

GALVESTON COUNTY



Office of County Auditor

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March 28, 2017

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 Sheriff's Office Bond Division. The audit covered the period December 1, 2015 through November 30, 2016. Also attached is the response letter from Sheriff Trochesset, dated March 6, 2017.

Sincerely,

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

Randall Rice CPA
County Auditor

cc: Sheriff Henry Trochesset

Attachment: Sheriff's Office Bond Division Internal Audit Report
Response Letter, Sheriff Trochesset



Sheriff's Office Bond Division Internal Audit FY2017

January 27, 2017

Galveston County
Internal Audit
Division

Randall Rice CPA
CITP CISA CIO CBM DABFA CGMA
County Auditor

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Executive Summary

Reliability and Integrity of Information (pages 3)

- The Senior Financial Coordinator prepares the deposits, disbursements and bank reconciliations, resulting in an ineffective separation of duties. Reliability and integrity of information can be improved by having a supervisor review and sign complete and accurate bank reconciliations.

Safeguarding 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 collections were accounted for on the day of the surprise cash count.
- Safeguarding of assets can be improved by using Odyssey to obtain book amounts to reconcile to the bank to ensure complete and accurate bank reconciliations are performed.

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

- The office is in compliance with GC §41.258 in regards to collecting surety fees.
- Bond disbursements are being made timely and to the correct entities.

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 December 1, 2015 through November 30, 2016. The audit was performed from December 20, 2016 through January 27, 2017.

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.

Madeline Walker, Compliance Audit Team Lead, 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. Bond Division personnel process collections and records payments in the Bond Division tills in Odyssey. The collections are reconciled to Odyssey daily and sent to the Senior Financial Coordinator who prepares the collections for deposit. Bond money is disbursed daily and bank reconciliations are prepared monthly by the Senior Financial Coordinator.

Finding: The Senior Financial Coordinator prepares the deposits, disbursements and bank reconciliations, resulting in an ineffective separation of duties.

Recommendation BOND-17-01: A supervisor should review the bank reconciliations for completeness and accuracy and sign the bank reconciliations as evidence of the review, prior to them being sent to the Auditor's Office.

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 December 20, 2016. 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 daily. No errors were detected in the testing of deposits.

Positive pay is a fraud detection tool offered by Prosperity Bank that electronically compares checks issued by an agency to checks transmitted to the bank. If the transmitted check does not match an issued check, the agency is notified prior to the check being cleared. As of January 2017, the Sheriff's Office has implemented positive pay for the bond account.

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. The bond account is reconciled monthly by the Senior Financial Coordinator.

Finding: Bank amounts are not being reconciled to book amounts from Odyssey.

Recommendation BOND-17-02: Odyssey reports should be used to obtain the book amounts for the bond account and reconciled to the bank to ensure a complete and accurate bank reconciliation is performed.

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.

A sample of surety fee collections was tested. 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 Senior Financial Coordinator 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.

Bond disbursements are being made timely and to the correct entities.



Henry A. Trochesset
Sheriff
Galveston County

March 06, 2017

Mr. Randall Rice, CPA
County Auditor

Re: FY 2017 Sheriff's Office Bond Division Audit Reports

Mr. Rice,

I have received and reviewed the FY 2017 Internal Audit Reports for our Bond Division. I am quite pleased that you found the financial records and administrative procedures related to the Sheriff's Office Bond Division to be in order.

I am appreciative of your staff's time dedicated to auditing these accounts, assuring us our processes are sound and our responsibilities for managing these funds are appropriately met.

As always, should you need additional information or wish to discuss these audits further, you may contact me at x2301.

Respectfully,

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

Henry Trochesset
Sheriff

To Protect and Serve

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