

AUDITOR'S REPORT

HARRIS COUNTY SHERIFF'S DEPARTMENT **THREE MONTHS ENDED NOVEMBER 30, 2015**



July 1, 2016

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

July 1, 2016

Sheriff Ron Hickman
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 November 30, 2015

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 November 30, 2015.

We performed the procedures as follows:

- Evaluated whether amounts reported on the monthly collection reports were properly deposited in the County's depository.
- Accounted for the numerical sequencing of computer generated and manual receipts.
- Evaluated whether amounts were properly recorded in the County's Integrated Financial and Administrative Solution (IFAS) system.
- Performed 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.

Sheriff Ron Hickman
Harris County Sheriff

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

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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. In addition to the submittal of the monthly collection report, the Office is also required to provide supporting documentation validating the accuracy of the report submitted.

Issue

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

Business Month	Date Received	Division	Date Supporting Documentation Received	Number of Days Delinquent
September 2015	10/08/15	Alarm Detail	10/13/15	8
		Prisoner Return Warrants	10/08/15	3
		Sheriff's Academy	10/13/15	8
October 2015	11/11/15	Alarm Detail	11/19/15	14
		Prisoner Return Warrants	11/12/15	7
		Sheriff's Academy	11/12/15	7
November 2015	12/09/15	Alarm Detail	01/04/16	30
		Prisoner Return Warrants	12/15/15	10
		Sheriff's Academy	12/08/15	3

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

Recommendation

All reports and supporting documentation 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 documentation is submitted in a timely fashion.

Management Response

This report is submitted timely every month. However, due to budget constraints HCSO has insufficient personnel to provide all cash receipts reporting that support this summary collection report by the 5th business day each month. Based on the large volume of cash receipts this may result in receipts issued at the end of the prior month not being included in the appropriate month's collection report.

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 Divisions listed below did not adhere to Local Government Code §113.022 during the months of September, October and November 2015 as depicted below.

Division	Percentage of Delinquent Deposits	Number of Business Days Delinquent
Alarm Detail	73%	1-6
Sheriff's Academy	100%	9-22
Prison Return Warrants	67%	2-15
Patrol-Auction Proceeds	53%	1-3
Patrol-Wrecker ID	100%	1-3

As a result, deposit delays increase the risk of theft and misappropriation.

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

Understaffing at the Alarm Detail unit continues to affect their ability to meet the timeliness requirement for cash deposits. As of June 21, 2016 the new Alarm Detail commander has committed to a renewed effort to meet these requirements. Also, as of June 21, 2016 the Sheriff's Academy, Criminal Warrants, and Patrol Division commanders have committed to increasing their efforts to meet the timeliness requirement for cash receipt deposits.

ISSUES AND RECOMMENDATIONS

IFAS Interface

Background

In accordance with Harris County Accounting Procedure F.1-1-3, *Cash Receipts – Interfacing to IFAS*, the Alarm Detail Division should generally transmit and post daily to IFAS, via an interface, the previous day's collection information.

Issue

The period depicted in the chart below demonstrates the delinquency of 26 selected days. Based upon an analysis of the data below it appears the Office did not adhere to Procedure F.1-1-3 during the months of September, October and November 2015.

Division	Business Month	Interface Batch ID	Date of Business	Date Posted in IFAS	Number of Business Days Delinquent
Alarm Detail	September 2015	ICW90415	09/04/15	09/19/15	8
		ICW90815	09/08/15	09/19/15	7
		ICW90915	09/09/15	09/19/15	6
		ICW91015	09/10/15	09/19/15	5
		ICW91115	09/11/15	09/21/15	5
		ICW91415	09/14/15	09/21/15	4
		ICW91515	09/15/15	09/22/15	4
		ICW91615	09/16/15	09/23/15	3
		ICW91715	09/17/15	09/23/15	3
		ICW91815	09/18/15	10/01/15	8
Alarm Detail	October 2015	ICWA0515	10/05/15	10/09/15	3
		ICWA0915	10/09/15	10/23/15	9
		ICWA1215	10/12/15	10/23/15	8
		ICWA1315	10/13/15	10/23/15	7
		ICWA1415	10/14/15	10/23/15	6
		ICWA1515	10/15/15	10/23/15	5
		ICWA1615	10/16/15	10/31/15	9

Division	Business Month	Interface Batch ID	Date of Business	Date Posted in IFAS	Number of Business Days Delinquent
Alarm Detail	November 2015	ICWB0915	11/09/15	11/18/15	6
		ICWB1015	11/10/15	11/18/15	5
		ICWB1115	11/11/15	11/23/15	7
		ICWB1215	11/12/15	11/23/15	6
		ICWB1315	11/13/15	11/23/15	5
		ICWB1615	11/16/15	11/23/15	4
		ICWB1715	11/17/15	11/23/15	3
		ICWB1915	11/19/15	11/30/15	4
		ICWB2015	11/20/15	11/30/15	3

A delay in transmitting this information adversely affects the Auditor's Office and the Treasurer's Office in ensuring that collections have been properly deposited, recorded and acknowledged.

Recommendation

The Office should implement procedures to ensure that each day's IFAS interface is performed in a timely manner.

Management Response

As of June 21, 2016 the new Alarm Detail commander has committed to placing greater emphasis on timely recording of deposits in IFAS.

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 Office did not comply with this requirement.

Division	Manual Receipt Date	Financial System Receipt Date	Number of Business Days Delinquent	Number of Receipts
District 1	08/27/15	09/10/15	10	1
District 2	09/04/15	09/09/15	3	1
District 5	09/01/15	09/08/15	7	1
District 5	09/03/15	09/08/15	4	1
District 5	09/04/15	09/08/15	3	1
District 5	09/08/15	09/08/15	4	1
District 5	09/11/15	09/15/15	3	1

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

Recommendation

Office management should implement controls to ensure that manual receipts are entered in IFAS within two business days of receipt.

Management Response

As of June 21, 2016 the Patrol District commanders have committed to placing greater emphasis on timely entry of manually receipted transactions into IFAS.

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 receipts from different calendar months should not be input to the same batch. In addition, Harris County Accounting Procedures F.1-2-1, *Deposits via Treasurer*, and F.1-2-2, *Deposits via Armored Carrier or Field Locations*, state collections from different calendar months should not be deposited on the same deposit slip.

Issue

Receipt batches from September, October and November 2015 were not closed appropriately. As a result, amounts presented on the September, October, and November 2015 monthly collection reports did not agree to total deposits. The discrepancy is attributed to cash receipt batches being created in one month and not closed at the end of the month, receipts from the following month being improperly issued in a batch for the previous month, and monthly deposits including 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 discrepancy between the monthly collection report and total deposits was corrected the following month. The chart below contains the detailed information for the cash receipt batch ID and deposit slip number.

Business Month	Division	Batch ID	Deposit Slip Number	Reconciliation Difference
September 2015	District 5	L540SP02	5401500513	\$26.10
October 2015	District 1	L540LGA3	5401101441	\$24.00
October 2015	District 4	L540SM50	5401400393	\$ 8.00
November 2015	Sheriff's Academy	L540KL15	5400800275	\$10.00

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

Recommendation

The Office should ensure all cash receipt batches are properly closed at the end of each calendar month and 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

As of June 21, 2016 Patrol District and Sheriff's Academy commanders have confirmed policies requiring cash receipt batches to be closed on the last business day of each month. However, due to budget constraints HCSO has insufficient personnel to ensure these policies are consistently enforced, and this may result in timing issues and bank reconciliation issues as described above.