

# GALVESTON COUNTY



## Office of County Auditor

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September 20, 2021

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 for your consideration is the internal audit report of the Sheriff's Office Tax Sale Division. The audit covered the period June 1, 2020 through May 31, 2021. Also attached is the response letter from Sheriff Trochesset, dated September 8, 2021.

Sincerely,

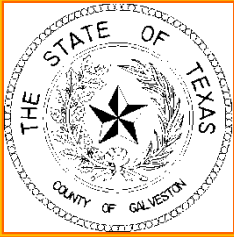
*Randall Rice CPA*

Digitally signed by Randall Rice CPA  
Date: 2021.09.13 14:08:00 -05'00'

Randall Rice CPA  
County Auditor

cc: Sheriff Henry Trochesset

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



# Sheriff's Office Tax Sale Division

July 27, 2021

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 (page 3)

- Compensating controls have been implemented in different areas of the Sheriff's Office operations to reduce risk of a lack of proper separation of duties due to staff limitations.
- A copy of the manual receipt issued for a tax sale payment should be scanned into Odyssey for each case.
- No discrepancies were found in testing publication fees.
- No discrepancies were noted in the deed recording fee.

## Safeguarding of Assets (page 4)

- Controls are in place to ensure the staff uses a lockable safe to secure collections until ready to be deposited.
- Proper controls are in place ensuring the Sheriff's Office Administrative Assistant reconciles the tax sale proceeds to the manual receipts at the end of the day, then submitting to the Senior Financial Coordinator for deposit.
- Outstanding checks should be researched to determine the reason why the checks have not been cashed.
- The Sheriff's Office Tax Sale Division should reconcile the tax sale bank account with the Odyssey Receipt Journal and the Odyssey Check Register report.

## Compliance with Statutes, Policies and Procedures (pages 5-7)

- No material exceptions were noted in testing deposits for compliance with LGC §113.022 Time for Making Deposits.
- All certified tax statements that occurred during the audit period were properly calculated in accordance with TC §34.01(b).
- The Sheriff's Office Tax Sale Division is in compliance with TC §34.02 Distribution of Proceeds.
- The Sheriff's Office Tax Sale Division is in compliance with TC §34.06 Distribution of Proceeds of Resale.

# Introduction

The Internal Audit Division conducted an audit for the period of June 1, 2020 through May 31, 2021 of the Sheriff's Office Tax Sale Division, in accordance with Local Government Code (LGC) §115. The audit was performed from June 22, 2021 through July 26, 2021.

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 Tax Sale Division. The internal audit included, but was not limited to, the books, accounts, reports and records of the Sheriff's Office Tax Sale 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 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 Sheriff's Office Tax Sale Division as defined by the AICPA professional standards. However, our internal audit was performed with objectivity and due professional care.

Celeste Wood, Internal Auditor, 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 County Cash Handling Policy (effective 9/1/2017) Section 4.0 Procedures for Cash Collection states cash collection points must maintain a clear separation of duties. An individual should not have responsibility for more than one of the cash handling components: collecting, depositing, disbursement and reconciling. Due to the size of the Sheriff's Office Tax Sale Division, a proper separation of duties is not possible, however, compensating controls have been implemented to reduce risk.

## Manual Receipts

A manual receipt is issued to each buyer upon receipt of payment. The receipt reflects both the payment for property and the payment for the deed recording fee. The pre-numbered receipts are provided by the County Print Shop, in duplicate. The original receipt is given to the buyer and the copy is retained in the receipt book and scanned into Odyssey, the county's case management software.

**Finding:** Manual receipts are not consistently being scanned in Odyssey.

**Recommendation SOTX-21-01:** To improve the reliability and integrity of the information, a copy of the manual receipt issued for a tax sale payment should be scanned into Odyssey for each case.

## Advertising Costs (Publication Fees)

The Sheriff's Office tax sales are advertised in the Galveston Daily News. The Sheriff's Office Administrative Assistant contacts the newspaper and obtains the cost for the advertisement. The total cost is divided by the number of properties to be advertised to determine the publication fees for each case. The publication fees for each property advertised are recorded in the applicable cases in Odyssey. Galveston Daily News invoices the Sheriff's Office and a check is issued. The Senior Financial Coordinator is responsible for submitting the payment to the Department of Professional Services. During the audit period, \$26,447.54 in publication fees were collected, disbursed and recorded in ONESolution. No material discrepancies were found in testing publication fees.

## Deed Recording Fee

On the day of the tax sale, in addition to the property payment, each buyer must pay \$30 to the County Clerk's Office for the deed recording fee. The Sheriff's Office Administrative Assistant or a Sheriff's deputy delivers the deed payments to the County Clerk's Office. The County Clerk's Office records the deeds then mails a copy of the recorded deed to the property owner. No discrepancies were noted in the deed recording fee.

# 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 any method to physically secure the collections from loss. Monies collected should be kept in a locked drawer or safe until they are deposited in the bank. Controls are in place to ensure staff uses a safe to secure the financial assets in the office. The safe remains locked when not in use.

## Reconciling Collections

The County Cash Handling Policy (effective 9/1/2017) Section 4.0 Procedures for Cash Collection states funds received must be reconciled to the manual receipts at the end of each day. Cash must be reconciled separately from checks, credit cards and money orders by comparing actual cash received to the cash total from the manual receipts. Proper controls are in place ensuring the Sheriff's Office Administrative Assistant reconciles the tax sale proceeds to the manual receipts at the end of the day, before submitting the proceeds to the Senior Financial Coordinator for deposit.

## Management of Collections

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 tax sale account and assists in preventing the misuse of funds. The tax sale account is reconciled monthly by the Senior Financial Coordinator. Internal Audit reviewed the bank reconciliations for the audit period.

**Finding:** There are 5 outstanding checks in the tax sale bank account that should be addressed:

CK #2563	6/12/2020	Kathleen Marx-Sharp	\$700.00
CK #2619	11/16/2020	Kathleen Marx-Sharp	\$700.00
CK #2624	12/16/2020	Jeffrey Kilgore	\$700.00
CK #2632	12/16/2020	County Clerk	\$60.00
CK #2633	12/16/2020	City of Texas City (16TX0071)	\$4,389.20

**Recommendation SOTX-21-02:** Management of collections can be improved by the Sheriff's Office researching the outstanding checks to determine the reason why the checks have not been cashed.

**Finding:** The bank reconciliation submitted by the Sheriff's Office Tax Sale Division does not reconcile the bank account to Odyssey.

**Recommendation SOTX-21-03:** Management of collections can be improved by reconciling the tax sale bank account with the Odyssey Receipt Journal and the Odyssey Check Register report.

# Compliance with Statutes, Policies and Procedures

The following areas were tested to provide reasonable assurance the Sheriff's Office Tax Sale Division is in compliance with statutes, policies and procedures.

## Timeliness of Deposits

LGC §113.022 Time For Making Deposits states a county officer or other person who receives money shall deposit the money with the County Treasurer on or before the next regular business day after the date on which the money is received. If this deadline cannot be met, the officer or person must deposit the money, without exception, on or before the fifth business day after the day on which the money is received. The County Cash Handling Policy (effective 9/1/2017) Section 4.0 Procedures for Cash Collection states collections must be deposited to the Treasurer's Office or county depository within 24 hours. No material exceptions were noted in testing deposits for compliance with LGC §113.022.

## Tax Code (TC) §34.01 Sale of Property

Under TC §34.01(b) On receipt of an order of sale of real property, the officer charged ("sheriff") with selling the property shall calculate the total amount due under the judgment, including all taxes, penalties, and interest, plus any other amount awarded by the judgment, court costs, and the costs of the sale. To assist the sheriff in making the calculation, the collector of any taxing unit that is party to the judgment *may* provide the sheriff with a certified tax statement showing the amount of the taxes included in the judgment that remain due to that taxing unit and all penalties, interest, and attorney's fees provided by the judgment as of the date of the proposed sale. If a certified tax statement is provided to the sheriff, the sheriff shall rely on the amount included in the statement and is not responsible or liable for the accuracy of the applicable portion of the calculation. A certified tax statement is not required to be sworn to and is sufficient if the tax collector or the collector's deputy signs the statement. All certified tax statements that occurred during the audit period were properly calculated in accordance with TC §34.01(b).

## Compliance with Statutes, Policies and Procedures (cont.)

### TC §34.02 Distribution of Proceeds

TC §34.02 Distribution of Proceeds states (a) The proceeds of a tax sale shall be applied in the order prescribed by Subsection (b). The amount included under each subdivision of Subsection (b) must be fully paid before any of the proceeds may be applied to the amount included under a subsequent subdivision.

(b) The proceeds shall be applied to:

- 1) Costs of advertising the tax sale
- 2) Attorney Ad Litem Fees, ordered by the judgment
- 3) Original court costs payable to the District Clerk
- 4) Fees and commissions payable to the officer (sheriff) conducting the sale
- 5) Expenses incurred in procuring legal descriptions of property, ordered by the judgment
- 6) Taxes, penalties, interest and attorney's fees due under the judgment
- 7) Any other amount awarded to a taxing unit under the judgment

(c) If the proceeds are not sufficient to pay the total amount included under any subdivision of Subsection (b), each participant in the amount included under that subdivision is entitled to a share of the proceeds in an amount equal to the proportion its entitlement bears to the total amount included under that subdivision.

(d) The officer conducting the sale shall pay any excess proceeds after payment of all amounts due all participants in the sale as specified by Subsection (b) to the clerk of the court (District Clerk) issuing the warrant or order of sale.

Internal Audit reviewed the distribution of proceeds from the tax sales for the audit period. The Sheriff's Office is in compliance with TC §34.02.



## **Compliance with Statutes, Policies and Procedures (cont.)**

### **TC §34.06 Distribution of Proceeds of Resale**

Under TC §34.06 Distribution of Proceeds of Resale (a) Proceeds of a resale of property purchased by a taxing unit at a tax foreclosure sale shall be paid to the purchasing taxing unit. (b) The proceeds shall be distributed as required by (c) - (e).

(c) The purchasing taxing unit shall first retain an amount from the proceeds to reimburse the unit for reasonable costs for:

- 1) maintaining, preserving, and safekeeping the property
- 2) marketing the property for resale; and
- 3) costs described in Subsection (f)

(d) After retaining the amount authorized by Subsection (c), the purchasing taxing unit shall pay all costs in the same manner and order of priority as provided by Sections 34.02(b) (1)-(5).

(e) The remaining balance of the proceeds shall be paid to each taxing unit participating in the sale in an amount equal to the proportionate share of each participant's property taxes.

(f) The purchasing taxing unit is entitled to recover from the proceeds of a resale any costs incurred in inspecting the property to determine violation of the Health and Safety Code §361 of the Water Code §26.

Internal Audit reviewed the distribution of proceeds from the tax resales for the audit period. The Sheriff's Office is in compliance with TC §34.06.



*Henry A. Trochesset*  
Sheriff  
Galveston County

September 8, 2021

TO: Mr. Randall Rice, CPA  
Galveston County Auditor

Re: 2021 Tax Sale Audit Report, Sheriff's Office

Mr. Rice:

The findings in this year's Tax Sale Audit Report listed the two following processes that needed improvement.

- **RELIABILITY AND INTEGRITY OF INFORMATION**

- **Manual Receipts**

*Finding:* Manual receipts are not consistently being scanned in Odyssey.

*Answer:* I have spoken to Ms. Galloway regarding this finding and we appreciate you alerting us to this oversight. We will work towards improvement on making sure all sale documents are scanned into the Tax Sale cases in Odyssey.

- **SAFEGUARDING OF ASSETS**

- **Management of Collections**

*Finding:* There are 5 outstanding checks in the tax sale bank account that should be addressed.

*Answer:* I have spoken to Ms. Vickery and she is aware of the outstanding checks in this account and will continue to contact and encourage these payees to deposit or cash these checks.

I, along with Ms. Galloway and Ms. Vickery, appreciate the time and attention of your auditor in reviewing the Tax Sale account and the suggestions that were expressed. We value the opinion of your auditors and will continue striving towards improving the stability of this financial account.

Respectfully,

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

Henry Trochesset  
Sheriff  
Galveston County

*To Protect and Serve*