



THE COUNTY OF GALVESTON
COUNTY AUDITOR'S OFFICE
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GALVESTON, TEXAS 77553

County Auditor
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February 17th, 2015

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

Honorable Judge and Members of the Court:

Attached for your consideration is the internal audit report of Sheriff's Office Bond Division. The audit covered the period November 1, 2013 through October 31, 2014. Also attached is the response letter from Honorable Henry A. Trochesset, dated January 23, 2015.

Sincerely,

A handwritten signature in blue ink that reads "Rice CPA".

Randall Rice CPA
County Auditor

cc: Honorable Henry A. Trochesset

Attachment: Sheriff's Office Bond Division Audit Report
Response Letter, Honorable Henry A. Trochesset

Executive Summary

Reliability and Integrity of Information (pages 3)

- The Sheriff's Office has effective separation of duties.
- The draw-down account for surety fees was overstated by \$12,645.00 in IFAS.

Management of Assets (page 4)

- Controls are in place to ensure staff uses a lockable cash drawer and a safe to secure the financial assets in the office.
- All cash was accounted for on the day of the surprise cash count.
- Bank reconciliations of the bond account were properly performed and adequately supported.

Compliance with Statutes, Policies, and Procedures (page 5)

- The Office is in compliance with GC §41.258 in regards to collecting surety fees.
- The Sheriff's Office personnel should strive to meet the 5-day policy of disbursing bond money.

Introduction

The Internal Audit Division conducted an internal audit of the Galveston Sheriff's Office Bond Division, as required by Local Government Code §115.0035. The internal audit covered the period November 1, 2013 through October 31, 2014. The audit was performed from November 19, 2014 through December 29, 2014.

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 Sheriff's Office Bond Division. The internal audit included, but was not limited to, the books, accounts, reports, and records of the Sheriff's Office Bond Division.

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 will not be 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 Sheriff's Office Bond Division as defined by the AICPA professional standards. However, our internal audit was performed with objectivity and due professional care.

Yun Yap, Internal Auditor III, performed the audit.

Reliability and Integrity of the 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 controls is to have proper separation of duties. No one person should be able to authorize a transaction, record a transaction, and have custody of the assets.

Due to the nature of the Bond Division, a proper separation of duties is difficult to attain. As a result, the office has implemented procedures to address this issue. A Bond Office personnel processes collections and records the payments in the Bond Office till in Odyssey. The collections are submitted to the Sheriff's Office Chief Comptroller who reconciles the collections to Odyssey reports and deposits them in the bank.

The office has effective separation of duties.

Surety Fees

The Sheriff's Office Bond Division requires each bond company to establish a prepaid, draw-down account (DDA) for their surety fees. Each time a surety bond is recorded in Odyssey the surety fee is deducted from the DDA. The bond companies must maintain a minimum balance in their DDA. A Draw-Down Account Statement is submitted to the Auditor's Office which is used to record the surety fees in IFAS.

Finding: The DDA in IFAS was overstated by \$12,645.00. The Sheriff's Office has not provided the Auditor's Office with the financial information needed to update the DDA's in IFAS.

Recommendation SOBD 15-01: The Bond Division should submit the Draw-Down Account Statement report within 5 business days of the end of each month.

Safeguarding of Assets

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

Physical Security

Physical security encompasses all methods used to physically secure the assets from loss. Assets not being used should be kept in a locked drawer or safe until they are needed.

As part of the audit, the auditor conducted a surprise cash count on November 20, 2014. All collections were accounted for at the time of the surprise cash count.

Controls are in place to ensure staff uses a lockable cash drawer and a safe to secure the financial assets in the office.

Minimizing Exposure to Loss

Daily deposit is one of the best methods of minimizing exposure of collections to loss as well as providing the County with maximum benefit of the collections.

The Sheriff's Office deposits bond money in the Sheriff's bond bank account and deposits all other fees in the County demand account.

No errors were detected in the testing of deposits.

Managing the Assets

A bank reconciliation properly performed and adequately supported is one of the best methods of cash management available to any official. The reconciliation process identifies any discrepancies in the bond account and assists in preventing the misuse of funds.

Bank reconciliations of the bond account were properly performed and adequately supported.

Compliance with Statutes, Policies, and Procedures

Assistant Prosecutor Supplement Fund and Fair Defense Account

Government Code (GC) §41.258 Assistant Prosecutor Supplement Fund and Fair Defense Account (b) states a court, judge, magistrate, peace officer, or other officer taking a bail bond for an offense other than a misdemeanor punishable by fine only under Chapter 17, Code of Criminal Procedure, shall require the payment of a \$15 cost of each surety posting the bail bond, provided the cost does not exceed \$30 for all bail bonds posted at that time for an individual and the cost is not required on the posting of a personal or cash bond.

The auditor tested a sample of the surety fee collections. The office is in compliance with GC §41.258 (b).

Bond Disbursements

The Bond Division accepts money for various County (and out-of-County) entities. All money received by the Bond Division must be disbursed accurately to the proper entity. Bond disbursements are processed in the Odyssey system which produces a computer generated check. The Chief Comptroller disburses the checks to the entities, as directed by the bond documents. It is the Sheriff's Office policy to disburse bond money within 5 business days of receipt.

Finding: 10% of the bond disbursements tested were disbursed more than 5 business days after receipt of collections.

Recommendation SOBD 15-02: The Sheriff's Office personnel should strive to meet the 5-day policy of disbursing bond money.



Henry A. Trochesset
Sheriff
Galveston County

January 23, 2015

TO: Mr. Randall Rice, CPA
County Auditor

RE: Audit Report, Sheriff's Office Bond Division, FY 2015

Mr. Rice:

I have reviewed your draft report of the FY 2015 Bond Division audit, and concur with observations therein.

The recommendations noted regarding the draw down accounts are related to new procedures we were unaware of at the time of the audit. We have and are continuing to work with the Odyssey team in Information Technology to assure appropriate reporting mechanisms are in place with a goal of providing timely information to balance and reconcile these accounts. The new procedures already established are designed to more fully describe and document any apparent over- or under-statements of surety fees in these accounts.

Additionally, we have modified our internal processes to address recommendations regarding bond disbursements. We are now running daily disbursements in an effort to more timely process these received funds, and will extend every effort to process these items more expediently.

My staff and I appreciate the work and assistance of your office in completing these audits and should you require any other information, please contact me at x2301.

A handwritten signature in black ink that reads "Henry Trochesset".

Henry Trochesset
Sheriff

To Protect and Serve

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