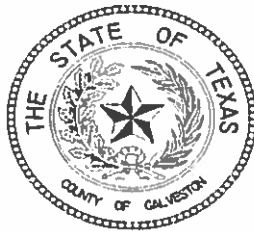


GALVESTON COUNTY



Office of County Auditor

Randall Rice CPA CISA CIO, County Auditor
Kristin Bulanek CIA, First Assistant County Auditor

P.O. Box 1418, Galveston, Texas 77553

(409) 770-5304

722 Moody Ave 4th Floor, Galveston, TX 77550

June 3, 2019

Honorable Mark A. Henry, County Judge, and
Members of the Commissioners Court
722 Moody Avenue
Galveston, Texas 77550

Honorable Mark A. Henry and Members of the Court:

Attached to be received and filed is the internal audit report of the Sheriff's Office Bond Division. The audit covered the period February 1, 2018 through January 31, 2019. Also attached is the response letter from Sheriff Trochesset, dated May 14, 2019.

Sincerely,

A handwritten signature in blue ink that reads "Rice" with "by Kristin Bulanek" written below it.

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 Audit

March 7, 2019

Galveston County
Internal Audit Division

Randall Rice CPA
CITP CISA CIO CBM DABFA CGMA
County Auditor

Executive Summary.....	1
Introduction	2
Details	3-6

Executive Summary

Reliability and Integrity of Information (page 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 the deposit slip, Odyssey Group Disbursement report and the bank reconciliations.

Safeguarding of Assets (pages 4-5)

- 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.
- Exposure to loss can be minimized by complying with the County Cash Handling Policy requiring prompt endorsement of all checks upon receipt.
- 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 6)

- No material discrepancies were found in the Sheriff's Office compliance with GC §41.258 in regards to collecting surety fees.
- All bond company license renewal fees that occurred during the audit period were properly collected in accordance with OC §1704.162 (c).

Introduction

The Internal Audit Division conducted an internal audit of the Galveston Sheriff's Office Bond Division, in accordance with Local Government Code §115. The internal audit covered the period February 1, 2018 through January 31, 2019. The audit was performed from February 6, 2019 through March 7, 2019.

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.

Michaelyn Dunaway, Internal Auditor, 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 record 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. *(This is a prior audit finding.)*

Recommendation BOND-19-01: A supervisor of the Senior Financial Coordinator should review daily deposits and disbursements and the bank reconciliations for completeness and accuracy. The supervisor should sign the deposit slip, Odyssey Group Disbursement report and the bank reconciliations as evidence of the supervisor's review prior to deposit of funds, checks being released and bank reconciliations 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 February 6, 2019. 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.

County Cash Handling Policy (effective 9/1/2017) Section 4.0 Procedures for Cash Collection states checks must be endorsed promptly with a restrictive endorsement stamp payable to Galveston County.

Finding: The Sheriff's Office policy does not require checks to be endorsed.

Recommendation BOND-19-02: To prevent unauthorized cashing of checks and ensure compliance with the County Cash Handling Policy, the Sheriff's Office should implement a policy which requires all checks and money orders be endorsed upon receipt with a restrictive endorsement stamp payable to Galveston County. The endorsement stamp may be ordered through the Treasurer's Office.

Safeguarding of Assets (cont.)

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. *(This is a prior audit finding.)*

Recommendation BOND-19-03: 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.

Recommendation BOND-19-04: Reverse \$500 erroneous adjustment from June 2015 related to receipt SO-2014-07664.

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 by 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. No material discrepancies were found in the Sheriff’s Office compliance with GC §41.258.

License Expiration and Renewal

Occupations Code (OC) §1704.162 License Expiration and Renewal (c) states “an application for renewal must comply with the requirements for an original license application under Section 1704.154, including the \$500 filing fee requirement”. All bond company license renewal fees that occurred during the audit period were properly collected in accordance with OC §1704.162 (c).

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 Odyssey 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 were made timely and to the correct entities.



Henry A. Trochesset
Sheriff
Galveston County

May 14, 2019

TO: Mr. Randall Rice, CPA
County Auditor

RE: Audit Report, Sheriff's Office Bond Account Audit

Mr. Rice:

I have reviewed the draft report of the Bond Account Audit (February 1, 2018 -January 31, 2019) and along with my staff met with your auditors on 04/30/2019.

- **Finding-**The Senior Financial Coordinator prepares the deposits, disbursements and bank reconciliations, resulting in an ineffective separation of duties.
- **Response-**I acknowledged this finding at the the closing audit meeting and also previous year audit meetings. Although I appreciate this security process your auditors are recommending and I understand why they feel it is necessary, at this time we are unable to comply. Your auditors noted in the draft audit report that the supervisor over my Accounting Division should review my Senior Financial Officer, Ms. Vickery's daily reporting for completeness and accuracy. Major Ron Hill supervises accounting and other divisions and is also a Law Enforcement Officer and Division Commander in my Administration. The responsibilities required of the Major does not afford him the availability to assume this daily task and although he is versed in many areas he has not acquired the experience which I would think would be necessary for such an assignment.

I would like to get an additional position, as we had years before, to assist Ms. Vickery and also to act as back-up in her absence. This would free her to work on the other aspects of her job of which she has had to put on the back burner for some time now. A new position could process the daily transactions and submit for review and approval to Ms. Vickery or Major Hill.

I apologize we are unable to implement your recommended process at this time but hope to be able to fulfill your request when additional man power is available.

To Protect and Serve

Mr. Randall Rice, CPA
County Auditor

-2-

May 14, 2019

I have met with Kay Vickery and we have discussed the audit findings and recommendations. I have requested she address these findings, respond and return her answers to me for my review. I will enclose the answers that she provided.

As always, we appreciate your office's assistance and the opinions and recommendations they provided. Please feel free to contact me if further information is needed.

Cordially,

A handwritten signature in black ink that reads "Henry Trochesset". The signature is written in a cursive style with a large, stylized initial "H".

Sheriff Henry Trochesset
Galveston County

May 14, 2019

Sheriff Trochesset:

As requested, my responses to the findings on our 2018-2019 Bond account audit is as follows:

- **Finding-**The Sheriff's Office policy does not require checks to be endorsed.

Response-Although no longer required by our financial institution due to the security enhancements afforded by remote capture, we will comply with the County auditor's recommendation and all non-cash submittals payable to Galveston County will be endorsed on the back of the document by stamp. We are awaiting advisement from Kristin Bulanek or Lori McWhirter on the exact wording they are suggesting for the stamp, which we will then order from the Galveston County Treasurer.

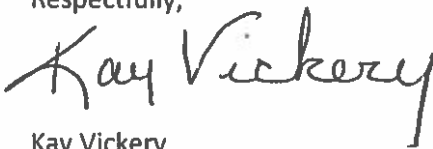
Regarding the addition to the Sheriff's policy requiring endorsement on all checks, including the accounts which he is a conservator over, the Sheriff has noted the recommendation and any changes to his policy will be initiated if he deems necessary.

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

Response-Transaction from receipt 07664 for \$500 that was reversed in error in ODYSSEY has been amended. No adjustments to monthly reporting was necessary and distributions from this deposit was apportioned as intended.

Sheriff if you need me to provide anything additional or if you find my answers not sufficient to encompass what we discussed, please just let me know and I will make revisions as you request.

Respectfully,



Kay Vickery