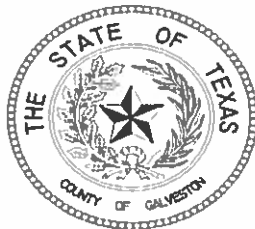


GALVESTON COUNTY



Office of County Auditor

Randall Rice CPA CISA CIO, County Auditor
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722 Moody Ave 4th Floor, Galveston, TX 77550

October 21, 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 Petty Cash Fund audit. The audit covered the period August 1, 2018 through July 31, 2019. Also attached is the response letter from Honorable Henry Trochesset, dated September 24, 2019.

Sincerely,

Randall Rice CPA
County Auditor

cc: Honorable Henry Trochesset

Attachments: Sheriff's Office Petty Cash Fund Audit Report
Response Letter, Honorable Henry Trochesset



Galveston County Sheriff's Office Petty Cash Fund Audit

August 30, 2019

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)

- No material discrepancies were noted in the review of manual receipts.
- No material exceptions were detected in the review of support documentation to the purchase order requests.
- Every receipt issued by the Senior Financial Coordinator must be recorded on the Transaction log.

Safeguarding of Assets (page 4)

- All petty cash funds were accounted for on August 13, 2019, August 14, 2019 and August 23, 2019.
- The office should ensure management has access to the petty cash fund, secured in various locations, in the event the individual in charge of the funds is out of the office.
- The Senior Financial Coordinator should determine the reason for the \$180.55 overage in petty cash fund and submit the overage to the County Treasurer to be deposited as miscellaneous revenue. *This was a previous finding.*
- Safeguarding of assets can be improved by the Senior Financial Coordinator reconciling the petty cash fund monthly.

Compliance with Statutes, Policies and Procedures (page 5)

- The office should ensure the petty cash fund is only used for expenses in accordance with LGC §130.904.

Introduction

The Internal Audit Division conducted an internal audit of the Galveston County Sheriff's Office petty cash fund in accordance with Local Government Code §115. The internal audit covered the period August 1, 2018 through July 31, 2019. The audit was performed from August 12, 2019 through August 30, 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, policies and procedures.

The scope of the internal audit encompassed the financial records and administrative procedures related to the Galveston County Sheriff's Office petty cash fund. The internal audit included, but was not limited to, the books, accounts, reports and records of the Sheriff's Office petty cash fund.

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 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 Information

Reliable information is accurate, timely, complete and useful. In order to achieve this, controls over recordkeeping and reporting must be adequate and effective.

Manual Receipts

A county issued manual receipt is issued for each transaction involving the petty cash fund. The receipts are issued in numerical order and should contain the signatures of both the issuer and the recipient of the petty cash distribution. An explanation for the transaction should be provided on the receipt.

No material discrepancies were noted in the review of manual receipts.

Purchase Orders

A purchase order request is submitted to replace the disbursements from the petty cash fund. A copy of the manual receipt is attached to the purchase request as support documentation. Upon receipt of the accounts payable check, the Senior Financial Coordinator cashes the check and replaces the money in the petty cash fund.

No material exceptions were detected in the review of support documentation to the purchase order requests.

Transaction Log

All exchanges of funds regarding petty cash, game room winnings, seizures, writs of executions, etc. are managed by the Sheriff's Office Senior Financial Coordinator. The Senior Financial Coordinator maintains a log of these transactions. The log documents the following details regarding each transaction:

- Receipt number, date and amount
- Recipient name
- Department in which the transaction occurred
- Reason for the transaction
- Purchase order number, when applicable
- Accounts payable check number and amount, when applicable

Finding: A total of 4 receipts, valued at \$8,696.00, were not recorded on the petty cash fund transaction log.

Recommendation SOPC-19-01: To ensure the reliability and integrity of the information, every receipt issued must be recorded on the transaction log

Safeguarding of Assets

Safeguarding of assets consists of the physical security of the fund and proper management of fund disbursements and reimbursements through the use of signed manual receipts.

Physical Security

Physical security encompasses any method to physically secure the funds from loss. Monies should be kept in a locked drawer/safe until they are needed.

Controls are in place to ensure the staff uses a lockable safe to secure the petty cash fund until disbursements are ready to be made. The safe remains locked when not in use.

The Sheriff's Office petty cash fund consists of the following:

SO Bond Division Change Fund	\$200.00
Criminal Investigations Division (CID) Major	\$500.00
Special Crimes Unit Lieutenant	\$1,500.00
Senior Financial Coordinator	<u>\$4,800.00</u>
Total Petty Cash Fund	\$7,000.00

As part of the audit, the auditor conducted a surprise cash count on August 13, 2019. The Senior Financial Coordinator and the Lieutenant of the Special Crimes Unit were out of the office. All funds from the Criminal Investigations Division (CID) were accounted for.

Finding: The auditor was unable to account for the cash assigned to the Senior Financial Coordinator and the Lieutenant of the Special Crimes Unit. These funds were later accounted for on August 14, 2019 and August 23, 2019, respectively.

Recommendation SOPC-19-02: The office should ensure management has access to the petty cash fund, secured in various locations, in the event the individual in charge of the funds is out of the office.

Finding: There was a \$180.55 overage in the petty cash fund at the time of the August 14th surprise cash count. The fund had an overage of \$181.00 in FY2018. *This was a previous finding.*

Recommendation SOPC-19-03: The Senior Financial Coordinator should determine the reason for the overage. The overage should be returned to the County Treasurer to be deposited as miscellaneous revenue. Moving forward, to improve the safeguarding of assets, the office should implement a policy for the Senior Financial Coordinator to reconcile the petty cash fund monthly.

Compliance with Statutes, Policies and Procedures

Sheriff's Petty Cash Fund

Local Government Code (LGC) §130.904 Sheriff's Petty Cash Fund (b) states: "Unless otherwise authorized by a resolution of the commissioners court, the petty cash fund may be used only to advance funds to an officer or employee of the sheriff's department who is required to travel outside the county to conduct an investigation or to obtain custody of a prisoner."

Finding: A total of 8 receipts, valued at \$1,971.84, were issued for expenditures not authorized by LGC §130.904. 3 of those receipts were reimbursed from the Sheriff's Office Reserve account.

Recommendation SOPC-19-04: To ensure compliance with LGC §130.904, the Petty Cash Fund must only be used for expenses in accordance with statute.



Henry A. Trochesset
Sheriff
Galveston County

September 24, 2019

Randall Rice CPA
County Auditor

Mr. Rice,

I have met with Kay Vickery and requested information regarding the findings indicated in the audit report. The following answers were submitted to me and have met with my approval to file as "Answer" to your report.

Please feel free to contact either Kay or myself if additional information is needed. As always, we appreciate the information provided to us and find it instrumental in maintaining the integrity of our accounts.

Sincerely,

A handwritten signature in black ink that reads "Henry Trochesset". The signature is fluid and cursive.

Sheriff Henry Trochesset

To Protect and Serve

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



Henry A. Trochesset
Sheriff
Galveston County

September 26, 2019

Sheriff

As requested, I have reviewed the findings on the 2019 Petty Cash Account Audit and I have made the following conclusions.

Pg. 3 Audit Report "Transaction log"- The findings indicate that four receipts are missing from my petty transaction log. Recommendation: All receipts must be recorded on the transaction log.

I have reviewed the receipts in question and they are not from petty funds.

Pg. 4 Audit Report "Physical Security"- Unable to account for the cash assigned to the Senior Financial Coordinator and the Lieutenant of the Special Crimes Unit. Recommendations: To assure that management has access to the petty cash fund, in the event the individual in charge of the fund is out of office.

There are two members of our management staff that have access to petty cash and four departments that hold a petty cash fund.

***In the event of a surprise audit, there is no way for the Sheriff's office to assure immediate access to the petty cash safe without prior notice.*

Pg. 4 Audit Report "Overage"-\$180.55 overage in Petty Cash fund. Recommendation: Determine reason for overage and return overage to County Treasurer for deposit into Miscellaneous Revenue. Reconciliation of petty cash fund monthly.

Due to time restraints and health issues in the previous year, I have not been able to isolate the error that has created an overage in the petty cash fund. I will continue to work on this issue as time allows and I apologize for the delay. If I find the overage to be due to the County I will immediately process for deposit into the Treasurer's Demand account and forward support documentation to Randall Rice and Kristin Bulanek.

To Protect and Serve

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Henry A. Trochesset
Sheriff
Galveston County

Pg. 5 Audit Report "Compliance with Statutes, Policies and Procedures"-The findings indicate eight receipts issued for expenditures not in accordance with statute.

The current audit report shows the only allowable expenses for reimbursement from Petty Cash is for out of county travel expenses to obtain custody of a prisoner or for out of county investigations, unless authorized by Commissioner's Court.

I am not sure if authorization was obtained from the Commissioner's Court but after reviewing prior year petty audit reports, I have noticed an inconsistency. The petty audit reports sent to the Commissioner's Court November 5, 2018 and prior year reports indicates an additional reason not stated in this report, "The Petty fund is also used to pay other expenses incurred during law enforcement activities".

Please let me know if this meets with your approval or if any changes need to be made.

Respectfully,

Kay Vickery
Kay Vickery

To Protect and Serve