

GALVESTON COUNTY



Office of County Auditor

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December 20, 2016

Honorable Mark A. Henry, County Judge, and
Members of the Commissioners Court

Honorable Mark A. Henry and Members of the Court:

Attached for your consideration is the internal audit report of the Community Supervision and Corrections Department Audit that covered the period October 1, 2015 through September 30, 2016. Also attached is the response letter from Dan Moore, Director, dated December 6, 2016.

Sincerely,

A handwritten signature in blue ink, appearing to read "Rice CPA".

Randall Rice CPA
County Auditor

cc: Dan Moore, Director

Attachment: Community Supervision and Corrections Department Audit Report
Response Letter, Dan Moore



Community Supervision and Corrections Department (CSCD) Audit

November 15, 2016

Galveston
County
Internal Audit
Division

Randall Rice CPA
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County Auditor

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Executive Summary

Reliability and Integrity of Information (page 3)

- Adequate controls are in place by CSCD to ensure proper separation of duties relative to recording, authorizing and collecting.
- The department is accounting for all funds being disbursed during the monthly sweep.
- Reliability and integrity of information can be improved by entering all urinalysis (UA) fees in CSS for all drug tests performed unless the judgment states the fee should be waived.

Safeguarding of Assets (page 4)

- Physical security over assets (collections) is adequate.
- A bank reconciliation and proper support documentation is submitted to the Auditor's Office each month.

Compliance with Statutes, Policies and Procedures (page 5)

- CSCD is in compliance with LGC §113.022 Time For Making Deposits.
- Unclaimed restitution payments are properly being escheated in compliance with GC §76.013.
- All voided receipts follow department policy.
- Compliance can be improved by escheating all abandoned property that meet the escheatment criteria found in TPC §72.101 to the county or the state.

Introduction

The Internal Audit Division conducted an internal audit of the Community Supervision and Corrections Department, in accordance with Local Government Code (LGC) §115. The internal audit covered the period October 1, 2015 through September 30, 2016. The audit was performed from October 25, 2016 through November 15, 2016.

The primary objectives of the internal audit are to provide reasonable assurance concerning:

- Reliability and integrity of the information
- Safeguarding of assets
- Compliance with laws, regulations, contracts, policies, plans and procedures

The scope of the internal audit encompassed the financial records and administrative procedures related to the Community Supervision and Corrections Department. The internal audit included, but was not limited to, the books, accounts, reports, dockets and records of the Community Supervision and Corrections Department.

The internal audit included examining transactions on a test basis and required exercising judgment in the selection of such tests. As the internal audit was not a detailed examination of all transactions, there is a risk that errors or fraud were not detected during the internal audit. The official therefore retains the responsibility for the accuracy and completeness of the financial information.

Because of certain statutory duties required of the County Auditor, we are not independent with regard to the Galveston County Community Supervision and Corrections Department as defined by the AICPA professional standards. However, our internal audit was performed with objectivity and due professional care.

Lauren Ramsey, Compliance and Procedures Analyst, performed the audit.

Reliability and Integrity of Information

Reliable information is accurate, timely, complete and useful. In order to achieve this, controls over record keeping and reporting must be adequate and effective.

Separation of Duties

One of the most important internal controls is to have proper separation of duties. No one person should authorize a transaction, record a transaction and have custody of the assets.

The cashier collects money, records the transaction and issues a receipt to the probationer. At the end of the day, the cashier counts the collections and creates a deposit with a supervisor present. The supervisor signs off on the deposit and the monies are stored in a locked bag in the safe until the deputy sheriff arrives to take the deposit to the bank. CSCD has a proper separation of duties.

Corrections Software Solutions (CSS)

The District Clerk and County Clerk offices forward all adult probation cases to CSCD. This includes the judgments, which list the associated probation, urinalysis and pre-intervention fees for each case. The cases and their judgments are recorded in CSCD's record keeping system, CSS. The internal auditors tested a sample of cases recorded in CSS for accuracy and completeness.

Finding: CSCD is not consistently entering the urinalysis (UA) fees in CSS according to the judgments. *(This was a previous finding.)*

Recommendation CSCD-17-01: Reliability and integrity of information can be improved by entering all urinalysis (UA) fees in CSS for all drug tests performed unless the judgment states the fee should be waived.

Disbursement of Collections

CSCD "sweeps" the bank account once a month. The funds are sent to the appropriate parties (Treasurer's Office, victim restitution, crime stopper organizations and defendant refunds).

The department is accounting for all funds being disbursed during the monthly sweep.

Safeguarding of Assets

Safeguarding of assets has three basic aspects: 1) physical security of assets 2) minimal exposure to loss and 3) proper management of the assets.

Physical Security

Physical security encompasses any method to physically secure the collections from loss. Monies collected should be kept in a locked drawer or safe until they are deposited.

As part of the audit, the auditor conducted a surprise cash count at the Galveston location. All collections were accounted for at the time of the surprise cash count. Controls are in place to ensure the staff uses a lockable safe to secure collections until ready to be deposited. The safe remains locked when not in use.

Management of Collections

Properly prepared and adequately supported bank reconciliations are one of the best methods of cash management available to any office. The reconciliation process identifies any discrepancies in the bank account and assists in preventing the misuse of funds. Corrections Software Solutions (CSS) has a module that reconciles the transactions recorded in the system (payments and disbursements) with the bank statement information. In addition, the system performs a zero-out of the ending bank balance. The bank reconciliation and proper support documentation is submitted to the Auditor's Office each month.

Compliance with Statutes, Policies and Procedures

Adequate internal controls have been implemented in order to ensure compliance with applicable statutes, policies and procedures.

Deposit Statutes

LGC §113.022 Time For Making Deposits requires that money received shall be deposited "on or before the fifth business day after the day on which the money is received". CSCD's policy is to deposit daily.

CSCD is in compliance with LGC §113.022 for making timely deposits.

Escheatment of Restitution

According to Government Code (GC) §76.013, if a restitution payment has not been claimed by the victim "not earlier than the fifth anniversary... the department shall transfer from the interest-bearing account to the comptroller all payments received."

Unclaimed restitution payments are properly being escheated in compliance with GC §76.013.

Escheatment of Refunds

According to Texas Property Code (TPC) §72.101, "personal property is presumed abandoned if, for longer than three years: (1) the existence and location of the owner of the property is unknown to the holder of the property; and (2)...a claim to the property has not been asserted." All funds that meet this requirement are to be escheated to the state if they are over \$100 or to the County Treasurer's Office if they are under \$100.

Finding: There is abandoned property in the form of checks dating back to 1998 that have not been escheated. (*This was a previous finding.*)

Recommendation CSCD-17-02: Compliance can be improved by escheating all abandoned property that meet the escheatment criteria found in TPC §72.101 to the county or the state.

Voided Receipts

CSCD policy dictates only the Director or Administrative Supervisor have the authority to void receipts in CSS. Void is written across the original receipt and the Director or Administrative supervisor voids the receipt and documents an explanation in CSS. Copies of the original and voided receipt are retained with the daily receipts.

No exceptions were found in reviewing voided receipts.

COMMUNITY SUPERVISION AND CORRECTIONS DEPARTMENT
GALVESTON COUNTY

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Dan Moore, Director

Kelly Bozeman, Deputy Director

December 5, 2016

Randall Rice, CPA
County Auditor
722 Moody Ave 4th Floor
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Mr. Rice,

This letter is in response to the internal audit report received on November 28, 2016.

Galveston County Community Supervision and Corrections Department will improve compliance by working with the Treasurer's Office to properly escheat all abandoned property that meet the escheatment criteria in TPC §72.101 to the county or state.

Galveston County Community Supervision and Corrections Department will strive to improve the reliability and integrity of urinalysis (UA) fees entered into CSS to prevent future errors.

Our auditor, Lauren Ramsey, was friendly and completed the process with very little disruption to the department. Thank you for continuing to help this department improve our financial and management controls.

A handwritten signature in black ink, appearing to read "Dan Moore", is written over a horizontal line.

Dan Moore, Director
Galveston Community Supervision and Corrections Department