000 difference, they should follow the County's Accounting Procedure C.3, *Indemnification of Public Officials - Lost or Stolen Cash*, to request indemnification from Commissioners Court.

In addition, as this is a similar issue presented in a previous audit report, the CFO should establish accountability by implementing monitoring controls that ensure audit recommendations are completed in a timely manner.

Management Response

As of August 2015, the Sheriff's Office has obtained indemnification approval from Commissioners Court in accordance with the County's Accounting Procedure C.3, *Indemnification of Public Officials - Lost or Stolen Cash*. Per department policy 112 at least once each quarter, the Chief Financial Officer or his designee will examine and verify

correctness to ensure that petty cash fund balances reconcile to petty cash fund balances authorized by Commissioner's Court and recorded in IFAS. Finally, we will establish monitoring procedures to ensure audit recommendations are completed in a timely manner.

ISSUES AND RECOMMENDATIONS

Petty Cash Funds

Background

Pursuant to the County's Accounting Procedure D.3, *Petty Cash Accounts*, the Sheriff's Office should reconcile each petty cash fund at least quarterly, and the "total amount of cash on hand or reconciled check register balance (if a petty cash checking account) plus substantiating vouchers should always reconcile to the total fixed amount authorized by Commissioners Court." In addition, when there is a petty cash fund overage, the custodian must prepare County Auditor's Form 195, *Deposit Report*, (Form 195) for the amount of the petty cash overage being remitted. The custodian must also contact Financial Accounting or the Auditor's Office - Revenue Accounting Department (Revenue Accounting) to obtain the proper general ledger account coding, if necessary. Finally, the custodian must deposit the petty cash overage on a separate deposit slip and forward Form 195 to the Treasurer's Office.

Issue

The Sheriff's Office does not have sufficient controls in place to ensure that petty cash funds reconcile to their respective imprest balance at all times. In addition, the Sheriff's Office is not using Form 195 to deposit cash overages and they are not contacting Financial Accounting, Revenue Accounting and the Treasury Office to notify them of the overages so they can be appropriately accounted for in IFAS. During our procedures the following was noted:

- The balance for the 3 Criminal Investigations petty cash funds as per the Sheriff's Office was \$38,500. However, a physical count showed the actual reconciled balance on hand was \$38,699.91, resulting in an overage of \$199.91.
- The Vice Flash Petty Cash Fund has a Commissioners Court approved imprest balance of \$40,000. However, a physical count showed the actual reconciled balance on hand was \$40,020, resulting in an overage of \$20.00.
- The Human Resources Petty Cash Fund has a Commissioner Court approved imprest balance of \$2,500. However, a physical count showed the actual reconciled balance on hand was \$2,507.20, resulting in an overage of \$7.20.
- The Warrants / Prisoner Return Petty Cash Fund has a Commissioners Court approved imprest balance of \$30,000. However, a physical count showed the actual reconciled balance on hand was \$30,004.52, resulting in an overage of \$4.52.
- The custodians carried the overage amounts across periods instead of following the County's Accounting Procedure D.3, *Petty Cash Accounts*.

Not having sufficient controls in place that ensure petty cash fund balances reconcile to their respective imprest balance at all times could result in financial loss to the County. In addition, not accounting for petty cash fund overages on Form 195 has resulted in noncompliance with the County Accounting Procedure, D.3, *Petty Cash Accounts*, which could result in the closing of the petty cash fund.

This issue was similar in nature to an issue presented in the County Auditor's Report titled

Sheriff Tommy Thomas Closeout Procedures dated 2/12/2010.

Recommendation

Sheriff's Office management should comply with the County's Accounting Procedure D.3, *Petty Cash Accounts*, by implementing controls that ensure petty cash fund balances reconcile to the imprest balance at all times, and any overages are recorded on Form 195 and transferred to the Treasury Office in a timely manner. The Sheriff's Office should perform a reconciliation for all petty cash accounts at least once a quarter, and the reconciliation should be documented using a formalized form that includes the date of the count, the resulting fund balance, and the requirement that the custodian and an independent reviewer signs the reconciliation. This will improve the process of identifying differences in a timely manner and allow the Sheriff's Office plenty of time to contact the required parties and deposit the funds accordingly.

Management Response

As mentioned in issue "IFAS Reconciliation," per department policy number 112 at least once each quarter, the Chief Financial Officer will examine and verify the correctness to ensure that petty cash fund balances reconcile to petty cash fund balances authorized by Commissioner's Court and recorded in IFAS.

In addition an independent reviewer will sign the reconciliation form along with the custodian on a quarterly basis to identify differences in a timely manner and be able to replenish funds accordingly

The Sheriff's Office Finance team will also review with petty cash custodians the need to use Form 195 to deposit cash overages and contact Financial Accounting, Revenue Accounting and the Treasury Office to notify them of the overages so they can be appropriately accounted for in IFAS.

ISSUES AND RECOMMENDATIONS

Operation of Petty Cash Funds

Background

Pursuant to the County's Accounting Procedure D.3, *Petty Cash Accounts*, "each fund separately authorized by Commissioners Court must be operated independently in accordance with this procedure." If all or a portion of a petty cash fund is no longer necessary, the department must forward a letter to Financial Accounting requesting that the fund be decreased or closed. If a new petty cash fund for a new purpose is required after closing the existing petty cash fund, the department should complete Form 1235 and obtain authorization from Commissioners Court for the new petty cash fund.

Issue

The Sheriff's Office did not maintain each petty cash fund authorized by Commissioners Court independently. During our procedures, it was noted that 2 petty cash funds were separated into 6 different funds without obtaining appropriate approval from Commissioners Court for 1 of the 4 (25%) new funds. Specifically, the following was noted:

- The \$37,000 Criminal Investigations Petty Cash Fund as recorded in IFAS was separated into 3 separate funds consisting of a \$30,000 Narcotics Fund (approved by Commissioners Court), a \$4,500 Vice Fund (approved by Commissioners Court for \$8,500, and a \$4,000 Game Room Task Force Fund that did not have appropriate approval from Commissioners Court. Note that the \$1,500 difference between IFAS and the new breakout of petty cash funds is addressed in the issue titled "IFAS Reconciliation."
- The \$50,000 Forfeited Assets- Justice Petty Cash Fund as recorded in IFAS was separated into 3 separate funds consisting of a \$40,000 Vice Flash Fund, a \$5,000 Confidential Fund, and a \$2,500 Human Resource Petty Cash Fund as per the Sheriff's Office records. Note that the \$2,500 difference between IFAS and the new breakout of petty cash funds is addressed in the issue titled "IFAS Reconciliation."

Not operating the funds independently as authorized by Commissioners Court could lead to disbursements that are not in compliance with the original intent of the petty cash fund as authorized by Commissioners Court when the fund was originally created. In addition, not operating the funds independently as authorized by Commissioners Court has resulted in noncompliance with the County's Accounting Procedure D.3, *Petty Cash Accounts*, which could lead to the closing of the petty cash funds.

Recommendation

Sheriff's Office management should comply with the County's Accounting Procedure D.3, *Petty Cash Accounts*, by independently operating petty cash funds as authorized by Commissioners Court. If it is necessary to separate these funds, the Sheriff's Office should close or decrease the original petty cash funds and establish new funds as outlined in the County's Accounting Procedure D.3, *Petty Cash Accounts*.

Management Response

The Sheriff's Office will make every effort necessary to ensure compliance with County Accounting Procedure D.3., by maintaining independently operated petty cash funds. HCSO is currently working with the County Auditor's Office to reconcile our petty cash balances to IFAS.

ISSUES AND RECOMMENDATIONS

Safeguarding Assets

Background

Pursuant to the County's Accounting Procedure D.3-1, *Sheriff Petty Cash Fund*, the custodian receives the initiated and properly authorized County Auditor's Form 1263A, *Sheriff Petty Cash Fund Travel Form*, (Form 1263A) from the employee who is requesting advance travel funds prior to providing the cash to the employee.

Form 1263A has a signature block for the employee receiving the advanced funds that must be signed and dated acknowledging their receipt of the funds disbursed.

Issue

The Sheriff's Office is not obtaining an authorized Form 1263A for all employee petty cash fund requests prior to disbursing the cash to the employees from the Prisoner Return Warrants Petty Cash Fund. During our procedures, it was noted that the custodian for the Prisoner Returns Warrant Petty Cash Fund periodically places cash in the lockers of the employees requesting petty cash funds along with an unsigned Form 1263A. The employee then comes to work, obtains the cash from their respective locker, signs the Form 1263A, and places it in a box for the custodian. Management informed us that the reason they do not always obtain the signed Form 1263A before disbursing the cash to employees is the custodian works the day shift and is not available to disburse the cash for employees on other shifts.

Without a signed Form 1263A from the employee receiving the cash, there is no official record that the cash was transferred from the custodian to the employee, which could result in financial loss to the County.

Recommendation

Sheriff's Office management should comply with the County's Accounting Procedure D.3-1, *Sheriff Petty Cash Fund*, by ensuring the Prisoner Return Warrants Petty Cash Fund custodian receives the initiated and properly authorized Form 1263A from the employee who is requesting advance travel funds prior to providing the cash to the employee. In situations where the custodian is not available to disburse the cash, the Sheriff's Office should consider implementing a procedure to transfer the cash at each shift change utilizing Form 1263A until the employee in need of the funds is available to sign the form acknowledging their receipt of the funds.

Management Response

As of August 2015, this issue has been discussed with Warrants Division and their petty cash custodian. They have agreed that when possible, they will ensure that the petty cash custodian has received a properly signed Form 1263A prior to releasing funds. Under circumstances where this is not possible, the custodian will place cash and the unsigned form in an assigned lock box. Only the deputy assigned to that lock box is issued the key. The custodian will keep records in a database of all trips and assignments.

ISSUES AND RECOMMENDATIONS

Petty Cash Reimbursements

Background

Pursuant to the County's Accounting Procedure D.3, *Petty Cash Accounts*, the fund is to be replenished for the exact amount of the disbursements. If funds are being requested for reimbursement, the custodian must (1) review County Auditor's Form 1265, *Detail of Expenditure Paid by Petty Cash*, or County Auditor's Form 1241, *Automobile Expense Claim*, as applicable, and (2) closely verify its legitimacy and support. Additionally, the custodian should prepare and sign County Auditor's Form 1267, *Petty Cash Reimbursement Request & Reconciliation*, (Form 1267) when replenishment is required.

Pursuant to the County's Accounting Procedure C.3, *Indemnification of Public Officials – Lost or Stolen Cash*, the department must contact the County's Human Resources and Risk Management Department (HRRM) to determine whether any insurance claim may be filed for the lost or stolen cash. In addition, the department must utilize County Auditor's Form 1130, *County Cash Indemnification Request Form*, for the lost/stolen cash in excess of insurance claims received, if any, as notified by HRRM.

Issue

The Sheriff's Office does not have sufficient controls in place to ensure that petty cash funds are replenished for the exact amount of related disbursements. During our procedures, it was noted that Form 1267 was not being used to request reimbursements for the Narcotic, Vice and Gaming petty cash funds as required by Accounting Procedures D3. In place of Form 1267, the Sheriff's Office was using an internal form titled "Account Ledger Form" for reimbursements, but these reimbursements were based on a running cash balance rather than for the exact amount of related expenditures.

In addition, the County's Auditor's Office - Accounts Payable Department (Accounts Payable) reimbursed these expenditures based on the Sheriff's Office's internal form rather than reviewing the required Form 1267.

Not having sufficient controls in place to ensure petty cash funds are replenished for the exact amount of related disbursements could lead to financial loss for the County. In addition, violations of the County's Accounting Procedure D.3, *Petty Cash Accounts*, could result in the closing of the petty cash fund.

Recommendation

Sheriff's Office management should implement controls that ensure petty cash funds are replenished for the exact amount of related disbursements utilizing the proper Form 1267. In implementing these controls, the Sheriff's Office should consider utilizing an Excel spreadsheet to monitor outstanding disbursements so the "SUM" function of Excel can be utilized to calculate amounts to be reimbursed. The Excel Spreadsheet should be password protected to prevent improper access.

In addition, Accounts Payable management should comply with the County's Accounting Procedure D.3, *Petty Cash Accounts*, by not reimbursing petty cash accounts without receiving an authorized Form 1267 from the department.

Management Response

Sheriff's Office: As of August 2015, the Sheriff's Office will create and use a simplified spreadsheet that will be distributed to petty cash custodians and will be password protected. In addition, as part of the overall discussion of petty cash policy, custodians will be reminded that requests for petty cash account reimbursement should always be accompanied by a properly authorized Form 1267.

Accounts Payable: We concur with this recommendation. All staff have been reminded of the absolute requirement that the appropriate forms be used for petty cash fund reimbursements. In addition, a change being implemented to ensure the Commissioners Court approved petty cash advance is not exceeded should also ensure that the correct forms are being used. All requests to reimburse petty cash funds are now provided to an Accounts Payable Supervisor for review and approval. The Accounts Payable Supervisor will verify the debit balance of the petty cash asset object code in IFAS. If this amount is different from the amount indicated by other sources they will consult with Financial Accounting to the Commissioners Court approved amount. The Accounts Payable Supervisor will ensure that the reimbursement will not cause the petty cash fund to exceed the Commissioners Court approved amount. As a part of the review by the Accounts Payable Supervisor they will also ensure that the appropriate form is being used.

ISSUES AND RECOMMENDATIONS

Change of Custodians

Background

Pursuant to the County's Accounting Procedures D.3, *Petty Cash Accounts*, when there is a change in petty cash custodians, the current custodian must perform the following:

- Count the petty cash fund and reconcile the imprest balance while in the presence of the employee that will be assigned as the new custodian, (the reconciliation section of Form 1267 may be utilized,
- Complete County Auditor's Form 1235A, *Change of Custodian Form*, (Form 1235A),
- Retain a copy of Form 1235A and the reconciliation section of Form 1267 in file, and
- Forward the original Form 1235A to Financial Accounting.

Issue

The Sheriff's Office does not have sufficient controls in place to ensure that petty cash funds are being properly transferred between custodians. During our procedures, the following was noted:

- The \$40,000 Flash Fund was transferred to an employee in the business office who was not properly authorized or documented as the new custodian. The only evidence of this transfer was the signature of the original Flash Fund custodian in the activity log of the business office.
- A \$5,000 Confidential Fund within the Sheriff's Office was transferred between 2 internal custodians who were not properly authorized or documented as the new custodians. The only evidence of these transfers was the signature of the unauthorized custodians in the activity log.

As a result, the Sheriff's Office is not in compliance with the County's Accounting Procedure D.3, *Petty Cash Accounts*, which could result in financial loss to the County and/or the closing of the petty cash funds.

Recommendation

Sheriff's Office management should implement controls that ensure all transfers of ownership for petty cash funds between custodians are performed in accordance with the County's Accounting Procedure D.3, *Petty Cash Accounts*. When transferring petty cash funds between custodians, no funds should be released from a custodian without the completion of Form 1235A and without counting and/or reconciling the imprest balance of the fund while in the presence of the new custodian. Funds should not be released to an employee who is not approved as the next custodian of the fund. The Sheriff's Office may want to consider implementing a formalized checklist that includes all of the required steps to transfer ownership to a new custodian and require both custodians to sign the checklist before the transfer is completed.

Management Response

As part of the overall formal petty cash fund policy, to be completed no later than August 31, 2015, the Sheriff's Office will include a checklist that provides step by step the procedures to follow in the event of a transfer of petty cash fund custodians. These procedures will be reviewed with the petty cash fund custodians to ensure compliance.

ISSUES AND RECOMMENDATIONS

Petty Cash Replenishment Checks

Background

Pursuant to Texas Local Government Code §130.909(c), *Petty Cash Funds for Certain Officials*, the petty cash fund may not be used to make loans or advances or to cash checks or orders of payments of any kind.

Pursuant to the County's Accounting Procedure D.3, *Petty Cash Accounts*, requests for petty cash reimbursements "should state that the check be made payable to the current fund custodian." In addition, after the custodian receives the check from the Treasurer's Office, they are to cash the check at the Treasurer's Office, a County Depository location, or the payee's own financial institution, and secure the cash. Finally, "an authorized fund in a County Department is not to be used to reimburse/replenish another authorized fund in the County Department."

Issue

The Sheriff's Office does not have sufficient controls in place to ensure that petty cash funds are not used to make loans, advances, or to cash checks or orders of payment of any kind. During our procedures, it was noted that 2 custodians were using petty cash funds to cash checks for the replenishment of other petty cash funds. Specifically, the following was noted:

- Checks received for the replenishment of the Business Office Petty Cash Fund were cashed out of the Warrants Prisoner Return Petty Cash Fund.
- Checks received for the replenishment of the Human Resources Petty Cash Funds were cashed out of the Warrants Prisoner Return Petty Cash Fund.

In addition, checks issued to replenish petty cash funds were not made payable to the respective petty cash fund custodian. During our procedures, it was noted that petty cash fund replenishment checks received from the Treasurer's Office were made payable to the County's Sheriff's Office for 5 of the 6 (83%) petty cash funds.

As a result, the Sheriff's Office is not in compliance with Texas Local Government Code §130.909(c), *Petty Cash Funds for Certain Officials*, or the County's Accounting Procedure D.3, *Petty Cash Accounts*, which could result in the closing of the petty cash fund. Additionally, issuing petty cash replenishment checks made payable to the Sheriff's Office could result in the misappropriation of County funds as the check could potentially be cashed by any employee within the Sheriff's Office not just the custodian.

Recommendation

Sheriff's Office Management should comply with Texas Local Government Code §130.909(c), *Petty Cash Funds for Certain Officials*, and the County's Accounting Procedures D.3, *Petty Cash Accounts*, by implementing controls that ensure petty cash funds are not used to make loans, advances, or to cash checks or orders of payments of any kind. Checks should be made payable to the current custodian, and the custodians should arrange for escorts as a safety

measure for cashing checks at either the Treasurer's Office, a County Depository location, or the payee's own financial institution.

Management Response

As part of the overall formal petty cash fund policy, to be completed no later than August 31, 2015, the Sheriff's Office will include language indicating that petty cash funds are not to be used to make loans, advances, or to cash checks or orders for payment of any kind. Reimbursement checks will be made payable to the custodian only and custodians will also be advised to arrange for a safety escort when cashing checks.

ISSUES AND RECOMMENDATIONS

Expenditure Authorizations

Background

Pursuant to the County's Accounting Procedure T.1, *Travel Policies, Guidelines, and Procedures*, the County Department is required to complete County Auditor's Form 1263, *Travel Expense Claim*, (Form 1263) for all travel related expenses, including pre-paid expenses, prior to submission to Accounts Payable for payment.

Form 1263 is utilized to track all travel and training related expenditures and must be approved by the Official/Department Head.

Issue

The Sheriff's Office does not have sufficient controls in place to ensure that all required approval signatures are obtained on Form 1263 prior to submitting the form to Accounts Payable. During our procedures, it was noted that Form 1263 was not used for all 34 (100%) travel related expenditures selected for our procedures. It should be noted that each of these expenditures were authorized by Commissioners Court.

Not requiring the review and approval of Form 1263 and supporting documentation by an appropriate individual familiar with the purpose of the expenditures could result in County funds being utilized for inappropriate expenditures. As a result, the Sheriff's Office is not in compliance with the County's Accounting Procedure T.1, *Travel Policies, Guidelines and Procedures*.

Recommendation

The Sheriff's Office should comply with County's Accounting Procedure T.1, *Travel Policies, Guidelines, and Procedures*, by ensuring that Form 1263 is reviewed and approved by the appropriate Official or Department Head. The person reviewing and approving Form 1263 should be familiar with the purpose of the expenditures so they can identify any exceptions. All required approval signatures should be obtained before submitting the form to Accounts Payable.

Management Response

Prior to submitting Form 1263 to Accounts Payable all approval signatures are being verified by a person familiar with the purpose of the expenditure.

ISSUES AND RECOMMENDATIONS

Bank Account Signatories

Background

Pursuant to the County's Accounting Procedure C.5, *Opening New Bank Accounts*, authorized signatories for bank accounts must be County employees or Officials, and when a signatory leaves the County, that signatory must be removed as an authorized signer on all bank accounts. The Financial Management Department should be contacted by the department in which the signatory works, as necessary, to coordinate having authorized signatories updated.

Pursuant to the County's Accounting Procedure C.5-2, *Bank Relations*, County Departments are to direct all bank service requests and inquiries, with the exception of bank deposit related inquiries, to the Financial Management Department.

Issue

Two former County employees are listed as active account signatories for 5 of the 10 (50%) Sheriff's Office bank accounts. Specifically, we noted the following bank accounts had unauthorized signatories:

- HCSO Forfeited Assets, State & Local – High Intensity Drug Trafficking Area
- Sheriff - State Forfeited Assets (Chapter 18)
- HCSO US Justice - HIDTA Executive Building Fiduciary Account
- HCSO State & Local Agency - HIDTA Executive Building Fiduciary Account
- HCSO Federal Forfeited Assets, US Treasury – High Intensity Drug Trafficking Area

A request was made by the County Treasurer to remove the employee that worked in the Treasurer's Office from the bank signature card, however, the account listing provided to the bank did not contain all active accounts for which this former employee was a signatory. We could not determine whether an attempt was made to remove the second employee whom worked in Revenue Accounting.

Not having sufficient controls in place to ensure that all former employees are removed from all bank signature cards has resulted in noncompliance with the County's Accounting Procedure C.5, *Opening New Bank Accounts*, and could result in financial loss to the County.

Recommendation

When an authorized signatory leaves a department within the County, the department should notify the Financial Management Department in writing so they can remove the employee as an authorized signatory for all applicable accounts in accordance with the County's Accounting Procedure C.5, *Opening New Bank Accounts*.

Management Response

Sheriff's Office: The Sheriff's Office will work with Financial Management to obtain a complete listing of all authorized signatories on Sheriff's Office accounts, and to maintain that list going forward. We will then work with our Human Resources group to establish a procedure whereby Financial Management is notified in writing whenever any individual on that list leaves the Sheriff's Office. This process will be established no later than August 31, 2015.

Treasurer's Office: The Treasurer's Office agrees with the issue and the recommendation. We have provided the County's Investment and Banking manager a current listing of authorized signatories and requested anyone not on this list be removed from all bank accounts.

Auditor's Office: Auditor Office Management agrees with the recommendation.

ISSUES AND RECOMMENDATIONS

Bank Account Form Submittals

Background

Pursuant to the County's Accounting Procedure C.8, *Custodial Bank Accounts*, County Auditor's Form 324C, *Custodial Bank Account Monthly Summary Report*, (Form 324C) is to be forwarded to Revenue Accounting by the 5th calendar day of the month following month end close, and County Auditor's Form 324A, *Custodial Bank Account Monthly Reconciliation Report*, (Form 324A) is to be forwarded to Revenue Accounting by the 20th calendar day of the month following month end close.

Issue

The Sheriff's Office is not forwarding Form 324A and/or Form 324C to Revenue Accounting in a timely manner for the Custodial Petty Cash Travel Bank Account. Specifically, three months were selected for our procedures, and the deadline for submitting these forms to Revenue Accounting was exceeded for all forms tested except for the March 2014 Form 324C. It should be noted that in all instances for which the deadlines were exceeded, the forms were sent to Revenue Accounting within two or three days after their respective due date.

Not sending these forms to Revenue Accounting in a timely manner could result in financial misstatement and/or financial loss to the County.

This issue was similar in nature to an issue presented in the County Auditor's Report titled *Sheriff Tommy Thomas Closeout Procedures* dated 2/12/2010.

Recommendation

The Sheriff's Office should ensure that Forms 324A and 324C are forwarded to Revenue Accounting by the deadlines established in the County's Accounting Procedure C.8, *Custodial Bank Accounts*. To accomplish this, the Sheriff's Office may consider setting up a reminder in Microsoft Outlook to help keep track of all required due dates.

Management Response

As of August 11, 2015 reminders have been set in Outlook for the 5th and 20th calendar day of each month. When those days fall on a weekend/holiday, Forms 324A and 324C will be promptly submitted upon return to normal business operation.

ISSUES AND RECOMMENDATIONS

Voided Checks

Background

Pursuant to the County's Accounting Procedure C.8, *Custodial Bank Accounts*, the word "VOID" must clearly be marked on all checks prepared in error, and all voided checks must be retained.

Issue

The Sheriff's Office is not marking erroneous checks with the word "VOID" across the face of the check as prescribed by the County's Accounting Procedure. During our procedures, it was noted that checks are printed off on a sheet of paper with the top portion being the check and the remainder serving as the check stub. For 5 of the 5 (100%) voided checks tested, the Sheriff's Office wrote the word "VOID" on the check stub portion of the check without defacing the check itself.

Not clearly defacing the check by marking the word "VOID" on the check itself could result in the check being improperly cashed and potentially result in financial loss to the County.

Recommendation

The Sheriff's Office should comply with the County's Accounting Procedure C.8, *Custodial Bank Accounts*, by marking the word "VOID" across the face of the actual check.

Management Response

As of August 11, 2015 the Sheriff's Office is now clearly defacing erroneous checks by marking the word "VOID" on the face of each such check.

RISK ASSESSMENT AND SUMMARY OF RECOMMENDATIONS

The risk matrix below presents the assessed level of risk or exposure identified during our procedures. Inherent risk relates to factors that because of their nature cannot be controlled or mitigated by management. Inherent risk includes factors such as legislative changes, number and dollar amount of transactions processed and/or complex nature of transactions. Control risks relate to factors that can be influenced or controlled by management. Controls such as policies and procedures, electronic or manual approvals, system security access, and separation of job responsibilities may be instituted by management in order to mitigate control risk. Control risk is assessed during the planning phase in order to establish the nature, timing, and extent of testing and at the conclusion of the engagement in order to incorporate actions taken to implement our recommendations. The overall risk considers a combination of inherent and control risks.

Inherent Risk:	Control Risk:		Overall Risk:
<input checked="" type="checkbox"/> High <input type="checkbox"/> Moderate <input type="checkbox"/> Low	Prior to Procedures	After Procedures	<input checked="" type="checkbox"/> High <input type="checkbox"/> Moderate <input type="checkbox"/> Low
	Needed Improvement	Needs Improvement	
Type of Procedures: Audit			
Purpose: To evaluate compliance with the County's Accounting Procedures			
Implemented Audit Recommendations: Sheriff's Office management subsequently obtained indemnification approval from Commissioners Court in accordance with the County's Accounting Procedure C.3, <i>Indemnification of Public Officials - Lost or Stolen Cash</i> for the \$1000 difference between the balance in IFAS and the balance on hand noted within the issue titled IFAS Reconciliation.			
Outstanding Audit Recommendations: See below			
Priority Rating:	Audit Recommendations: Sheriff's Office, Revenue Accounting, County Treasurer, and Accounts Payable (see applicable sections below).		
Sheriff's Office			
1	Sheriff's Office management should establish a timeline for approval and implementation of a formal comprehensive policy governing its petty cash fund process and require all petty cash custodians to read the policy and sign indicating their understanding and commitment to compliance with the policy. The Sheriff's Office should utilize the County's Accounting Procedure D.3, <i>Petty Cash Accounts</i> , in drafting their petty cash fund policy and require all custodians to reconcile their petty cash funds to the imprest balance recorded in IFAS on a frequent basis. Finally the policy should be reviewed annually to determine if any changes need to be made for "best practice" purposes or to remain in compliance with the County's Accounting Procedures.		
1	Sheriff's Office management should comply with the County's Accounting Procedure C.8, <i>Custodial Bank Accounts</i> , and		

	<p>A.1, <i>Cash Handling Guidelines</i>, by reallocating the duties performed by the custodian to ensure proper segregation. If this is not possible due to staffing restraints or other considerations, the Sheriff's Office should implement one or more mitigating controls such as a secondary review.</p>
1	<p>Sheriff's Office Management needs to implement controls to ensure that expenditures from the Travel Bank Account Petty Cash Fund are in accordance with the purpose of the fund as approved by Commissioner's Court.</p> <p>In addition, Sheriff's Office Management should implement procedures where petty cash reimbursements are submitted to Accounts Payable immediately after an emergency travel/training event occurs and approval is received by Commissioner's Court.</p> <p>Sheriff's Office Management needs to ensure that petty cash or other imprest funds have no more cash than authorized by Commissioner's Court. If the Sheriff's Office believes this account needs to be increased, they need to complete Form 1235 and submit it to the Auditor's Office who will analyze the request. Management should also implement procedures to ensure that any future increases to or establishment of petty cash funds are done in accordance with Accounting Procedure D.3, <i>Petty Cash Accounts</i>. Management should consider retaining all support in a permanent file or electronically in order to evidence compliance with the County's Accounting Procedure D.3 and to act as a record for both the authorization and purpose of the petty cash fund.</p> <p>The Auditor's Office Systems and Procedures Department should consider creating formal policies and procedures governing emergency travel for all County departments.</p> <p>Management should include any new implemented procedures within their overarching formal written policies and procedures over petty cash once they are established.</p>
1	<p>Sheriff's Office management should comply with the County's Accounting Procedure D.3, <i>Petty Cash Accounts</i>, by ensuring their internal records for petty cash fund balances reconcile to the petty cash fund balances authorized by Commissioners Court and recorded in IFAS at all times.</p> <p>In addition, as this is a similar issue presented in a previous audit report, the CFO should establish accountability by implementing monitoring controls that ensure audit recommendations are completed in a timely manner.</p>
1	<p>Sheriff's Office management should comply with the County's Accounting Procedure D.3, <i>Petty Cash Accounts</i>, by implementing controls that ensure petty cash fund balances reconcile to the imprest balance at all times and any overages are recorded on Form 195 and transferred to the Treasurer's office in a timely manner. The Sheriff's Office should perform a reconciliation for all petty cash accounts at least once a quarter and the reconciliation should be documented</p>

	using a formalized form that includes the date of the count, the resulting fund balance, and require the custodian and an independent reviewer to sign the reconciliation. This will improve the process of identifying differences in a timely manner and allow the Sheriff's Office plenty of time to contact the required parties and deposit the funds accordingly.
1	Sheriff's Office management should comply with the County's Accounting Procedure D.3, <i>Petty Cash Accounts</i> , by independently operating petty cash funds as authorized by Commissioners Court. If it is necessary to separate these funds the Sheriff's Office should close or decrease the original petty cash funds and establish new funds as outlined in the County's Accounting Procedure D.3, <i>Petty Cash Accounts</i> .
1	Sheriff's Office management should comply with the County's Accounting Procedure D.3-1, <i>Sheriff Petty Cash Fund</i> , by ensuring the Prisoner Return Warrants Petty Cash Fund custodian receives the initiated and properly authorized Form 1263A from the employee who is requesting advance travel funds prior to providing the cash to the employee. In situations where the custodian is not available to disburse the cash, the Sheriff's Office should consider implementing a procedure to transfer the cash at each shift change utilizing Form 1263A until the employee in need of the funds is available to sign the form acknowledging their receipt of the funds.
1	Sheriff's Office management should implement controls that ensure petty cash funds are replenished for the exact amount of related disbursements utilizing the proper Form 1267. In implementing these controls, the Sheriff's Office should consider utilizing an Excel spreadsheet to monitor outstanding disbursements so the "SUM" function of Excel can be utilized to calculate amounts to be reimbursed. The Excel Spreadsheet should be password protected to prevent improper access.
1	Sheriff's Office management should implement controls that ensure all transfers of ownership for petty cash funds between custodians are performed in accordance with the County's Accounting Procedure D.3, <i>Petty Cash Accounts</i> . When transferring petty cash funds between custodians, no funds should be released from a custodian without the completion of Form 1235A, and without counting and/or reconciling the imprest balance of the fund while in the presence of the new custodian. Funds should not be released to an employee who is not approved as the next custodian of the fund. The Sheriff's Office may want to consider implementing a formalized checklist that includes all of the required steps to transfer ownership to a new custodian and require both custodians to sign the checklist before the transfer is completed.
1	Sheriff's Office Management should comply with Texas Local Government Code §130.909(c), <i>Petty Cash Funds for Certain Officials</i> , and the County's Accounting Procedure D.3, <i>Petty Cash Accounts</i> , by implementing controls that ensure petty cash funds are not used to make loans, advances, or to cash checks of any kind. Checks should be made payable to the current custodian, and the custodians should arrange for escorts as a safety measure for cashing checks at either the Treasurer's Office, a County Depository location, or the payee's own financial institution.
1	The Sheriff's Office should comply with County's Accounting Procedure T.1, <i>Travel Policies, Guidelines and Procedures</i> , by ensuring that County Auditor's Form 1263 is reviewed and approved by the appropriate Official or

	Department Head. The person reviewing and approving Form 1263 should be familiar with the purpose of the expenditures so they can identify any exceptions. All required approval signatures should be obtained before submitting the form to Accounts Payable.
1	The Sheriff's Office should ensure that Forms 324A and 324C are forwarded to the Revenue Accounting Department by the deadlines established in the County's Accounting Procedure C.8, <i>Custodial Bank Accounts</i> . To accomplish this, the Sheriff's Office may consider setting up a reminder in Microsoft Outlook to help keep track of all required due dates.
1	The Sheriff's Office should comply with the County's Accounting Procedure C.8, <i>Custodial Bank Accounts</i> , by marking the word "VOID" across the face of the actual check.
Auditor's Office	
1	When an authorized signatory leaves a department within the County, the department should notify the Financial Management Department in writing so they can remove the employee as an authorized signatory for all applicable accounts in accordance with the County's Accounting Procedure C.5, <i>Opening New Bank Accounts</i> . In addition, research should be performed by the County's Continuous Auditing Department to determine whether they can create a procedure to continuously monitor a listing of bank account signatories against a listing of active County employees.
Accounts Payable	
1	Accounts Payable management should comply with the County's Accounting Procedure D.3, <i>Petty Cash Accounts</i> , by not reimbursing petty cash accounts without obtaining an authorized Form 1267 from the department.
County Treasurer	
1	When an authorized signatory leaves a department within the County, the department should notify the Financial Management Department in writing so they can remove the employee as an authorized signatory for all applicable accounts in accordance with the County's Accounting Procedure C.5, <i>Opening New Bank Accounts</i> .

Priority Rating	<ol style="list-style-type: none"> 1. Implement immediately (30 – 90 days) – Serious internal control deficiencies or recommendations to reduce costs, maximize revenues, or improve internal controls that can be easily implemented. 2. Work towards implementing (6 – 18 months) – Less serious internal control deficiencies or recommendations that can not be implemented immediately because of constraints imposed on the department (i.e., budgetary, technological constraints, etc.). 3. Implement in the future (two – three years) – Recommendations that should be implemented, but that can not be implemented until significant and/or uncontrolled events occur (i.e., legislative changes, buy and install major systems, requires third party cooperation, etc.).
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