

AUDITOR'S REPORT

HARRIS COUNTY SHERIFF'S DEPARTMENT THREE MONTHS ENDED MAY 31, 2014



March 6, 2015

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

March 6, 2015

Sheriff Adrian Garcia
Harris County Sheriff's Department
1200 Baker Street
Houston, Texas 77002

RE: Procedures applicable to the monthly collection reports submitted by the Sheriff's Department for the three months ended May 31, 2014

As required by Local Government Code Chapter 115, the Compliance Audit Department examined the monthly collection reports submitted by the Sheriff's Department (the Office) for the three months ended May 31, 2014.

The procedures performed included:

- Evaluating whether amounts reported on the monthly collection reports were properly deposited in the County's depository.
- Accounting for the numerical sequencing of computer generated and manual receipts.
- Evaluating whether amounts were properly recorded in the County's Integrated Financial and Administrative Solution (IFAS) system.
- Performing an analytical review of transactions by comparing selected information between periods.

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.

Sheriff Adrian Garcia

We appreciate the time and attention provided by you and your staff during our procedures.

Sincerely,

A handwritten signature in blue ink, appearing to read "Barbara J. Schott". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

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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ISSUES AND RECOMMENDATIONS

Timeliness of Deposits

Background

Local Government Code §113.022 requires deposits to be made within five business days after the day on which the funds were received.

Issue

The following are instances in which the Alarm Detail Section did not comply with this requirement:

Collections Received	Deposit Validated by Bank	Number of Business Days Delinquent
3/3/2014	3/19/2014	7
3/4/2014	3/19/2014	4
3/5/2014	5/6/2014	38
3/6/2014	3/19/2014	4
3/7/2014	4/11/2014	20
3/10/2014	4/30/2014	36
3/11/2014	4/9/2014	16
3/12/2014	3/20/2014	1
3/13/2014	4/30/2014	28
3/14/2014	4/24/2014	23
3/16/2014	4/15/2014	17
3/17/2014	4/7/2014	11
3/18/2014	3/27/2014	2
3/19/2014	4/7/2014	8
3/20/2014	4/7/2014	7
3/21/2014	4/9/2014	8
3/23/2014	4/11/2014	10
3/24/2014	4/2/2014	2
3/26/2014	4/11/2014	7
3/30/2014	4/30/2014	17
4/1/2014	4/16/2014	6
4/2/2014	4/18/2014	7
4/3/2014	4/16/2014	4
4/4/2014	4/22/2014	6
4/5/2014	4/16/2014	3
4/7/2014	4/18/2014	4
4/8/2014	4/23/2014	5
4/9/2014	4/24/2014	5
4/10/2014	4/23/2014	3
4/11/2014	6/3/2014	31
4/14/2014	4/30/2014	6
4/16/2014	5/2/2014	6

Collections Received	Deposit Validated by Bank	Number of Business Days Delinquent
4/17/2014	5/6/2014	7
4/21/2014	5/20/2014	17
4/22/2014	5/9/2014	8
4/23/2014	5/9/2014	7
4/25/2014	5/6/2014	2
4/28/2014	5/9/2014	4
4/30/2014	6/24/2014	33
5/1/2014	6/11/2014	23
5/2/2014	5/20/2014	7
5/5/2014	5/20/2014	6
5/7/2014	5/27/2014	8
5/9/2014	5/23/2014	5
5/20/2014	5/29/2014	1
5/21/2014	6/3/2014	3
5/22/2014	6/2/2014	1
5/23/2014	6/3/2014	1
5/29/2014	6/13/2014	6
5/30/2014	6/10/2014	2

As a result, deposits which are not made in a timely manner may be misplaced, lost or stolen.

We reported similar issues in previous quarterly reports dated January 31, 2014, March 14, 2014, and August 15, 2014.

Recommendation

All collections should be deposited in accordance with the deadlines specified in Local Government Code §113.022. Clerks should be trained on the significance of depositing to the bank in a timely manner.

Management Response

In August 2014, subsequent to the audit period covered by this report, the Sheriff's Office CFO met with the Alarm Detail unit Commander to discuss the past history and current occurrences of late deposits. The unit Commander committed to a program of training and/or discipline to ensure that future deposits would be made within the required five business days after the date funds were received. It is anticipated that results from these efforts will be reflected in the cash receipts audit for the period beginning in Sept 2014.

ISSUES AND RECOMMENDATIONS

Monthly Reports

Background

Pursuant to the reporting requirements established by Local Government Code §114.001 and §114.002, the Auditor's Office requires that the Office submit their monthly collection report by the fifth day of the following month.

Issue

For the following business months, the Department did not comply with this requirement.

Business Month	Date Received	Number of Days Delinquent
March 2014	4/23/2014	18
April 2014	5/16/2014	11
May 2014	6/17/2014	12

As a result, delays in submitting the monthly report can cause delays in recording financial activity in IFAS.

We reported similar issues in previous quarterly reports dated January 31, 2014, March 14, 2014, and August 15, 2014.

Recommendation

All reports should be submitted in accordance with the deadlines specified in Local Government Code §114.001 and §114.002. The Office should implement procedures so month end paperwork is submitted in a timely fashion.

Management Response

In August 2014, subsequent to the audit period covered by this report, the Sheriff's Office identified a bottleneck in its internal approval process for the monthly collection report. Although that bottleneck has been removed, delays in submitting this report continue to occur. Data required in the report is collected from multiple sources within HCSO, and those areas often operate with minimal staff, thereby amplifying the potential for delays due to absenteeism, vacation, etc. HCSO will continue to explore options for improving the timeliness of report submission.

ISSUES AND RECOMMENDATIONS

Manual Receipt Transactions

Background

As discussed in Harris County Accounting Procedure A.1, *Cash Handling Guidelines*, manually receipted transactions should be entered in IFAS within two business days following the day the manual receipt is issued.

Issue

The following are instances in which the Department did not comply with this requirement.

Section	Manual Receipt Date	Financial System Receipt Date	Number of Business Days Delinquent	Number of Receipts
District 2	4/2/2014	4/8/2014	4	1
	4/16/2014	4/21/2014	3	3
District 3	4/7/2014	4/10/2014	3	4
	4/8/2014	4/14/2014	4	1
	4/9/2014	4/14/2014	3	4
	4/11/2014	4/17/2014	4	2
	4/14/2014	4/17/2014	3	3
District 5	5/2/2014	5/8/2014	4	1

As a result, delays in entering receipts in IFAS can cause delays in recognizing revenue on the County's financial statements.

We reported similar issues in previous quarterly reports dated January 31, 2014, March 14, 2014 and August 15, 2014.

Recommendation

Office Management should implement controls to ensure that manual receipts are entered in IFAS within two business days of receipt. Office Management should consider a refresher training course for the clerks emphasizing the importance of having the manual receipts entered in IFAS in a timely manner.

Management Response

In August 2014, subsequent to the audit period covered by this report, the Sheriff's Office CFO met with District Commanders to discuss timeliness of entering cash receipts into the County Financial System (IFAS). Each of the Commanders committed to a program of training and/or discipline to ensure future cash receipts would be posted to IFAS within the required 2 business days. It is anticipated that results from these efforts will be reflected in the cash receipts audit for the period beginning in Sept 2014.

ISSUES AND RECOMMENDATIONS

Balancing Report

Background

Departments issuing receipts directly from IFAS create cash receipts in batches (a group of receipts issued by one clerk) and then distribute (post) those batches. This immediately records the receipts in the General Ledger. Harris County Accounting Procedure F.1-1-1, *Cash Receipts – Detailed IFAS Receipting*, states that receipts from different calendar months should not be input to the same batch. In addition, according to Harris County Accounting Procedures F.1-2-1, *Deposits via Treasurer*, and F.1-2-2, *Deposits via Armored Carrier or Field Locations*, collections from different calendar months should not be deposited on the same deposit slip.

Issue

Receipt batches from April 2014 were not closed out appropriately. As a result, amounts presented on the April 2014 and May 2014 monthly collection reports did not agree to total deposits. The discrepancies occurred because cash receipt batches created in one month were not closed at the end of that month, receipts from the following month were improperly issued in the batch, and the deposit included collections from both months. The receipts were correctly reflected on the appropriate monthly collection report, but a portion of the deposit amount was attributed to the incorrect month.

This resulted in a reconciliation issue (timing difference) between bank deposits and amounts recorded in IFAS. The discrepancies between the monthly collection report and total deposits were corrected the following month. The chart below contains the detail information for the cash receipt batch ID and deposit slip numbers.

Month	Section	Batch ID	Deposit Slip Number
April 2014	District 3	L540KP11	5407318125
April 2014	District 4	L540GF32	5401401528

As a result, including collections from a subsequent month in the bank deposit can cause bank reconciliation issues.

We reported similar reconciling differences in previous quarterly reports dated January 31, 2014 and August 15, 2014.

Recommendation

The Office should ensure that all cash receipt batches are properly closed at the end of each calendar month and that the bank deposit contains collections from only one month so there are no timing differences. The Office should implement procedures to ensure that clerks close their batches on the last business day of the month.

Management Response

In August 2014, subsequent to the audit period covered by this report, the Sheriff's Office CFO met with District Commanders to discuss proper procedures for closing cash receipt batches at the end of each calendar month. Each of the Commanders committed to a program of training and/or discipline to ensure future batch cutoffs are executed properly. It is anticipated that results from these efforts will be reflected in the cash receipts audit for the period beginning in Sept 2014.