

AUDITOR'S REPORT

HARRIS COUNTY SHERIFF'S DEPARTMENT



August 15, 2014

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

August 15, 2014

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 February 28, 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 Department) for the three months ended February 28, 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 financial system.
- Performing an analytical review of transactions by comparing selected information between periods.

The following results present the significant issues identified during our procedures, recommendations developed in conjunction with your staff, and any actions you have taken to implement the recommendations.

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", with a long horizontal flourish 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 |
|----------------------|---------------------------|------------------------------------|
| 12/2/2013 | 12/30/2013 | 13 |
| 12/3/2013 | 12/13/2013 | 3 |
| 12/5/2013 | 12/24/2013 | 9 |
| 12/7/2013 | 12/18/2013 | 3 |
| 12/12/2013 | 1/2/2014 | 7 |
| 12/13/2013 | 12/23/2013 | 1 |
| 12/18/2013 | 12/31/2013 | 2 |
| 12/23/2013 | 1/15/2014 | 9 |
| 12/27/2013 | 1/23/2014 | 13 |
| 1/9/2014 | 1/24/2014 | 6 |
| 1/10/2014 | 2/5/2014 | 12 |
| 1/12/2014 | 2/4/2014 | 11 |
| 1/13/2014 | 1/23/2014 | 1 |
| 1/14/2014 | 1/30/2014 | 6 |
| 1/16/2014 | 1/30/2014 | 4 |
| 1/17/2014 | 2/4/2014 | 6 |
| 1/21/2014 | 1/30/2014 | 2 |
| 1/22/2014 | 2/4/2014 | 4 |
| 1/23/2014 | 2/11/2014 | 8 |
| 1/27/2014 | 3/3/2014 | 20 |
| 1/31/2014 | 2/12/2014 | 3 |
| 2/7/2014 | 3/3/2014 | 11 |
| 2/8/2014 | 3/12/2014 | 18 |
| 2/10/2014 | 2/20/2014 | 3 |
| 2/11/2014 | 2/21/2014 | 3 |
| 2/14/2014 | 3/7/2014 | 10 |
| 2/18/2014 | 3/3/2014 | 4 |
| 2/20/2014 | 3/10/2014 | 7 |
| 2/21/2014 | 3/14/2014 | 10 |
| 2/24/2014 | 3/19/2014 | 12 |
| 2/26/2014 | 3/13/2014 | 6 |
| 2/27/2014 | 3/10/2014 | 2 |

We reported similar issues in four previous quarterly reports dated June 21, 2013, September 20, 2013, January 31, 2014, and March 14, 2014.

Recommendation

All collections should be deposited in accordance with the deadlines specified in Local Government Code 113.022.

Management Response

The past history and current occurrences of late deposits has been discussed with the Alarm Detail unit Commander, and he has committed to a program of training and/or discipline to ensure that future deposits are made within five business days after the date funds are received.

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 Department submit their monthly collection report by the fifth business 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 Business Days Delinquent |
|----------------|---------------|------------------------------------|
| December 2013 | 1/13/2014 | 3 |
| January 2014 | 2/20/2014 | 9 |
| February 2014 | 3/12/2014 | 3 |

Delays in submitting the monthly report can cause delays in recording financial activity in the County's financial system.

We reported similar issues in four previous quarterly reports dated June 21, 2013, September 20, 2013, January 31, 2014, and March 14, 2014.

Recommendation

All reports should be submitted in accordance with the deadlines specified in Local Government Code 114.001 and 114.002.

Management Response

A bottleneck has been identified and corrected with regard to HCSO's internal approval process for the monthly Collection Report. Future submissions are expected to comply with the "5th business day of the following month" requirement.

ISSUES AND RECOMMENDATIONS

Manual Receipt Timely Processing

Background

As discussed in Harris County Accounting Procedure A.1, *Cash Handling Guidelines*, manually receipted transactions should be entered into the County's financial system 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 1 | 12/2/2013 | 12/6/2013 | 4 | 9 |
| | 12/3/2013 | 12/6/2013 | 3 | 10 |
| District 3 | 12/27/2013 | 1/2/2014 | 3 | 1 |
| District 5 | 12/18/2013 | 12/23/2013 | 3 | 2 |

Delays in entering receipts in the County's financial system can cause delays in recognizing revenue on the County's financial statements.

We reported similar issues in four previous quarterly reports dated June 21, 2013, September 20, 2013, January 31, 2014, and March 14, 2014.

Recommendation

All manual receipts should be entered in the County's financial system in accordance with Procedure A.1.

Management Response

District Commanders have been consulted regarding the timeliness of entering cash receipts into the County financial system, and each of them has committed to training and/or discipline that will ensure future cash receipts are posted within the two business day requirement.

ISSUES AND RECOMMENDATIONS

Balancing Report

Background

Departments issuing receipts directly from the County's financial system (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 Procedure 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 December 2013 and January 2014 were not closed out appropriately. As a result, amounts presented on the December 2013 and January 2014 Fee Officer Monthly 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 Fee Officer Monthly 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 the County's financial system. The discrepancies between the Fee Officer Monthly Report and total deposits were corrected the following month. The chart below contains the detail information for the cash receipt batch ID and deposit numbers.

| Month | Section | Batch ID | Deposit Slip Number |
|---------------|------------|----------|---------------------|
| December 2013 | District 4 | L540GF15 | 5401400524 |
| December 2013 | District 4 | L540JB85 | 5401401713 |
| January 2014 | District 4 | L540JB89 | 5401401720 |
| January 2014 | District 4 | L540GF19 | 5401401720 |

We reported similar reconciling differences in two previous quarterly reports dated June 21, 2013 and January 31, 2014.

Recommendation

The Department 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.

Management Response

The District 4 Commander has agreed to enforce a program of training and/or discipline that will ensure future cash receipt batches are cut off properly so that receipts are posted in the correct month.