



Harris County Auditor's Office

2023 County Auditors Institute
May 2, 2023

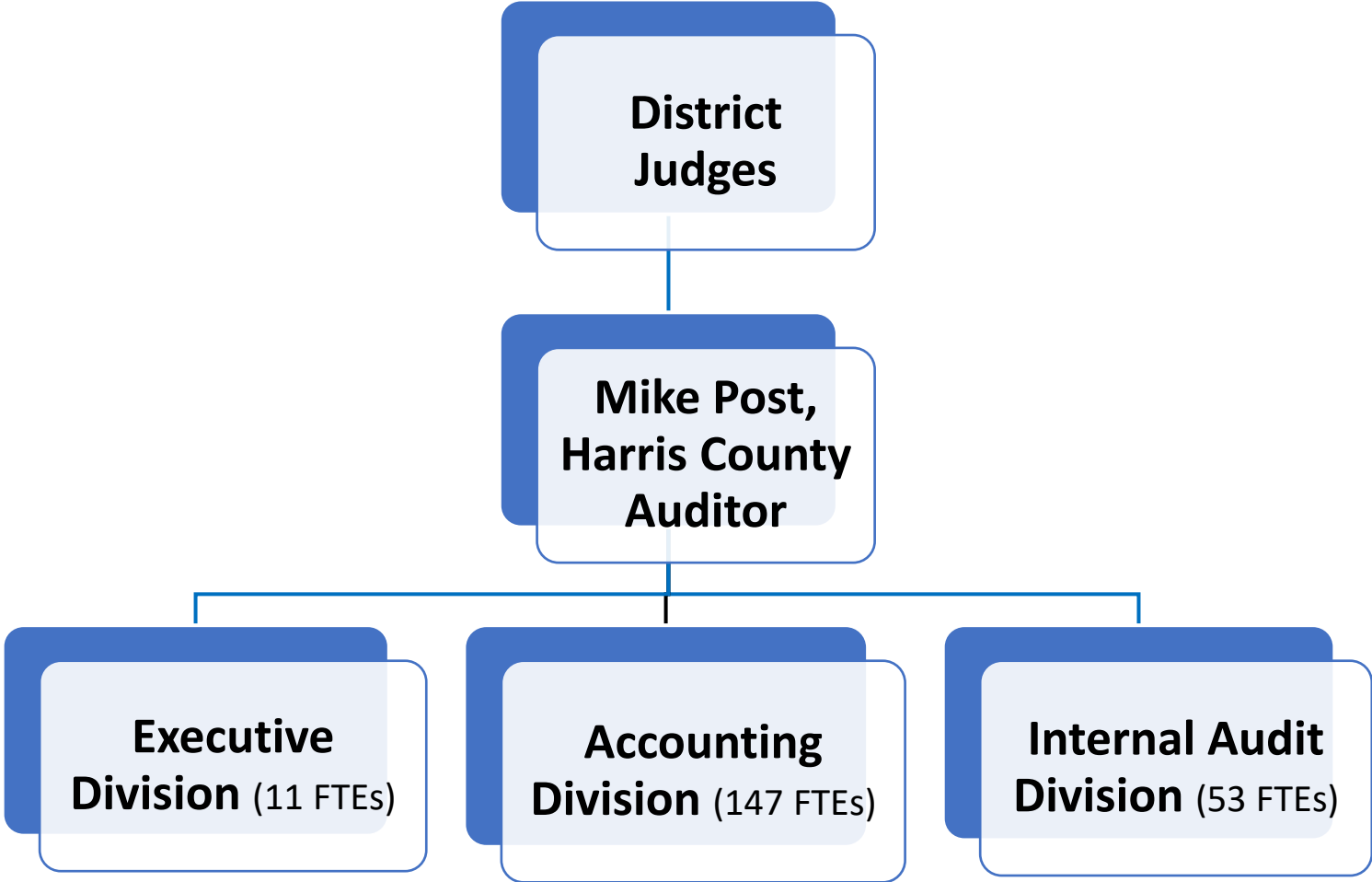


2023 County Auditor Institute - Fees and Collections

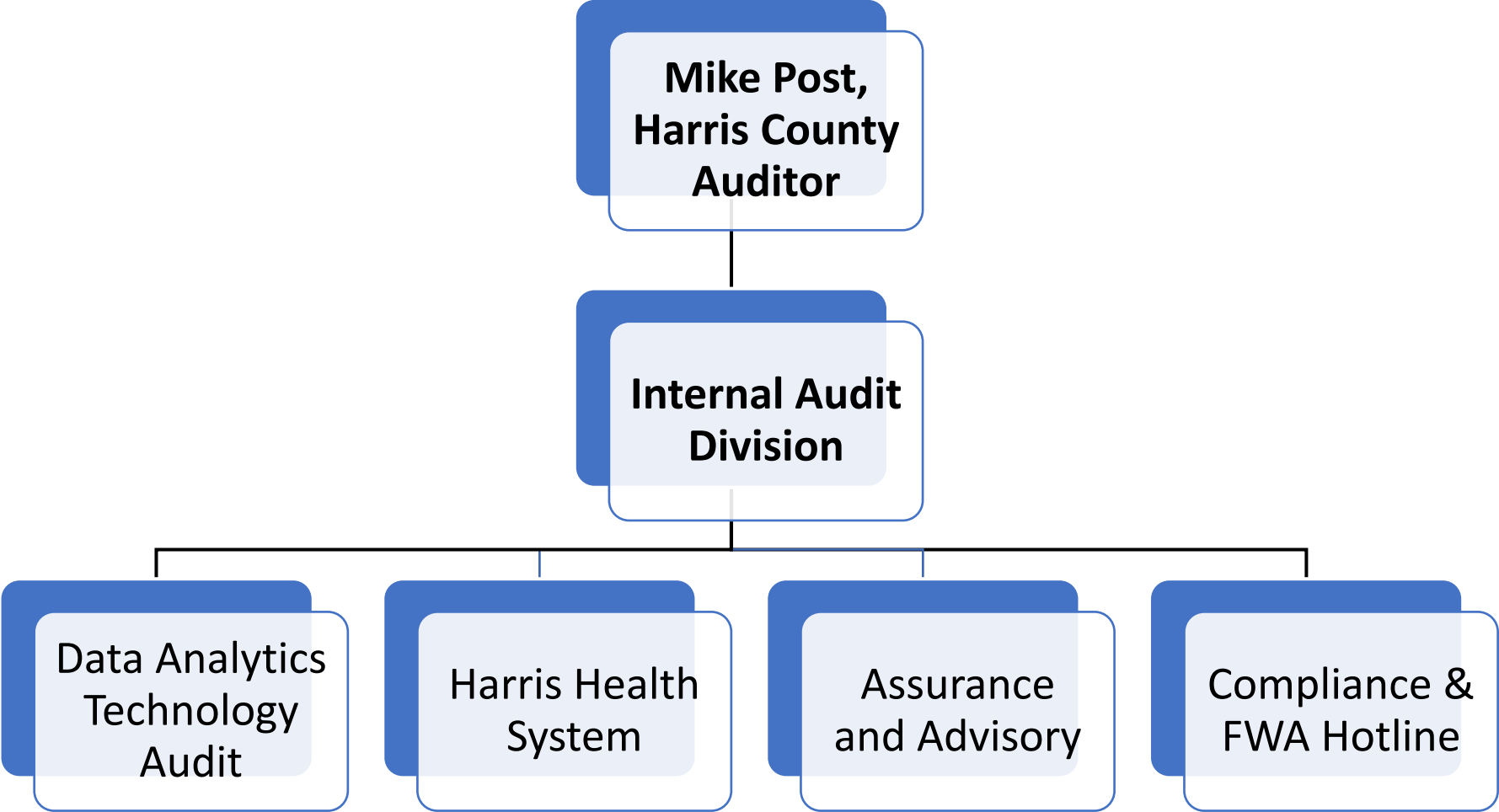


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- Harris County Statutory Audits
- Fee and Collection Audits
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Harris County Auditor's Office



Harris County Auditor's Office



Why do we audit fees and collections?

2023 County Auditor Institute - Fees and Collections

These audits help to satisfy statutory requirements:

LGC §112.006:

- (a) The county auditor has general oversight of the books and records of a county, district, or state officer authorized or required by law to receive or collect money or other property that is intended for the use of the county or that belongs to the county.
- (b) The county auditor shall see to the strict enforcement of the law governing county finances.

LGC §115.002:

- (a) The county auditor shall carefully examine and report on all reports that are about the collection of money for the county and that are required to be made to the Commissioners Court.
- (b) At least once each quarter, the county auditor shall check the books and shall examine in detail the reports of the county tax assessor-collector, the county treasurer, and all other officers. The auditor shall verify the footings and the correctness of those books and reports. The auditor shall either stamp the books and reports approved or shall note any differences, errors, or discrepancies.

2023 County Auditor Institute - Fees and Collections

Frequency of Audits:

Monthly

Statutory audits are planned based on the monthly collections report due by the 5th of each month, as required by LGC §114.001(b)*.

Quarterly

In accordance with LGC §115.002(b), statutory audits are completed and results are communicated on a quarterly basis.

Annually

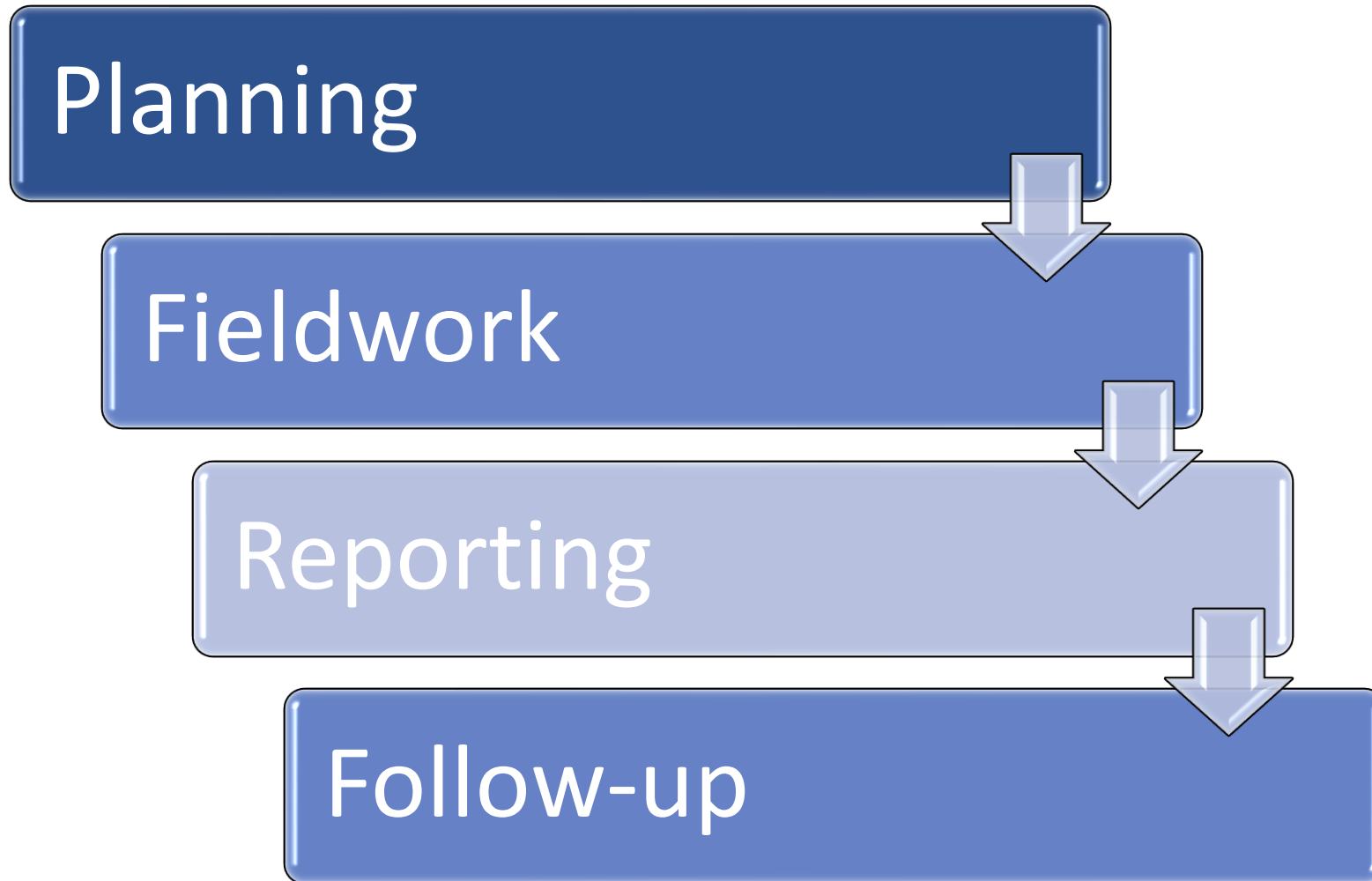
Compliance Audit performs approximately 126 statutory audits of fees and collections each year.

***LGC §114.001(b):** A monthly report must be filed within five days after the last day of each month.

Monthly reports:

- Sec. 114.021. County Treasurer's Tabular Statement & Regular Report
- Sec. 114.022. County Annual Financial Exhibit
- Sec. 114.023. County Auditor's Monthly Report And Receipts & Disbursements Report
- Sec. 114.041 - .046. Fee Collection Reports

Fees and Collections – Audit Process



Fees and Collections - Planning

Audit planning includes, but is not limited to:

- Reevaluating the approach used in previous audits for efficiency and effectiveness.
- Identifying any potential fraud risks associated with the collections reported.
- Determining if there were any legislative changes that require additional compliance procedures to be incorporated into the audit.
- Evaluating department controls that are in place to ensure compliance with the statutory requirements.
- Determining which controls will be tested for adequacy.
- Deciding whether tests for compliance will employ sampling or if 100% of the population will be tested due to either efficiency or risk.

Fees and Collections - Planning

Audit objectives should reflect the risks identified for the County and the individual departments.

**Note: Objectives may be similar across the County departments but not the exact same.*

Sample

The objectives of this engagement were to determine whether:

- The monthly collection reports were submitted timely, and the amounts reported were properly recorded in the County's depository.
- The numerical sequencing of receipts was accounted for.
- Receipts were properly allocated in the County's financial records.
- Receipts were properly allocated in the Odyssey Case Management System.
- Fines and fees were accurately assessed and recorded.
- Voided receipts were properly approved and accounted for.
- Penalties, interest, and attorney fees were properly assessed and collected for selected tax accounts.
- Tax collections were remitted timely to the County Treasurer's Office and properly recorded in the County's financial records.
- Transactions were properly recorded in the Appraisal and Collection Technologies System.

Fees and Collections - Planning

Additional items to consider...

- Planning can occur once a year, with continuous monitoring each quarter.
- Stay updated on county policies.
- Confirm that the listed departments for audit have not changed.
- Stay updated on departmental contacts and key personnel changes.
- Determine how you will obtain your requested documentation.
- Formally document your planning.

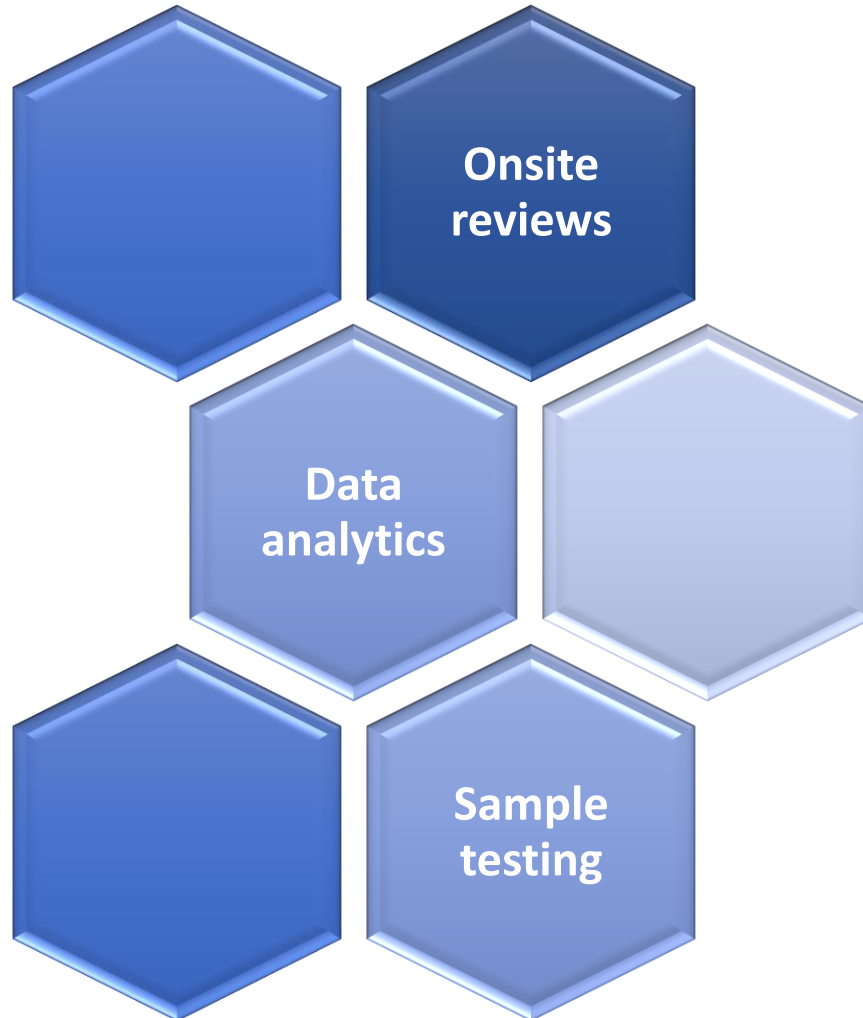


Fees and Collections - Fieldwork

Sample Audit Procedures

1. Confirm receipt of monthly collections report.
 - Was it submitted timely?
 - Was it signed by the Elected Official or designee?
 - Were the collections reported accurately?
2. Verify that all collections reported were deposited timely.
 - Do total deposits equal to the amounts collected?
 - Were the collections deposited within five business days, in accordance with local government code?
3. Confirm that fees were accurately coded and collected in accordance with current fee schedules.
 - Risk is higher when fee codes are entered into the system by the departments' clerks.
4. Verify that manual receipts have been properly recorded and entered into the system timely.
 - Manual receipts are harder to track than system receipts and should be verified on a continuous basis.
5. Verify that voided receipts were processed appropriately and documented.
6. Verify that refunds are properly documented and amounts agree to supporting information.

Fees and Collections - Fieldwork



There are various avenues for testing fees and collections.

Onsite reviews can include in-person interviews, system walkthroughs, physical receipt validations, and cash counts.

Data analytics can allow for testing of 100% of the population. This depends on the systems used by the department, as well as the format of data and support available.

Sample testing can consist of a statistical or non-statistical approach. The sampling approach depends on the specific fees you are auditing.

Fees and Collections - Fieldwork

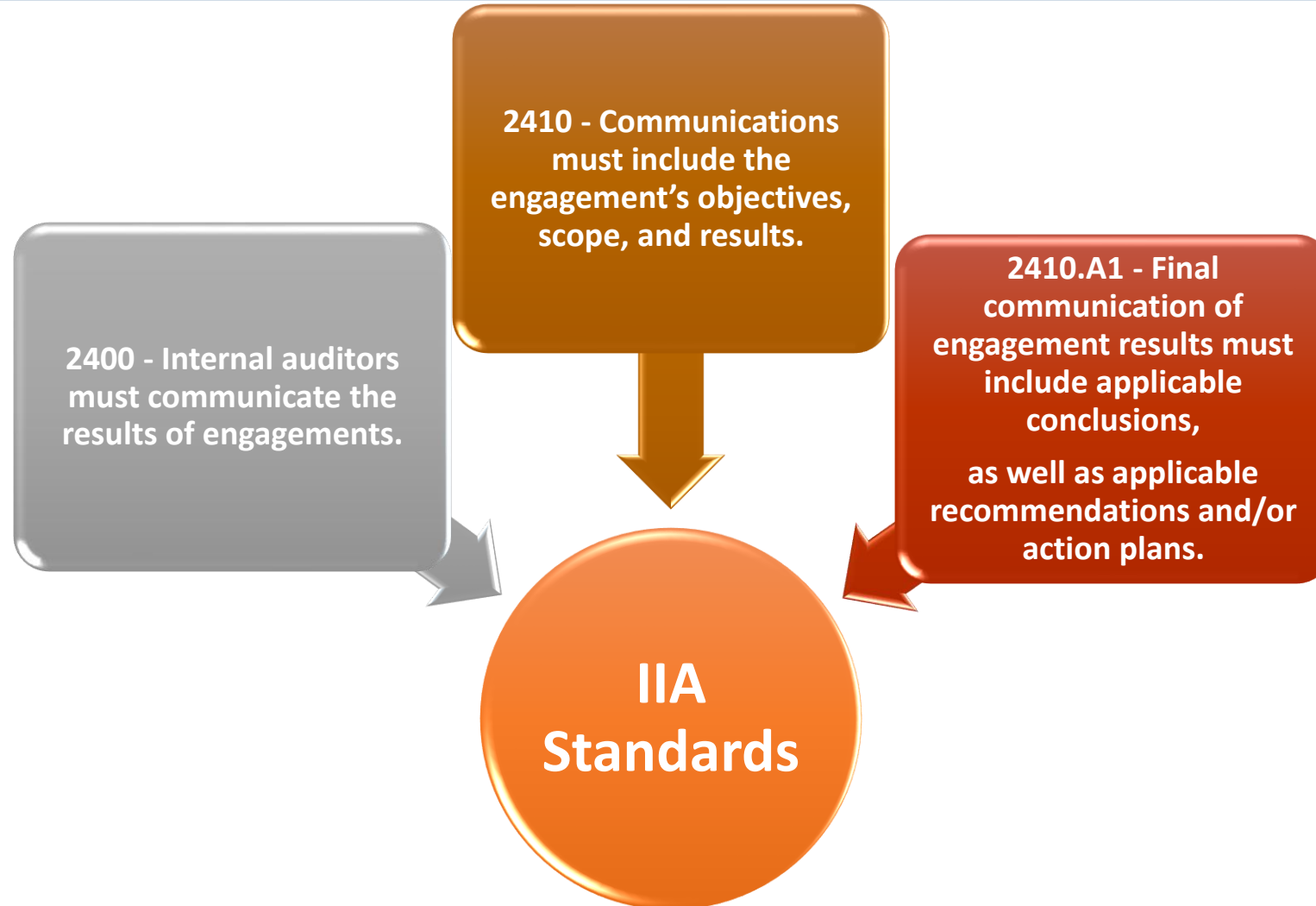
Additional items to consider...

- Obtain direct access to the departments' receipting systems.
 - *Allows you to generate reports independent of the department.*
 - *Assists in validating the population and sample selections.*
- Obtain access to the county's depository.
- Although most audit procedures can be performed remotely, occasional onsite reviews are encouraged.
 - *Helps to establish a presence and enhance the relationship with the department.*



**Be sure to communicate
your results.**

Fees and Collections - Reporting



Fees and Collections - Reporting

What do we include in the audit report?




Fees and Collections - Reporting

Common audit findings:

- Monthly collection reports were not submitted timely.
- Monthly collection reports were not signed by the Elected Official or approved designee.
- Funds collected were not deposited timely.
- Monthly collection reports were not submitted accurately.
- Receipts were not recorded into the County's financial system in a timely manner.

Fees and Collections - Reporting

Sample report with no issues:

<p>Leslie Wilks Garcia, C.P.A., M.Jur. <i>First Assistant County Auditor</i></p>		<p>1001 Preston, Suite 800 Houston, Texas 77002-1817 (832) 927-4600</p>
<p>Ettrika Perkins, C.P.A., C.I.A. <i>Chief Assistant County Auditor Audit Division</i></p>	<p>MICHAEL POST, C.P.A., M.B.A. HARRIS COUNTY AUDITOR</p>	<p>Fax (713) 755-8932 Help Line (832) 927-4558</p>

December 2, 2022

Dear Constable John Doe, Harris County Constable Precinct 10:

The Harris County Auditor's Office – Compliance Audit performed procedures relative to the Harris County Constable Precinct 10 monthly collection reports for the seven months ended, September 30, 2022. As required by Local Government Code §115.002 (a) and (b), Compliance Audit selectively examined the financial activity relative to the monthly collection reports and related records.

The objectives of this engagement were to determine whether:

- The monthly collection reports were submitted timely and the amounts reported were properly recorded in the County's depository;
- The numerical sequencing of receipts was accounted for; and
- Receipts were properly allocated in the County's Financial System.

Results
In connection with the procedures performed, no reportable issues were noted.

Accountability
We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing (Standards). The Standards require that we comply with the Code of Ethics and obtain reasonable assurance that significant risks to the activity are minimized to an acceptable level.

The work performed required our staff to exercise professional judgment in completing the engagement's scope. As the engagement's scope did not include a detailed examination of all transactions, there is a risk that fraud, errors, or omissions were not detected during this engagement. The official, therefore, retains the responsibility for the accuracy and completeness of their financial records and for ensuring sufficient controls are in place to detect and prevent fraud, errors, or omissions.

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Fees and Collections - Reporting

Sample report with audit issue and management action plan:

AUDIT REPORT
QUARTERLY REVIEW OF MONTHLY COLLECTION REPORTS
CONSTABLE PRECINCT 10
MARCH 25, 2023

Executive Summary

OVERALL CONCLUSION

Based on the procedures performed, monthly collection reports were submitted timely and receipts were sequenced properly and recorded into the Harris County (County) Financial System. However, the controls for ensuring that all funds collected were deposited timely did not operate as intended. The issue was discussed with the Constable Precinct 10 (Constable's Office) Chief Clerk, and a management action plan has been developed that will address the issue identified by April 30, 2023.

SCOPE AND OBJECTIVE

As required by Local Government Code (LGC) §115.002 (a) and (b), Compliance Audit examined the monthly collection reports and related records submitted by the Constable's Office for the three months ended November 30, 2022. The objectives of this engagement were to determine whether:

- The monthly collection reports were submitted timely and the amounts reported were properly recorded in the County's depository;
- The numerical sequencing of receipts was accounted for; and
- Receipts were properly allocated in the County's Financial System.

SUMMARY OF AUDIT ISSUES

- Funds collected were not deposited timely.

The issue, management's action plan to address the issue, and background information regarding this audit are discussed in more detail on the following pages. The audit issue is ranked based on the likelihood and impact of the risk to the County's departments.

Harris County Auditor's Office audit reports are available at <http://auditor.harriscountytx.gov>

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AUDIT ISSUE

ISSUE #1: Funds collected were not deposited timely (High)

What is the Issue: Funds collected on September 7, 2022, totaling \$484,900, were not deposited into the County's depository until November 17, 2022, 51 business days after receipt. The deposit, consisting of all checks, was kept in a locked drawer and was not identified as missing until the Compliance Auditors inquired about it. After the missing deposit was brought to the attention of the Constable's Office, all funds were immediately deposited.

Why it Happened: Constable's Office personnel did not perform procedures to ensure that total receipts issued reconciled to the amounts deposited in the County's depository.

Why it Matters: Failure to deposit funds timely could result in the misappropriation of funds and misstatement of financial records.

What is Expected: In accordance with LGC §113.022, all funds received should be deposited by the next business day. If this deadline cannot be met, the department must deposit the funds on or before the fifth business day after the day the funds were received.

What Action(s) are Suggested: The Constable's Office should implement an internal procedure to reconcile funds collected to the amounts deposited to verify that all funds are deposited within five business days of receipt. An employee other than the one responsible for depositing the funds should perform these reconciliations. Documentation of the reconciliation should include a physical or electronic signature of the reviewer.

MANAGEMENT'S ACTION PLAN

Responsible Party: Jane Doe, Chief Clerk

Constable Precinct 10 acknowledges the findings of this audit report and has since implemented an additional internal control to ensure timeliness of deposits. We have implemented the action suggested by the Auditor's Office by creating an internal reconciliation and deposit form that will be completed by an employee not responsible for depositing funds. This action was implemented on February 16, 2023.

Due Date: April 30, 2023

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BACKGROUND

Pursuant to LGC §86.021, a Constable shall execute and return as provided by law each process, warrant, and precept that is directed to the Constable and delivered by a lawful officer. The Constable is authorized to perform an act or service, including the service of civil or criminal process, citation, notice, warrant, subpoena, or writ anywhere throughout the County. In addition, the Constable works in collaboration with collection attorneys and the County's Tax Assessor-Collector to conduct sales of properties with delinquent taxes.

The Constable collects fees for performing the various services. All collections must be detailed on the monthly collection reports, which are due on or before the fifth day of the subsequent month. Additionally, these collections must be deposited into the County's depository within five business days of receipt.

ACCOUNTABILITY

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing (Standards). The Standards require that we comply with the Code of Ethics and obtain reasonable assurance that significant risks to the activity are minimized to an acceptable level.

The engagement's scope did not include a detailed inspection of all transactions. There is a risk that fraud or errors were not detected during this engagement. Therefore, the official retains the responsibility for the accuracy and completeness of their financial records and for ensuring sufficient controls are in place to detect and prevent fraud, errors, or omissions.

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Fees and Collections – Follow-up

For statutory audits, follow-up and continuous monitoring can occur simultaneously.

- Follow-up of prior audit issues should occur each quarter, regardless of the proposed implementation date.
- Obtain status updates from the department contact.
- Ensure that all issues and recommendations are documented and tracked in an internal system.
- Statutory audits are performed on a reoccurring basis, which allows for continuous monitoring of established processes and controls.



Remember: If audit issues are not corrected, they become repeat issues.

Internal Audit Biannual Presentation



Openness and transparency are key ingredients to build accountability and trust.

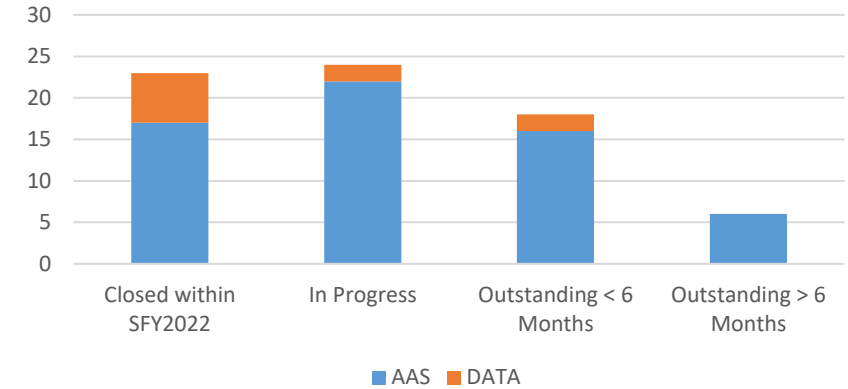
- Internal Audit provides biannual presentations to the District Judges, Commissioners Court Offices, and key clients.
- The presentation includes Internal Audit (IA) results, IA metrics, and FWA Hotline stats.
- Annually these presentations also serve to share the results of the external financial and single audit.

Audit Division Metrics

Period: March 2022 – September 2022

Internal Audit Team	Completed Engagements
Compliance	63
Assurance and Advisory	17
Technology Audit	6
Data Analytics	13 Analytics/5 Dashboards

Issue Follow-Up Status by Team



Client Survey Summary Results

(Average Client Response Rate is 32%)

Our Clients Rated Us in the Following Areas on a 5.0 Scale:

Your overall impression of the auditor that you or your staff communicated with most frequently	4.6
The audit team's ability to conduct their work with a minimal disruption to your staff's operations	4.5
The audit team's understanding of the overall goals and objectives of your department	4.4
The effectiveness and timeliness of the auditor's addressing your areas of concern(s)	4.5
The timeliness of the issuance of the final report	4.4

Compliance Audit

Period: March 2022 – September 2022

FY 2023 Annual Audit Plan

- Constables (8 Constable Precincts)
- Justices of the Peace (16 Courts)
- County Clerk's Office
- District Clerk's Office
- Treasurer's Office
- Sheriff's Office
- Community Supervision & Corrections Department
- Tax Assessor-Collector Property Tax Collections
- Tax Assessor-Collector Vehicle Taxes and Fees
- Tax Assessor-Collector Property Tax Refunds
- Health Department Consumer Health
- Sheriff's Office Jail Commissary
- Engineering On-Premise Signs
- Surprise Cash Counts
- Unrecorded Capital Assets
- Aramark Contract Compliance
- Elections Administrator Isabel Longoria Closeout
- Financial Management Investment Procedures
- Sheriff's Office Inmate Trust Banking
- FY 2023 Closeout Engagements

The objectives of the quarterly statutory audits are to determine whether:

- Monthly collection reports are submitted timely.
- Amounts collected are deposited in the County's depository in accordance with statutory timeframes.
- All receipts are accounted for and properly recorded in the County's financial records.

Special Projects

- Crime Stoppers of Houston, Inc.

Key Project Issues

- **Crime Stoppers of Houston, Inc.:** Crime Stoppers chose not to provide all the documentation requested due to their record retention policy and a lack of a legal obligation. In addition, the County lacked a right-to-audit clause in most of its contracts with Crime Stoppers, which would have legally compelled Crime Stoppers to provide the information requested.
- **Quarterly Statutory Audits:** Funds collected were not deposited timely.

*For statutory audits, the reports are issued quarterly if audit issues are noted. If no audit issues are noted, audit reports are issued bi-annually.

Fees and Collections - Questions



2023 County Auditors Institute



Thank you

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