

GALVESTON COUNTY



Office of County Auditor

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June 14, 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 to be received and filed is the internal audit report of the Sheriff's Office Bond Division. The audit covered the period April 1, 2020 through March 31, 2021. Also attached is the response letter from Sheriff Trochesset, dated May 19, 2021.

Sincerely,

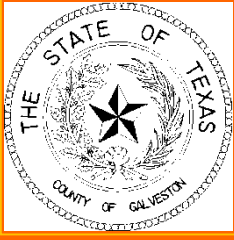
Randall Rice CPA

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CPA
Date: 2021.05.27 08:52:03 -05'00'

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

April 23, 2021

Galveston County
Internal Audit Division

Randall Rice CPA
CITP CISA CIO CBM DABFA CGMA
County Auditor

Executive Summary1
Introduction2
Details..... 3-5

Executive Summary

Reliability and Integrity of Information (page 3)

- A supervisor of the Senior Financial Coordinator should review daily deposits, disbursements and the bank reconciliations for completeness and accuracy.

Safeguarding of Assets (page 4)

- 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.
- Collections are deposited daily, minimizing exposure to loss.
- 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 (page 5)

- No material discrepancies were found in the Sheriff's Office compliance with GC §41.258 (b) 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).
- No material discrepancies were found in testing bond disbursements.

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 April 1, 2020 through March 31, 2021. The audit was performed from April 13, 2021 through April 23, 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 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.

Jessica Kozma, Internal Auditor I, 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 county's electronic court management system. 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-21-01: A supervisor of the Senior Financial Coordinator should review daily deposits, disbursements and the bank reconciliations for completeness and accuracy.

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 April 13, 2021. 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 depositing 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.

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-21-02: 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 reimbursement fee by each surety posting the bail bond, provided the fee does not exceed \$30 for all bail bonds posted at that time for an individual and the fee 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 (b).

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. No material discrepancies were found in testing bond disbursements.



Henry A. Trochesset
Sheriff
Galveston County

May 19, 2021

TO: Mr. Randall Rice, CPA
County Auditor

RE: Audit Report, Sheriff's Office Bond Account

Mr. Rice:

After reviewing the findings on the Bond Account Audit report, it appears to reflect the same as the findings from previous years. With that noted, I stand behind the same answers that I have submitted on prior year audits as my reasons and opinion still stand firm.

Ms. Vickery and I would like to thank Jessica Kozma for her review and the courteous manner that she extends during the auditing process. She is very helpful and listens to our concerns, offers suggestions and goes out of her way to limit disruptions as she audits.

Sincerely,

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

Henry Trochesset
Sheriff

To Protect and Serve

601 54TH STREET • SUITE 2100 • GALVESTON, TEXAS 77551 • PHONE: 409-766-2300