

COUNTY OF HIDALGO

COUNTY AUDITOR'S OFFICE
 Hidalgo County Administration Building
 2808 South Business Highway 281
 Edinburg, Texas 78539-6243
 PHONE: (956) 318-2511
 FAX: (956) 318-2577
 WEBSITE: www.co.hidalgo.tx.us/auditor



EDINBURG, TEXAS 78539

February 02, 2016

The Honorable Ramon Garcia
 Hidalgo County Judge
 302 W. University Drive
 Edinburg, Texas 78539

Dear Judge Garcia:

Pursuant to Local Government Code Section 114.044 and/or Local Government Code Section 115.0035 (c), we are submitting for your review the following monthly reports and/or letters:

Department	Fees/Costs	Description
The Hon. Joseph Palacios, Commissioner Precinct No. 4	\$ 22,750.00	Nov. 2015 Monthly Report/Letter Sanitation Program
Mr. Eduardo Olivarez, Chief Administrator Officer Hidalgo County Health and Human Services Department	\$ 22,760.00	Nov. 2015 Monthly Report/Letter
Mr. T.J. Arredondo, Director of Planning	\$ 26,595.36	Nov. 2015 Monthly Report/Letter
Mr. T.J. Arredondo, Director of Planning	\$ 17,734.80	Dec. 2015 Monthly Report/Letter

Department	Description
The Hon. Eddie Guerra, Hidalgo County Sheriff	Review of Sheriff's Regular Trust Fund Financials For the Months of May 31, 2015 through November 30, 2015
The Hon. Ricardo Rodriguez Hidalgo County Criminal District Attorney	Audit of the Chapter 59 Asset Forfeiture Audit Report by Attorney Representing the State For the Fiscal Year Ended August 31, 2015 Audit No. 2015-56
The Hon. Eddie Guerra, Hidalgo County Sheriff	Cash Count Report No. 2015-73 - Jail Inmate Trust
The Hon. Ricardo Rodriguez, Jr. Hidalgo County Criminal District Attorney	Cash Count Report No. 2015-79- Asset Forfeiture Section
The Hon. Pablo Villarreal, Jr., RTA Hidalgo County Tax Assessor/Collector	Cash Count Report No. 2015-528-Weslaco Motor Vehicle Substation
The Hon. Bobby Contreras, Justice of the Peace Pct. 2 Pl. 1	Cash Count Report No. 2015-538
Mr. Eduardo Olivarez, Chief Administrator Officer Hidalgo County Health and Human Services Department	Cash Count Report No. 2015-549-McAllen Health Clinic
Mr. Eduardo Olivarez, Chief Administrator Officer Hidalgo County Health and Human Services Department	Cash Count Report No. 2015-551-Mission Health Clinic
Mr. Eduardo Olivarez, Chief Administrator Officer Hidalgo County Health and Human Services Department	Cash Count Report No. 2015-552-Pulmonary Health Clinic
Mr. Arnold K. Patrick, Director Community Supervision and Corrections Department	Cash Count Report No. 2015-553

HIDALGO COUNTY DISTRICT JUDGES

LUIS H. SINGLETERRY
JUDGE, 12TH D.C.

RODOLFO DELGADO
JUDGE, 13TH D.C.

J. R. "BOBBY" FLORES
JUDGE, 13TH D.C.

ROSE GUERRA REYNA
JUDGE, 20TH D.C.

JUAN R. PARTIDA
JUDGE, 27TH D.C.

MARIO E. RAMIREZ, JR.
JUDGE, 32ND D.C.

HOE GONZALEZ
JUDGE, 37TH D.C.
OVERSEEN

LETICIA LOPEZ
JUDGE, 38TH D.C.

AIDA SALINAS FLORES
JUDGE, 39TH D.C.

ISRAEL RAMON, JR.
JUDGE, 43RD D.C.

JESSE CONTRERAS
JUDGE, 44TH D.C.

Hidalgo County Judge
February 2, 2016
Page 2 of 2

The Hon. Pablo Villarreal, Jr., RTA Hidalgo County Tax Assessor/Collector	Cash Count Audit No. 2015-561-Mission Tax Office
The Hon. Pablo Villarreal, Jr., RTA Hidalgo County Tax Assessor/Collector	Cash Count Audit No. 2015-571-Weslaco Tax Office

Respectfully,



Ray Eufrazio, CPA
Hidalgo County Auditor

Attachments

HIDALGO COUNTY DISTRICT JUDGES

LUIS M. SINGLETERRY
JUDGE, 92ND D.C.

RODOLFO DELGADO
JUDGE, 93RD D.C.

J. R. "BOBBY" FLORES
JUDGE, 119TH D.C.

ROSE GUERRA REYNA
JUDGE, 204TH D.C.

JUAN R. PARTIDA
JUDGE, 275TH D.C.

MARIO E. RAMIREZ, JR.
JUDGE, 312ND D.C.

NOE GONZALEZ
JUDGE, 370TH D.C.
OVERSEER

LETICIA LOPEZ
JUDGE, 383RD D.C.

ADA SALMAS FLORES
JUDGE, 398TH D.C.

ISRAEL RAMON, JR.
JUDGE, 410TH D.C.

JESSE CONTRERAS
JUDGE, 440TH D.C.

PBC

COUNTY OF HIDALGO, TEXAS
SCHEDULE OF RECEIPTS AND DEPOSITS FOR THE MONTH OF:
PRECINCT 4, SANITATION PROGRAM

Nov-15

Receipt Date	Receipt # Sequence		Total Collected	Credit Card Amount (Direct Deposit)	LONE STAR NATIONAL BANK			COUNTY TREASURER			OVER/ (SHORT)
	BEG #	END #			Deposit Amount	Date of Deposit	Deposit Slip Number	Receipt Date	Receipt Number	Diff on Dates	
1-Nov	SUN							242			0 \$
2-Nov	242-11609	242-11664	\$ 1,525.00	\$ 175.00	\$ 1,350.00	11/2/2015	242	216	11/9/2015	192234	-7 \$
3-Nov	242-11665	242-11701	\$ 1,025.00	\$ 150.00	\$ 875.00	11/3/2015	242	217	11/9/2015	192236	-6 \$
4-Nov	242-11702	242-11734	\$ 1,125.00	\$ 275.00	\$ 850.00	11/4/2015	242	218	11/9/2015	192237	-5 \$
5-Nov	242-11735	242-11766	\$ 825.00	\$ 50.00	\$ 775.00	11/5/2015	242	219	11/17/2015	192428	-12 \$
6-Nov	242-11767	242-11820	\$ 1,400.00	\$ 350.00	\$ 1,050.00	11/6/2015	242	220	11/17/2015	192429	-11 \$
7-Nov	SAT							242			0 \$
8-Nov	SUN							242			0 \$
9-Nov	242-11821	242-11880	\$ 1,725.00	\$ 450.00	\$ 1,275.00	11/9/2015	242	221	11/19/2015	192568	-10 \$
10-Nov	242-11881	242-11920	\$ 1,200.00	\$ 300.00	\$ 900.00	11/10/2015	242	222	11/19/2015	192569	-9 \$
11-Nov	HOLIDAY	VETS DAY						242			0 \$
12-Nov	242-11921	242-11967	\$ 1,200.00	\$ 125.00	\$ 1,075.00	11/12/2015	242	223	11/19/2015	192570	-7 \$
13-Nov	242-11968	242-12010	\$ 1,075.00	\$ 275.00	\$ 800.00	11/13/2015	242	224	11/20/2015	192629	-7 \$
14-Nov	SAT							242			0 \$
15-Nov	SUN							242			0 \$
16-Nov	242-12011	242-12060	\$ 1,450.00	\$ 375.00	\$ 1,075.00	11/16/2015	242	225	11/23/2015	192712	-7 \$
17-Nov	242-12061	242-12095	\$ 1,000.00	\$ 125.00	\$ 875.00	11/17/2015	242	226	11/23/2015	192713	-6 \$
18-Nov	242-12096	242-12132	\$ 975.00	\$ 225.00	\$ 750.00	11/18/2015	242	227	11/25/2015	192769	-7 \$
19-Nov	242-12133	242-12161	\$ 825.00	\$ 150.00	\$ 675.00	11/19/2015	242	228	11/25/2015	192771	-6 \$
20-Nov	242-12162	242-12196	\$ 1,100.00	\$ 325.00	\$ 775.00	11/20/2015	242	229	11/30/2015	192887	-10 \$
21-Nov	SAT							242			0 \$
22-Nov	SUN							242			0 \$
23-Nov	242-12197	242-12261	\$ 1,725.00	\$ 275.00	\$ 1,450.00	11/23/2015	242	230	11/30/2015	192888	-7 \$
24-Nov	242-12262	242-12307	\$ 1,425.00	\$ 550.00	\$ 875.00	11/24/2015	242	231	11/30/2015	192889	-6 \$
25-Nov	242-12308	242-12360	\$ 1,650.00	\$ 725.00	\$ 925.00	11/25/2015	242	232	11/30/2015	192890	-5 \$
26-Nov	HOLIDAY	TNKSGIV						242			0 \$
27-Nov	HOLIDAY	TNKSGIV						242			0 \$
28-Nov	SAT							242			0 \$
29-Nov	SUN							242			0 \$
30-Nov	242-12361	242-12414	\$ 1,500.00	\$ 125.00	\$ 1,375.00	11/30/2015	242	233	12/1/2015	192923	-1 \$
31-Dec	DEC.	DEC.						242			0 \$

TOTALS \$ 22,750.00 \$ 5,025.00 \$ 17,700.00 \$ 25.

TOTAL AMOUNT DUE TO GENERAL FUND-----1100-322-70-124-000-0-000-----	\$	22,750.00
LESS: TOTAL AMOUNT REMITTED TO GENERAL FUND (DIRECT DEPOSIT)-----	\$	5,025.00
TOTAL FUNDS DUE TO THE COUNTY TREASURER-----	\$	17,725.00

PREPARED BY: [Signature]

THIS REPORT HAS BEEN PERSONALLY REVIEWED BY ME AND I CERTIFY IT TO BE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE.

[Signature]
APPROVED BY

12-2-15
DATE

THIS REPORT IS DUE IN THE OFFICE OF THE COUNTY AUDITOR BEFORE THE FIFTH (5TH) WORKING DAY OF THE FOLLOWING MONTH.

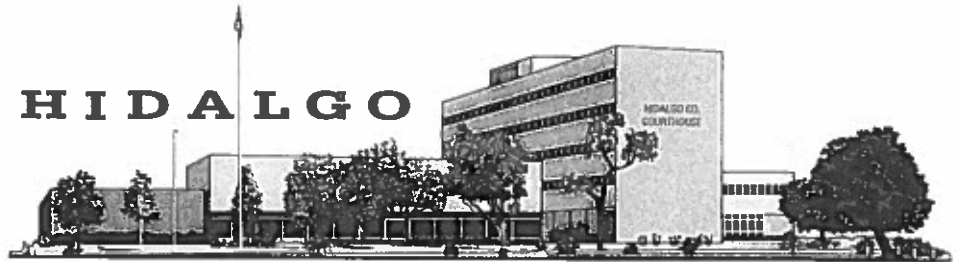
AUDITOR'S FORM: RE-PCT.4-002 REVISED: 12/2014

HIDALGO COUNTY AUDITOR'S OFFICE
APPROVED BY: [Signature]
DATE: 11/16/15

XI

COUNTY of HIDALGO

HIDALGO COUNTY AUDITOR'S OFFICE
Hidalgo County Administration Building
2808 South Business Highway 281
Edinburg, Texas 78539-6243
PHONE: (956) 318-2511
FAX: (956) 318-2577
WEBSITE: www.co.hidalgo.tx.us/auditor



EDINBURG, TEXAS 78539

January 20, 2016

The Honorable Joseph Palacios
Hidalgo County Commissioner Precinct No. 4
1051 N. Doolittle Rd.
Edinburg, Texas 78542

Re: Review of the Precinct 4 Sanitation Program *Monthly Fees Report* and Supporting Documentation
For the month of November 2015

Dear Commissioner Palacios:

We conducted a limited scope review of the Precinct 4 Sanitation Program *Monthly Fees Report* and all supporting documentation for the month of November 2015 pursuant to Local Government Code §115.002 (a) and (b). The objective of the review was to determine if fees collected were properly accounted and reported.

Scope:

The scope of our review was limited to collections reported on the *Monthly Fees Report* for the month of November 2015. Our review was not designed nor intended to be a detailed study of every relevant control system, procedure, or transaction. Accordingly, the opportunities for improvement presented in this report may not be all-inclusive of areas where improvement could be made.

The responsibility for establishing and maintaining a sound internal control system rests with management. The objectives of an internal control system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or theft, and that transactions are executed in accordance with management's authorization and recorded properly.

The purpose of this report is to furnish management independent, objective analyses, recommendations, and information concerning the area reviewed. The report should serve as a tool to help management discern and implement specific improvements.

Methodology:

In planning and performing our review, we reviewed applicable statutes, the *Monthly Fees Report*, and fee schedules. The following procedures were performed:

- Reviewed the submittal date of the *Monthly Fees Report* to the County Auditor's Office to determine if the report was received within five days after the last day of the month pursuant to Local Government Code §114.001 (b).
- Verified the signatures on the *Monthly Fees Report* to ensure that the reports were signed by an authorized signatory as documented on the "Authorized Signatories Form."
- Verified the mathematical accuracy of the *Monthly Fees Report* by footing and cross-footing the report.
- Reviewed receipts issued to determine if proper fee amounts were collected and reported.
- Verified that receipts and permits issued followed a sequential order.

HIDALGO COUNTY DISTRICT JUDGES

LUIS M. SINGLETERRY
JUDGE, 12th D.C.

RODOLFO DELGADO
JUDGE, 93rd D.C.

J. R. "BOBBY" FLORES
JUDGE, 138th D.C.

ROSE GUERRA REYNA
JUDGE, 206th D.C.

JUAN R. PARTIDA
JUDGE, 275th D.C.

MARIO E. RAMIREZ, JR.
JUDGE, 332nd D.C.

NOE GONZALEZ
JUDGE, 378th D.C.
OVERSEER

LETICIA LOPEZ
JUDGE, 389th D.C.

AIDA SALINAS FLORES
JUDGE, 394th D.C.

ISRAEL RAMON, JR.
JUDGE, 410th D.C.

JESSE CONTRERAS
JUDGE, 449th D.C.

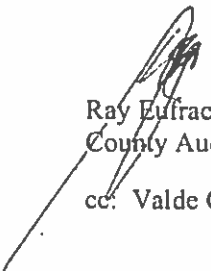
- Verified that procedures for voided receipts and voided permits were properly followed.
- Reviewed *Cashier's Daily Close-Out Reports/Daily Remittance Forms (Close-Out Report)* to determine whether fees collected were properly accounted and deposited with the County Treasurer on a daily basis.
- Verified that the collections per the *Monthly Fees Report* agreed to total receipts issued and the deposits made with the County Treasurer.
- Reviewed receipts issued, *Cashier's Daily Close-Out Report/ Daily Remittance Forms, and Monthly Fees Report* to verify proper completion.

Conclusion:

Total collections for the month of November 2015 were \$22,750.00. Based on the results of our review, we have concluded that fees collected were properly accounted and reported.

If you should have any questions, please do not hesitate to call Letty Chavez, Compliance Audit Supervisor, at 318-2511 ext. 4651, Arcy B. Duran, CPA, Director of Audit, at ext. 4645, or me at ext. 4604.

Respectfully,



Ray Eufrazio, CPA
County Auditor

cc: Valde Guerra, County Executive Officer

HIDALGO COUNTY DISTRICT JUDGES

LUIS M. SINGLETERRY
JUDGE, 92ND D.C.

RODOLFO DELGADO
JUDGE, 93RD D.C.

J. R. "BOBBY" FLORES
JUDGE, 138TH D.C.

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JUDGE, 204TH D.C.

JUAN R. PARTIDA
JUDGE, 275TH D.C.

MARIO E. RAMIREZ, JR.
JUDGE, 332ND D.C.

HOE GONZALEZ
JUDGE, 378TH D.C.
OVERSEER

LETICIA LOPEZ
JUDGE, 389TH D.C.

ADA SALINAS FLORES
JUDGE, 398TH D.C.

ISRAEL RAMON, JR.
JUDGE, 430TH D.C.

JESSE CONTRERAS
JUDGE, 448TH D.C.

**HIDALGO COUNTY HEALTH DEPARTMENT
ENVIRONMENTAL HEALTH DIVISION
MONTHLY FEES REPORT
FOR THE MONTH OF: NOVEMBER 2015**

pbc

Part I: RECAP OF COLLECTIONS

A. TOTAL CASH COLLECTED		<u>\$22,760.00</u>
1. ON-SITE SEWAGE DISPOSAL INSPECTION PERMIT FEES		
a. INSTALLATION PERMIT FEE		
1. EDINBURG	<u>\$2,890.00</u>	<i>X14</i>
2. MISSION	<u>\$-</u>	
3. WESLACO	<u>\$-</u>	
	<u>\$2,890.00</u>	<i>X14</i>
b. FINAL INSPECTION PERMIT FEE		
1. EDINBURG	<u>\$2,040.00</u>	<i>X14</i>
2. MISSION	<u>\$-</u>	
3. WESLACO	<u>\$-</u>	
	<u>\$2,040.00</u>	<i>X14, X10</i>
2. RESTAURANT INSPECTION FEE	<u>\$14,350.00</u>	<i>X13</i>
3. FOOD HANDLER'S CERTIFICATE FEES	<u>\$3,480.00</u>	<i>X13</i>
4. MOBILE UNIT DECAL FEES	<u>\$-</u>	
TOTAL AMOUNT DUE TO THE COUNTY TREASURER: (Should Match Amt in Part II)		<u>\$22,760.00</u>

X13-X14

Part II: SUMMARY OF COLLECTIONS REMITTED TO THE CO. TREASURER

Name of Fee Collected	Fee Amt.	Statute Ref.	# Issued	GL Account Number	Amount Collected
LOCAL FEES					
Installation Permit Fee	\$75	HSC § 366.001 (A)	<u>34</u> ^{X7}	1100-345-21-340-000-0-000	<u>\$2,550.00</u> <i>X7, X8</i>
Final Inspection Permit Fee	\$60	HSC § 366.001 (A)	<u>34</u> ^{X10}	1100-345-25-340-000-0-000	<u>\$2,040.00</u> <i>X10, X11</i>
Restaurant Inspection Fee	\$150, \$125, \$100	HSC § 437.012	<u>144</u> ^{X3}	1100-345-22-340-000-0-000	<u>\$14,350.00</u> <i>X3, X4</i>
Food Handler's Certificate Fee	\$10	HSC § 438.047	<u>174</u> ^{X3}	1100-345-23-340-001-0-000	<u>\$3,480.00</u> <i>X5, X3</i>
Mobile Unit Decal Fee	\$5	HSC § 121.006 (a)	<u>0</u>	1100-345-24-340-000-0-000	<u>\$-</u>
STATE FEES					
TCEQ Waste Water Fee	\$10	HSC § 367.010	<u>34</u> ^{X7}	1100-207-20-000-002-0-000	<u>\$340.00</u> <i>X7, X9</i>
TOTAL AMOUNT DUE TO THE COUNTY TREASURER:					<u>\$22,760.00</u> <i>X13-X14</i>

variance should => "0"

RECEIVED BY COUNTY AUDITOR

Mullal

PREPARED BY

12/8/15

DATE

HIDALGO COUNTY AUDITOR'S OFFICE

APPROVED BY: *Bruce Y. G.*
DATE: *12/22/15*

THIS REPORT HAS BEEN PERSONALLY REVIEWED BY ME & I CERTIFY IT TO BE TRUE & CORRECT TO THE BEST OF MY KNOWLEDGE.

12-8-15

DATE

Elyardo Ramos J

HEALTH DEPARTMENT DIRECTOR

This Report is Due in the Office of the County Auditor before the (5th) workday of the following month.

X1

COUNTY of HIDALGO

HIDALGO COUNTY AUDITOR'S OFFICE
Hidalgo County Administration Building
2808 South Business Highway 281
Edinburg, Texas 78539-6243
PHONE: (956) 318-2511
FAX: (956) 318-2577
WEBSITE: www.co.hidalgo.tx.us/auditor



EDINBURG, TEXAS 78539

January 20, 2016

Mr. Eduardo Olivarez
Chief Administrative Officer
Hidalgo County Health & Human Services Department
1304 S. 25th Street
Edinburg, Texas 78539

Re: Review of the *Monthly Fees Report* and Supporting Documentation
For the month of November 2015

Dear Mr. Olivarez:

We have conducted a limited scope review of the Environmental Health Division *Monthly Fees Report* and supporting documentation for the month of November 2015 pursuant to Local Government Code §115.002 (a) and (b). The objective of the review was to determine if fees collected were properly accounted and reported.

Scope:

The scope of our review was limited to collections reported by your office on the Environmental Health Division *Monthly Fees Report* for the month of November 2015. Our review was not intended to be a detailed study of every relevant control system, procedure, or transaction. Accordingly, the opportunities for improvement presented in this report may not be all-inclusive of areas where improvements could be made.

The responsibility for establishing and maintaining a sound internal control system rests with management. The objectives of an internal control system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or theft, and that transactions are executed in accordance with management's authorization and recorded properly.

The purpose of this report is to furnish management independent, objective analyses, recommendations, and information concerning the area reviewed. The report should serve as a tool to help management discern and implement specific improvements.

Methodology:

In planning and performing our review, we reviewed applicable statutes, the *Monthly Fees Report*, and fee schedules. The following procedures were performed:

- Reviewed the submittal date of the *Monthly Fees Report* to the County Auditor's Office to determine if the report and supporting documentation were received within five days after the last day of the month pursuant to Local Government Code §114.001(b).
- Verified the signature on the *Monthly Fees Report* to ensure that the report was signed by an authorized signatory as documented on the "Authorized Signatories Form."
- Verified the mathematical accuracy of the *Monthly Fees Report* by footing and cross-footing the report.
- Reviewed receipts issued to determine if proper fee amounts were collected and reported.
- Verified that receipts followed sequential order.
- Verified that procedures for voided receipts were properly followed.

HIDALGO COUNTY DISTRICT JUDGES

LUIS M. SINGLETERRY
JUDGE, 9th D.C.

RODOLFO DELGADO
JUDGE, 13th D.C.

J. R. "BOBBY" FLORES
JUDGE, 18th D.C.

ROSE GUERRA REYNA
JUDGE, 24th D.C.

JUAN R. PARTIDA
JUDGE, 33rd D.C.

MARIO E. RAMIREZ, JR.
JUDGE, 33rd D.C.

NOE GONZALEZ
JUDGE, 37th D.C.
OVERSEER

LETICIA LOPEZ
JUDGE, 38th D.C.

AIDA SALMAS FLORES
JUDGE, 38th D.C.

ISAHEL RAMON, JR.
JUDGE, 43rd D.C.

JESSE CONTRERAS
JUDGE, 49th D.C.


- Reviewed *Daily Remittance/Close-Out Reports* to determine whether fees collected were properly accounted and deposited with the County Treasurer on or before the fifth day after the day on which the funds were received.
- Verified that the collections per the *Monthly Fees Report* agreed to total receipts issued and the deposits made with the County Treasurer.
- Reviewed receipts issued, *Daily Remittance/Close-Out Reports*, and the *Monthly Fees Report*, among other supporting documentation, to verify proper completion.

Conclusion:

Total collections for the month of November 2015 were \$22,760.00. Based on the results of our review, we have concluded that fees collected were properly accounted and reported.

If you should have any questions, please do not hesitate to contact Letty Chavez, Compliance Audit Supervisor, at 318-2511 ext. 4651, Arcy B. Duran, CPA, Director of Audit, at ext. 4645, or me at ext. 4604.

Respectfully,



Ray Eufrazio, CPA
County Auditor

cc: Valde Guerra, County Executive Officer
Elizardo Ramos, Environmental Health Services Division Manager

HIDALGO COUNTY DISTRICT JUDGES

LUIS M. SINGLETERRY
JUDGE, 1ST D.C.

RODOLFO DELBADO
JUDGE, 1ST D.C.

J. R. "BOBBY" FLORES
JUDGE, 1ST D.C.

ROSE GUERRA REYNA
JUDGE, 2ND D.C.

JUAN R. PARTIDA
JUDGE, 3RD D.C.

MARIO E. GARRIZ, JR.
JUDGE, 3RD D.C.

ROE DONAZALEZ
JUDGE, 3RD D.C.
CIVIL 8878

LETICIA LOPEZ
JUDGE, 3RD D.C.

ADA SALINAS FLORES
JUDGE, 3RD D.C.

ISRAEL RAMON, JR.
JUDGE, 4TH D.C.

JESSE CONTRERAS
JUDGE, 4TH D.C.

**HIDALGO COUNTY PLANNING DEPARTMENT
MONTHLY FEES REPORT
FOR THE MONTH OF: NOVEMBER 2015**

Part I: RECAP OF COLLECTIONS

A. TOTAL CASH COLLECTED		\$ 26,595.36
1 HELD IN ESCROW		
a. EDINBURG	\$ 7,000.00 X 3	
b. MISSION	\$ -	
c. WESLACO	\$ -	\$ 7,000.00
2 UTILITY CERTIFICATE FEE		
a. EDINBURG	\$ 3,630.00 X 3	
b. MISSION	\$ 2,400.00 X 4	
c. WESLACO	\$ 2,850.00 X 5	\$ 8,880.00
3 SUBDIVISION FEES		
a. EDINBURG	\$ 10,715.36 X 2	
b. MISSION	\$ -	
c. WESLACO	\$ -	\$ 10,715.36
TOTAL AMOUNT DUE TO THE COUNTY TREASURER:		\$ 26,595.36

AUDITED BY: THE HIDALGO COUNTY AUDITOR'S OFFICE
DATE: 1/16/16
[Signature]

Part II: SUMMARY OF COLLECTIONS REMITTED TO THE CO. TREASURER

Name of Fee Collected	Statutory Reference	Fee Amt.	GL Account Number	Amount Collected
1/3 Paving Escrow			Account is Determined per Project	\$ -
Septic Tank-Held in Escrow	LGC § 232.027	\$1500/septic	1100-211-00-000-018-0-000	\$ 7,000.00 X
Other-Held in Escrow			1100-211-00-000-026-0-000	\$ -
Utility Subdivision Fees	LGC § 232.028(g) 8/7/07 CT Approval	\$30	1100-341-30-210-003-0-000	\$ 8,880.00 X
Subdivision Fees	LGC § 232.0021 11/29/2011 CT	Varies per acreage	1100-341-30-210-001-0-000	\$ 10,715.36 X
TOTAL AMOUNT DUE TO THE COUNTY TREASURER:				\$ 26,595.36

variance should => "0"
#^

PREPARED BY: *[Signature]* DATE PREPARED: January 4, 2016

THIS REPORT HAS BEEN PERSONALLY REVIEWED BY ME & I CERTIFY IT TO BE TRUE & CORRECT TO THE BEST OF MY KNOWLEDGE

RECEIVED
JAN 04 2016

[Signature]
DIRECTOR OF PLANNING
DATE: 1-4-16

**HIDALGO COUNTY PLANNING DEPARTMENT
 DETAIL ON MONTHLY FEES COLLECTED
 FOR THE MONTH OF: NOVEMBER 2015**

Part III: SUMMARY OF FEES COLLECTED

1 HELD IN ESCROW

a. 1/3 PAVING	\$ -
b. SEPTIC TANK	\$ 7,000.00 X 3
c. OTHER	\$ -

\$ 7,000.00 ^X TO
X1

2 UTILITY CERTIFICATE FEE

\$ 8,880.00 ^{from}
X1

3 SUBDIVISION FEES

a. FILING/REVIEW FEE	\$ 2,300.00
b. 2% INSPECTION FEE	\$ 8,115.36
c. MAPS	\$ -
d. SUBD. RULES BOOK	\$ -
e. OTHER	\$ 300.00

\$ 10,715.36 ^{*} TO
X1

TOTAL AMOUNT COLLECTED

\$ 26,595.36
~~2~~ X

COUNTY *of* HIDALGO

HIDALGO COUNTY AUDITOR'S OFFICE
Hidalgo County Administration Building
2808 South Business Highway 281
Edinburg, Texas 78539-6243
PHONE: (956) 318-2511
FAX: (956) 318-2577
WEBSITE: www.co.hidalgo.tx.us/auditor



EDINBURG, TEXAS 78539

January 19, 2016

Mr. T.J. Arredondo, Director of Planning
Hidalgo County Planning Department
1304 S. 25th St.
Edinburg, Texas 78539

Re: Review of *Monthly Fees Report* and Supporting Documentation
For the month of November 2015

Dear Mr. Arredondo:

We conducted a review of the Planning Department's *Monthly Fees Report* and all supporting documentation for the month of November 2015 in accordance with Local Government Code §115.002(a) and (b). The objective of the review was to determine whether collections were properly accounted and reported.

Scope:

The scope of our review was limited to collections reported by your office on the *Monthly Fees Report* for the month of November 2015. Our review was not designed nor intended to be a detailed study of every relevant control system, procedure, or transaction. Accordingly, the opportunities for improvement presented in this report may not be all-inclusive of areas where improvements could be made.

The responsibility for establishing and maintaining a sound internal control system rests with management. The objectives of an internal control system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or theft, and that transactions are executed in accordance with management's authorization and recorded properly.

The purpose of this report is to furnish management independent, objective analyses, recommendations, and information concerning the area reviewed. The report should serve as a tool to help management discern and implement specific improvements.

Methodology:

In planning and performing our review, we reviewed applicable statutes, the *Monthly Fees Report*, and fee schedules. The following procedures were performed:

- Reviewed the submittal date of the *Monthly Fees Report* to the County Auditor's Office to determine if the report and applicable supporting documentation were received within five days after the last day of the month pursuant to Local Government Code §114.001 (b).
- Verified the signature on the *Monthly Fees Report* to ensure that the report was signed by an authorized signatory as documented on the "Authorized Signatories Form."
- Verified the mathematical accuracy of the *Monthly Fees Report* by footing and cross-footing the report.
- Reviewed receipts issued to determine if proper fee amounts were collected and reported.
- Verified that receipts issued followed a sequential order.

HIDALGO COUNTY DISTRICT JUDGES

LUIS M. SINGLETERRY
JUDGE, 92ND D.C.

RODOLFO DELGADO
JUDGE, 93RD D.C.

J. R. "BOBBY" FLORES
JUDGE, 139TH D.C.

ROSE GUERRA REYNA
JUDGE, 208TH D.C.

JUAN R. PARTIDA
JUDGE, 275TH D.C.

MARIO E. RAMIREZ, JR.
JUDGE, 332ND D.C.

NOE GONZALEZ
JUDGE, 376TH D.C.
OVERSEER

LETICIA LOPEZ
JUDGE, 381ST D.C.

AIDA SALINAS FLORES
JUDGE, 388TH D.C.

ISRAEL RAMON, JR.
JUDGE, 430TH D.C.

JESSE CONTRERAS
JUDGE, 449TH D.C.

- Verified that procedures for voided receipts were properly followed.
- Reviewed the *Revenue Detail Report by Account* generated from *alio* to determine whether fees collected were properly accounted and deposited with the County Treasurer on or before the fifth business day after the day on which the funds were received.
- Verified that the collections per the *Monthly Fees Report* agreed to total receipts issued and the deposits made with the County Treasurer.
- Reviewed receipts issued and *Monthly Fees Report* to verify proper completion.

Conclusion:

Total collections for the month of November 2015 were \$26,595.36. Based on the results of our review, we have concluded that fees collected were generally properly accounted and reported; however, we noted that the system of internal controls requires improvement as noted below:

The November 2015 *Monthly Fees Report* was submitted to the County Auditor's Office 32 days late. According to staff, the report was submitted to the County Auditor's Office late since the employee responsible for preparing the report was out of the office.

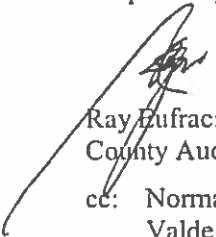
Pursuant to Local Government Code §114.001 (b), *Monthly Fees Reports* must be submitted to the County Auditor's Office within five days after the last day of the month.

Recommendation:

We recommend that an employee be cross-trained to prepare the *Monthly Fees Reports* when the employee responsible for preparing the reports is out.

If you should have any questions, please do not hesitate to call Ricardo Nuñez, Internal Auditor I, at 318-2511 ext. 4644, Letty Chavez, Compliance Audit Supervisor, at ext. 4651, Arcy B. Duran, CPA, Director of Audit, at ext. 4645, Linda Fong, First Assistant Auditor, at ext. 4668, or me at ext. 4604.

Respectfully,



Ray Bufracio, CPA
County Auditor

cc: Norma Garcia, Hidalgo County Treasurer
Valde Guerra, County Executive Officer

HIDALGO COUNTY DISTRICT JUDGES

LUIS M. SINGLETERRY
JUDGE, 92ND D.C.

RODOLFO DELGADO
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JUDGE, 405TH D.C.

JESSE CONTRERAS
JUDGE, 448TH D.C.

**HIDALGO COUNTY PLANNING DEPARTMENT
MONTHLY FEES REPORT
FOR THE MONTH OF: DECEMBER 2015**

Part I: RECAP OF COLLECTIONS

A. TOTAL CASH COLLECTED		\$ 17,734.80
1 HELD IN ESCROW		
a. EDINBURG	\$ -	
b. MISSION	\$ -	
c. WESLACO	\$ -	\$ -
2 UTILITY CERTIFICATE FEE		
a. EDINBURG	\$ 3,425.00 [†] X 3	
b. MISSION	\$ 3,150.00 [†] X 4	
c. WESLACO	\$ 3,120.00 [†] X 5	\$ 9,695.00
3 SUBDIVISION FEES		
a. EDINBURG	\$ 8,039.80 X 1	
b. MISSION	\$ -	
c. WESLACO	\$ -	\$ 8,039.80
TOTAL AMOUNT DUE TO THE COUNTY TREASURER:		\$ 17,734.80

AUDITED BY: THE HIDALGO COUNTY AUDITOR'S OFFICE
DATE: 11/22/16
J.C. 1/22/16

Part II: SUMMARY OF COLLECTIONS REMITTED TO THE CO. TREASURER

Name of Fee Collected	Statutory Reference	Fee Amt.	GL Account Number	Amount Collected
1/3 Paving Escrow			Account is Determined per Project	\$ -
Septic Tank-Held in Escrow	LGC § 232.027	\$1500/septic	1100-211-00-000-018-0-000	\$ -
Other-Held in Escrow			1100-211-00-000-026-0-000	\$ -
Utility Subdivision Fees	LGC § 232.028(g) 8/7/07 CT Approval	\$30	1100-341-30-210-003-0-000	\$ 9,695.00 X 2
Subdivision Fees	LGC § 232.0021 11/29/2011 CT	Varies per acreage	1100-341-30-210-001-0-000	\$ 8,039.80 X 3
TOTAL AMOUNT DUE TO THE COUNTY TREASURER:				\$ 17,734.80

variance should => "0"

PREPARED BY: Howl. Castillo DATE PREPARED: January 14, 2016

THIS REPORT HAS BEEN PERSONALLY REVIEWED BY ME & I CERTIFY IT TO BE TRUE & CORRECT TO THE BEST OF MY KNOWLEDGE.

RECEIVED
JAN 14 2016

[Signature]
DIRECTOR OF PLANNING
1-14-16
DATE

**HIDALGO COUNTY PLANNING DEPARTMENT
 DETAIL ON MONTHLY FEES COLLECTED
 FOR THE MONTH OF: DECEMBER 2015**

Part III: SUMMARY OF FEES COLLECTED

1 HELD IN ESCROW

a. 1/3 PAVING	<u>\$</u>	-
b. SEPTIC TANK	<u>\$</u>	-
c. OTHER	<u>\$</u>	-
	<u>\$</u>	-

2 UTILITY CERTIFICATE FEE

\$ 9,695.00 ^{& Fee} X 1

3 SUBDIVISION FEES

a. FILING/REVIEW FEE	<u>\$</u>	2,605.00
b. 2% INSPECTION FEE	<u>\$</u>	68.80
c. MAPS	<u>\$</u>	-
d. SUBD. RULES BOOK	<u>\$</u>	-
e. OTHER	<u>\$</u>	5,366.00

\$ 8,039.80 ^{To} X 1

TOTAL AMOUNT COLLECTED

\$ 17,734.80

2^

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EDINBURG, TEXAS 78539

January 29, 2016

Mr. T.J. Arredondo, Director of Planning
Hidalgo County Planning Department
1304 S. 25th St.
Edinburg, Texas 78539

Re: Review of *Monthly Fees Report* and Supporting Documentation
For the month of December 2015

Dear Mr. Arredondo:

We conducted a review of the Planning Department's *Monthly Fees Report* and all supporting documentation for the month of December 2015 in accordance with Local Government Code §115.002(a) and (b). The objective of the review was to determine whether collections were properly accounted and reported.

Scope:

The scope of our review was limited to collections reported by your office on the *Monthly Fees Report* for the month of December 2015. Our review was not designed nor intended to be a detailed study of every relevant control system, procedure, or transaction. Accordingly, the opportunities for improvement presented in this report may not be all-inclusive of areas where improvements could be made.

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Methodology:

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- Verified the signature on the *Monthly Fees Report* to ensure that the report was signed by an authorized signatory as documented on the "Authorized Signatories Form."
- Verified the mathematical accuracy of the *Monthly Fees Report* by footing and cross-footing the report.
- Reviewed receipts issued to determine if proper fee amounts were collected and reported.
- Verified that receipts issued followed a sequential order.

HIDALGO COUNTY DISTRICT JUDGES

LUIS H. SINGLETERRY
JUDGE, 92ND D.C.

RODOLFO DELGADO
JUDGE, 93RD D.C.

J. R. "BOBBY" FLORES
JUDGE, 139TH D.C.

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JUDGE, 206TH D.C.

JUAN R. PARTIDA
JUDGE, 275TH D.C.

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JUDGE, 332ND D.C.

NOE GONZALEZ
JUDGE, 378TH D.C.
OVERSEER

LETICIA LOPEZ
JUDGE, 389TH D.C.

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JUDGE, 410TH D.C.

JESSE CONTRERAS
JUDGE, 448TH D.C.

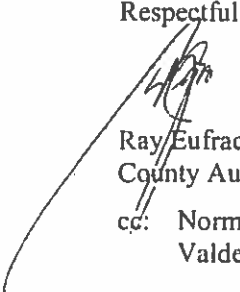
- Verified that procedures for voided receipts were properly followed.
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- Verified that the collections per the *Monthly Fees Report* agreed to total receipts issued and the deposits made with the County Treasurer.
- Reviewed receipts issued and *Monthly Fees Report* to verify proper completion.

Conclusion:

Total collections for the month of December 2015 were \$17,734.80. Based on the results of our review, we have concluded that fees collected were generally properly accounted and reported.

If you should have any questions, please do not hesitate to call Ricardo Nuñez, Internal Auditor I, at 318-2511 ext. 4644, Letty Chavez, Compliance Audit Supervisor, at ext. 4651, Arcy B. Duran, CPA, Director of Audit, at ext. 4645, Linda Fong, First Assistant Auditor, at ext. 4668, or me at ext. 4604.

Respectfully,



Ray Eufrazio, CPA
County Auditor

cc: Norma Garcia, Hidalgo County Treasurer
Valde Guerra, County Executive Officer

HIDALGO COUNTY DISTRICT JUDGES

LUIS H. SINGLETERRY
JUDGE, 87th D.C.

RODOLFO DELGADO
JUDGE, 93rd D.C.

J. R. "BOBBY" FLORES
JUDGE, 131st D.C.

ROSE GUERRA REYNA
JUDGE, 204th D.C.

JUAN R. PARTIDA
JUDGE, 375th D.C.

MARIO E. RAMIREZ, JR.
JUDGE, 332nd D.C.

NOE GONZÁLEZ
JUDGE, 378th D.C.
OVERSEER

LETICIA LOPEZ
JUDGE, 349th D.C.

AIDA SALINAS FLORES
JUDGE, 391st D.C.

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JUDGE, 449th D.C.

COUNTY of HIDALGO

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EDINBURG, TEXAS 78539

January 28, 2016

The Honorable Sheriff Eddie Guerra
Hidalgo County Sheriff
711 El Cibolo Rd.
Edinburg, Texas 78540

Re: Review of Sheriff's Regular Trust Fund Financials
For the Months of May 31, 2015 through November 30, 2015

Dear Sheriff Guerra:

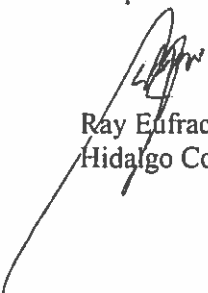
We conducted a limited scope review of the Regular Trust Fund financial statements for the months of May 31, 2015 through November 30, 2015 pursuant to Local Government Code §115.001. The objective of the review was to obtain limited assurance that the financial statements are free from material misstatements.

Management is responsible for the preparation of the financial statements including the design, implementing, and maintenance of internal controls relevant to the preparation of the financial statements. Our responsibility is to perform procedures to obtain limited assurance that there are no material modifications that need to be made to the financial statements.

Based on our review, nothing came to our attention that caused us to believe that the financial statements contained any material misstatements.

If you have any questions, please contact Letty Chavez, Compliance Audit Supervisor, at 318-2511, ext. 4651, Arcy B. Duran, CPA, Director of Audit, at ext. 4645, Linda Fong, First Assistant Auditor, at ext. 4668, or me at ext. 4604.

Respectfully,


Ray Eufrazio, CPA
Hidalgo County Auditor

HIDALGO COUNTY DISTRICT JUDGES

LUIS M SNGLETERRY
JUDGE, 92ND D.C.

RODOLFO DELGADO
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JUDGE, 208TH D.C.

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OVERSEER

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EDINBURG, TEXAS 78539

January 20, 2016

The Honorable Ricardo Rodriguez
Hidalgo County Criminal District Attorney
Hidalgo County Courthouse
100 N. Clossner, 3rd Floor
Edinburg, Texas 78539

Re: Audit of the Chapter 59 Asset Forfeiture Audit Report by Attorney Representing the State
For the Fiscal Year Ended August 31, 2015
Audit No. 2015-56

Dear Mr. Rodriguez:

We have completed an audit of the "Chapter 59 Asset Forfeiture Audit Report by Attorney Representing the State" (Asset Forfeiture Report) for the fiscal year ended August 31, 2015 pursuant to Code of Criminal Procedure § 59.06 (g)(1), Local Government Code § 115.001 and § 115.0035, and our annual audit plan. The objective of the audit was to determine if Chapter 59 seizures, forfeitures, receipts, and expenditures were properly accounted and reported.

Background:

Code of Criminal Procedure (CCP) Chapter 59 "Forfeiture of Contraband" provides for the forfeiture of contraband seized by peace officers employed by law enforcement agencies of the state and its political subdivisions. Chapter 59 defines "contraband" as property of any nature (including real, personal, tangible, or intangible property) that is used or intended for use in the commission of certain enumerated felonies, Class A and Class B misdemeanors, or property that is gained, acquired, and/or used to facilitate the commission of certain enumerated felonies and misdemeanors.

For the fiscal year ended August 31, 2015, the District Attorney's Office had Chapter 59 seizures as follows: cash totaling \$49,520.92, 174 motherboards, 1 television, 1 security computer hard drive and remote control, 1 money counter, 2 clip boards with miscellaneous papers, 1 spiral notebook, & miscellaneous note pads and papers. In addition, the District Attorney's Office was awarded (forfeited) cash totaling \$ 2,080,962.97.

Pursuant to CCP § 59.03 (c), a peace officer having custody of property must provide to the District Attorney a sworn statement that contains a schedule of the property seized, an acknowledgment that the officer has seized the property, and a list of the officer's reasons for the seizure. In addition, "not later than 72 hours after the seizure, the peace officer shall: (1) place the property under seal; (2) remove the property to a place ordered by the court; or (3) require a law enforcement agency of the state or a political subdivision to take custody of the property and move it to a proper location."

Pursuant to CCP § 59.04 (a) & (b), the District Attorney must commence forfeiture proceedings by filing a notice of the seizure and intended forfeiture (petition) with the District Clerk's Office not later than the 30th day after the date of the seizure.

Pursuant to CCP § 59.05 (b) & (e), forfeiture proceedings are conducted in accordance with rules and principles governing civil cases. If the court finds that the state has proven by a preponderance of the evidence that all or part of the seized property is subject to forfeiture, the judge shall forfeit the property to the state. Pursuant to CCP § 59.06 (f), a final judgment of forfeiture perfects the state's title to the forfeited property.

HIDALGO COUNTY DISTRICT JUDGES

LUIS M. SINGLETERRY
JUDGE, 17th D.C.

RODOLFO DELGADO
JUDGE, 19th D.C.

J. R. "BOBBY" FLORES
JUDGE, 13th D.C.

ROSE GUERRA REYNA
JUDGE, 20th D.C.

JUAN R. PARTIDA
JUDGE, 27th D.C.

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NOE GONZALEZ
JUDGE, 37th D.C.
OVERSEER

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JUDGE, 38th D.C.

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JUDGE, 39th D.C.

ISRAEL RAMON, JR.
JUDGE, 43rd D.C.

JESSE CONTRERAS
JUDGE, 44th D.C.

Pursuant to CCP § 59.05 (f), the District Clerk is entitled to court costs in forfeitures to the state of an amount greater than \$2,500 as in other civil proceedings.

Pursuant to CCP § 59.06 (a), all forfeited property is administered by the District Attorney, acting as the agent of the state, in accordance with accepted accounting practices and with the provisions of any local agreement entered into between the District Attorney and law enforcement agencies (LEAs). If a local agreement has not been executed, the property shall be sold on the 75th day after the date of the final judgment of forfeiture at public auction under the direction of the county sheriff. Proceeds of the sale must be distributed in accordance with CCP § 59.06.

Pursuant to CCP § 59.06 (b), if a local agreement exists between the District Attorney and the LEA, the District Attorney may transfer the property to the LEA. Furthermore, CCP § 59.06 (c) states, if a local agreement exists between the District Attorney and LEAs, all money, securities, negotiable instruments, stocks or bonds, or things of value, or proceeds from the sale of those items shall be deposited, after the deduction of court costs which the District Clerk is entitled, into one or more of the following funds: (1) a special fund in the county treasury for the benefit of the District Attorney's Office, to be used by the District Attorney solely for the official purposes of his office; or (2) a special fund in the county treasury if distributed to a county LEA, to be used solely for law enforcement purposes, such as salaries and overtime pay for officers, officer training, specialized investigative equipment and supplies, and items used by officers in direct law enforcement duties.

Pursuant to CCP § 59.06 (b), the District Attorney's Office entered into local agreements with the following LEAs effective January 1, 2015: Cities of Alamo, Alton, Donna, Edinburg, La Villa, La Joya, McAllen, Mercedes, Mission, Palmview, Peñitas, Pharr, Progreso, Hidalgo, Weslaco, and Sullivan City; Constable Precinct 1, Constable Precinct 2, Constable Precinct 3, Constable Precinct 4, Hidalgo County Sheriff's Office, and Texas Department of Public Safety (DPS).

Pursuant to the local agreements, auction proceeds for property forfeited to the State Attorney and the LEA, with the exception of DPS, shall be paid 25% to the District Attorney's Office and 75% to the LEA if the property was put to use by the LEA and State Attorney. If the property was not put to use by the LEA and State Attorney, the auction proceeds shall be paid 40% to the District Attorney and 60% to the LEA.

Pursuant to the local agreement between the District Attorney and DPS, auction proceeds for property seized in connection with a violation of Chapter 481, Health and Safety Code and forfeited to the State Attorney and DPS shall be paid 40% to DPS, 30% to the District Attorney, and 30% to the State of Texas general revenue fund. With respect to all other forfeited property, if no answer was filed (default judgment), 70% is paid to DPS and 30% to the District Attorney. If answer was filed (agreed judgment), 60% is paid to DPS and 40% to the District Attorney. If trial commenced, 50% is paid to DPS and 50% to the District Attorney.

In addition, pursuant to the local agreements, the LEAs are responsible for paying all court costs, attorney ad-litem fees, depositions, title searches, title policies, confidential informants, and all costs related to forfeitures of real estate and personal property. Furthermore, money and property shall be considered forfeited to the State once a forfeiture judgment has become final and no motion for new trial or notice of appeal has been taken. Texas Rule of Appellate Procedure No. 26.1 states that a notice of appeal must be filed within 30 days after the judgment is signed, with a few enumerated exceptions.

Property that was forfeited in 2015 and seized in 2014 or prior, was distributed pursuant to the local agreement in place at the time of the seizure. Pursuant to the local agreements in place prior to 2015, personal property not used for law enforcement purposes is to be sold and proceeds from the sale shall be paid 50% to the LEA and 50% to the District Attorney's Office, with the exception of HIDTA, which is paid 100% of the proceeds; and DPS, which is paid 70% of the proceeds and 30% is paid to the District Attorney.

Pursuant to CCP § 59.06 (c-3) notwithstanding subsection (a), with respect to forfeited property seized in connection with a violation of Chapter 481, Health and Safety Code (Texas Controlled Substances Act), by the Department of Public Safety, in a proceeding under Article 59.05 in which a default judgment is rendered in favor of the state, the District Attorney shall enter into a local agreement with the department that allows the District Attorney either to: (1) transfer forfeited property to the department to maintain, repair, use, and operate for official purposes in the manner provided by subsection (b); or (2) allocate proceeds from the sale of forfeited property described by subsection (c), after the deduction of court costs as described by that

HIDALGO COUNTY DISTRICT JUDGES

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JUDGE, 12TH D.C.

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JUDGE, 430TH D.C.

JESSE CONTRERAS
JUDGE, 448TH D.C.

subsection, in the following proportions: (A) 40 percent to a special fund in the department to be used solely for law enforcement purposes; (B) 30 percent to a special fund in the county treasury for the benefit of the District Attorney's Office, to be used solely for the official purposes of the District Attorney's Office; and (C) 30 percent to the general revenue fund.

Pursuant to CCP § 59.06 (d) proceeds awarded to a law enforcement agency or District Attorney's Office may be spent after a detailed budget has been submitted to Commissioners Court. The budget may not list details that would endanger the security of an investigation or prosecution. Commissioners Court may not use the existence of an award to offset or decrease total salaries, expenses, and allowances that the District Attorney receives from the Commissioners Court at or after the time the proceeds are awarded.

Pursuant to CCP § 59.06 (d-1) the District Attorney may not use proceeds or property received under this chapter to: (1) contribute to a political campaign; (2) make a donation to any entity, except as provided by Subsection (d-2); (3) pay expenses related to the training or education of any member of the judiciary; (4) pay any travel expenses related to attendance at training or education seminars if the expenses violate generally applicable restrictions established by the commissioners court; (5) purchase alcoholic beverages; (6) make any expenditure not approved by the commissioners court, if the District Attorney holds an elective office and: (A) the deadline for filing an application for a place on the ballot as a candidate for reelection to that office in the general primary election has passed and the person did not file an application for a place on that ballot; or (B) during the person's current term of office, the person was a candidate in a primary, general, or runoff election for reelection to that office and was not the prevailing candidate in that election; or (7) increase a salary, expense, or allowance for an employee of the District Attorney's Office who is budgeted by the commissioners court unless the commissioners court first approves the increase.

Transportation Code § 501.022 (a)(2) states "the owner of a motor vehicle registered in this state may not operate or permit the operation of the vehicle on a public highway until the owner obtains: (A) title and registration for the vehicle; or (B) obtains a receipt evidencing title for registration purposes only under Section 501.029." Transportation Code § 501.022 (b) states "a person may not operate a motor vehicle registered in this state on a public highway if the person knows or has reason to believe that the owner has not obtained a title for the vehicle." Transportation Code § 501.022 (c) states "the owner of a motor vehicle that is required to be titled and registered in this state must obtain a title to the vehicle before selling or disposing of the vehicle."

Transportation Code § 501.006 states that "on receipt of a verified request approved by the executive administrator of a law enforcement agency, the department may issue a title in the form requested by the executive administrator for a vehicle in an alias for the law enforcement agency's use in a covert criminal investigation."

District Attorney's Procedures

The District Attorney's Office requires LEAs to deposit seized currency into a certificate of deposit (CD) at the county depository under the name of the District Attorney's Office pending final disposition of the case. Seized personal property is maintained under the LEAs custody pending final disposition of the case. The LEA must provide the District Attorney's Office with a copy of the CD and receipt, if applicable, a sworn statement containing a schedule of the property seized, an acknowledgment that the officer seized the property, and a list of the officer's reasons for the seizure.

The District Attorney commences proceedings no later than the 30th day after the date of the seizure. The petitions are filed with the District Clerk pursuant to CCP § 59.04 (a) & (b). Once a judgment is rendered, the currency and/or personal property are distributed pursuant to the local agreement.

The District Attorney's Office determines whether forfeited personal property will be retained for official purpose of the District Attorney's Office or auctioned. If a vehicle is retained, the District Attorney submits an application for certificate of title, along with a copy of the final judgment, to the Texas Department of Motor Vehicles. Upon receipt, the original certificate of title is retained by the District Attorney's Office and insurance coverage is requested from the Executive Office Safety Division. The District Attorney's Office subsequently sends a copy of the certificate of title, final judgment, proof of insurance coverage, and an asset tag request to the Purchasing Department's Fixed Assets Division. If the vehicle is not placed in use, a transfer

HIDALGO COUNTY DISTRICT JUDGES

LIAS M. SINGLETERRY
JUDGE, 92nd D.C.

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JUDGE, 332nd D.C.

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JUDGE, 370th D.C.
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JUDGE, 385th D.C.

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JUDGE, 398th D.C.

ISRAEL RAMON, JR.
JUDGE, 430th D.C.

JESSE CONTRERAS
JUDGE, 448th D.C.

form is prepared and the vehicle is declared surplus. The vehicle is safeguarded by the County's contracted auctioneer until the vehicle is auctioned.

The Purchasing Department is responsible for disposing of county assets. The Purchasing Department receives the auction proceeds and prepares a "Purchasing Department/ Fixed Asset Division Auction Report" that details the amount of proceeds to be receipted to each fund. The proceeds are then deposited with the Hidalgo County Treasurer to the credit of the applicable funds, including the District Attorney's Forfeiture Fund. Pursuant to the local agreements, the auction proceeds should be apportioned to the District Attorney's Forfeiture Fund within 30 days of the sale.

Scope and Methodology:

The scope of our audit was limited to a review of all seized currency and property for which a law enforcement agent's affidavit was made available to the County Auditor's Office for review and all forfeited currency and property for which a final judgment was rendered for the fiscal year ended August 31, 2015.

Our review was not designed nor intended to be a detailed study of every relevant control system, procedure, or transaction. Accordingly, the opportunities for improvement presented in this report may not be all-inclusive of areas where improvements could be made.

The responsibility for establishing and maintaining a sound internal control system rests with management. The objectives of an internal control system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or theft, and that transactions are executed in accordance with management's authorization and recorded properly.

In planning and performing our review, we conducted interviews with staff, sent confirmation letters to participating law enforcement agencies and financial institutions, reviewed applicable statutes, policies and procedures, and local agreements. The following procedures were performed:

1. Verified whether all Chapter 59 revenues recorded in *alio*, the County's financial accounting system, and required to be reported (i.e., cash forfeitures, proceeds received from the sale of forfeited property, and interest) were included on the Asset Forfeiture Report.
2. Verified whether all Chapter 59 expenditures recorded in *alio* were included on the Asset Forfeiture Report and made solely for official purposes of the District Attorney's Office.
3. Reviewed the salary schedule adopted by Commissioners Court and compared it to District Attorney's Forfeiture Fund "2015 Hourly Rate" report for calendar year 2015 to verify whether the actual salary paid to employees did not exceed the budgeted salary amounts.
4. Generated a "Case Index-Inactive" report for the fiscal year ended August 31, 2015 for the District Attorney's Office from *Odyssey*, the County's justice information systems, to determine if all forfeitures were reported on the Asset Forfeiture Report.
5. Generated a "Case Index-Active" report for the fiscal year ended August 31, 2015 for the District Attorney's Office from *Odyssey* to determine if all seizures were reported on the Asset Forfeiture Report.
6. Reviewed confirmation letter responses received from LEAs that participated with the District Attorney's Office in Chapter 59 seizures to determine whether the seized and forfeited vehicles, real property, other items, and/or currency reported by District Attorney's Office on the Asset Forfeiture Report agreed to those confirmed by the LEAs.
7. Reviewed cases, judgments, and checks issued by the District Attorney's Office to determine if forfeited funds were disbursed after the forfeited judgment became final (30 days after the judgment was signed) pursuant to the Texas Rule of Appellate Procedure No. 26.1.
8. Reviewed *alio* revenue reports and the Purchasing Department's "Auction Report" for the District Attorney's Office to determine if auction proceeds generated from the sale of forfeited assets were apportioned to the District Attorney's Forfeiture Fund by the Hidalgo County's Purchasing Department within 30 days of the sale as required by the local agreement.
9. Selected 206 Chapter 59 assets (2 vehicles and 204 property) held by the District Attorney's Office, including those assets seized and forfeited from prior years and not sold, as of August 31, 2015 for physical identification and to determine if the vehicles put to use by the District Attorney's Office were assigned an asset tag number and insurance coverage was obtained for the vehicles.

HIDALGO COUNTY DISTRICT JUDGES

10. Obtained a list of District Attorney's Office vehicles and property from Rod Robertson Enterprises, Inc. (Rods) to determine if the list agreed to the County Auditor's Office and District Attorney's Office lists of a seized and forfeited assets maintained at Rods.
11. Reviewed the District Attorney's procedures for the accounting of auction proceeds resulting from the sale of forfeited personal property by LEAs. In addition, we reviewed *alio* revenue reports and confirmation letters received from 8 of 18 LEAs regarding forfeited vehicles sold through auction to determine if the District Attorney's portion of the auction proceeds were sent to the County Treasurer's Office within 30 days of the auction.
12. Requested copies of the certificates of title from the Department of Motor Vehicle to determine if the 2 forfeited vehicles (1 put to use by the District Attorney's Office and 1 forfeited but not sold) were titled to Hidalgo County as required by Transportation Code § 501.022 and § 501.006.
13. Reviewed the affidavits prepared by the seizing officers and the CD receipts to determine if the CDs for the seized cash were opened in the amount noted on the affidavits within 72 hours of the seizure. In addition, we verified whether the seized amounts noted on the petitions filed by the District Attorney's Office agreed to the CD amounts and the seizing officers' affidavits.
14. Compared the list of CDs held by the county depository related to Chapter 59 on behalf of the District Attorney's Office to the District Attorney's HB 65 financial statements as of August 31, 2015 to determine if all CDs were properly accounted by the District Attorney's Office. In addition, we reviewed the CDs related to Chapter 59 listed on the District Attorney's HB 65 financial statements as of August 31, 2015 and applicable case disposition information to determine if any funds were pending to be disbursed to the proper parties.
15. Reviewed schedules of filed cases generated from *Odyssey* to determine if petitions were filed by the District Attorney's Office no later than the 30th day after the date of the seizure pursuant to CCP § 59.04 (a) & (b).
16. Reviewed judgments, checks issued, "District Attorney Accounting Control Sheet," and county depository bank statements for the period under review to determine if court costs for forfeited amounts less than \$2,500.00 were not paid to the District Clerk's Office pursuant to CCP § 59.05 (f).

Conclusion:

Based on the results of our audit, we have determined that generally Chapter 59 seizures, forfeitures, receipts, and expenditures were properly accounted and reported. More specifically, the following was noted:

1. All Chapter 59 revenues recorded in *alio* and required to be reported were included on the Asset Forfeiture Report.
2. All Chapter 59 expenditures recorded in *alio* were included on the Asset Forfeiture Report and made solely for official purposes of the District Attorney's Office.
3. Employees' actual salaries paid from the District Attorney's Forfeiture Fund did not exceed the budgeted salary amounts.
4. All seized assets listed on the "Case Index-Inactive" report for the District Attorney's Office were included on the Asset Forfeiture Report.
5. All forfeited assets listed on the "Case Index-Active" report for the District Attorney's Office were included on the Asset Forfeiture Report.
6. Confirmation letters were sent to 18 LEAs that were identified in the "Case Index-Active" and "Case Index-Inactive" reports as having Chapter 59 seizures to determine whether the seized and forfeited vehicles, real property, other items, and/or currency reported by the District Attorney's Office on the Asset Forfeiture Report agreed to those confirmed by the LEAs. 9 LEAs responded to the confirmation request (Pharr PD, Hidalgo PD, La Joya PD, La Villa PD, Edinburg PD, Mission PD, Mercedes PD, San Juan PD, and DPS). Of the 9 LEAs:
 - o 7 LEA (La Villa PD, Hidalgo PD, Mission PD, Mercedes PD, La Joya PD, San Juan PD, and Pharr PD) confirmed the same number of seized and/or forfeited vehicles, property, and/or currency as those reported by the District Attorney's Office on the Asset Forfeiture Report.
 - o 2 LEA's (Edinburg PD and DPS) did not confirm the same number of seized and/or forfeited vehicles, real property, other items, and/or currency as those reported by the District Attorney's Office on the Asset Forfeiture Report. However, the items provided by the District Attorney's Office were included on the Asset Forfeiture Report since an affidavit from the LEA indicating that the items were seized was filed with the District Attorney and a signed judgment listing the

HIDALGO COUNTY DISTRICT JUDGES

forfeited items was recorded at the District Clerk's Office. The seized and forfeited items/currency not confirmed by the LEAs are as follows:

- 1 LEA (Edinburg PD) did not confirm 2 vehicles and \$155,032.04 seized during the reporting period as noted in the petitions; and
- 1 LEA (DPS) did not confirm \$13,822.00 forfeited during the reporting period as noted in the petition.

We attempted to determine the reason the LEAs did not confirm the seized and forfeited vehicles, real property, other items, and/or currency; however, we did not receive a response from the LEAs.

However, improvements could be made to the system of internal controls for the accounting and reporting of Chapter 59 seizures, forfeitures, receipts, and expenditures. More specifically, the following was noted:

7. 63 cases with a forfeited judgment became final during the period in review. Of the 63 cases:
 - 38 cases were disbursed after the judgment became final (30 days after the judgment was signed) pursuant to the Texas Rule of Appellate Procedure No. 26.1.
 - 25 cases were disbursed before the forfeited judgment became final pursuant to the Texas Rule of Appellate Procedure No. 26.1. The disbursements were made 8 to 28 days after the judgment was signed.
8. The County conducted auctions on November 5, 2014, March 4, 2015, and August 6, 2015. The auctions generated proceeds of \$165,700.00, \$38,405.00 and 95,790.00, respectively. The proceeds for the November 5, 2014 auction were not apportioned to District Attorney's Forfeiture Fund within the 30 days of the sale as required by the local agreement. The funds were apportioned 87 days after the auction.
9. All 206 (181 seized and 25 forfeited) assets held by the District Attorney's Office were physically located. Of the 25 assets forfeited to the District Attorney:
 - 1 vehicle was assigned an asset tag and insurance coverage was obtained.
 - 1 vehicle did not contain an asset tag and insurance coverage was not obtained. According to the District Attorney's Office, the vehicle was not tagged and insurance was not obtained since the vehicle would be sold through auction.
 - 23 assets (1 computer monitor, 21 pallets of Owens Corning insulation, 1 truckload of charcoal) did not contain asset tags. Due to the assets value, the assets are not subject to inventory control.

We noted during our review that vehicles seized or forfeited by DPS were placed at Rods under the care of the District Attorney's Office; therefore, we selected all 11 vehicles seized or forfeited by DPS as of August 31, 2015.

Of the 11 vehicles, 10 vehicles were located at Rods and 1 was located at the Weslaco DPS station. According to a DPS Captain, seized vehicles are held until a judgment is rendered. According to the District Attorney's Office, DPS makes arrangements with staff from the District Attorney's Office to pick up vehicles once a judgment is rendered and the property is awarded to the District Attorney and DPS. However, we noted that a judgment had not been rendered for 2 of the 10 vehicles located at Rods. According to the District Attorney's Office, there are no formal procedures to document when a vehicle can be auctioned by the District Attorney's Office; however, there is an understanding that the vehicles picked up from the DPS Office will not be put to use by DPS and can be auctioned. The interlocal agreement between the District Attorney's Office and DPS does not stipulate that the District Attorney will take custody of the seized property and will be responsible for auctioning the forfeited property. Furthermore, procedures to document when the District Attorney's Office took custody of the property were not in place.

10. 4 vehicles on Rods list of property held on behalf of the District Attorney's Office were not on the lists of seized and forfeited assets that is maintained by the County Auditor's Office and District Attorney's Office. The 4 vehicles were physically identified at Rods. In addition, Rods did not have the applicable docket numbers for the 4 vehicles that could be compared to the District Attorney's

HIDALGO COUNTY DISTRICT JUDGES

Office records. The District Attorney's Office Accountant is conducting research to determine the ownership of these vehicles.

11. The District Attorney's Office does not have any procedures in place to ensure that auction proceeds from the sale of personal property by LEAs are forwarded to the District Attorney pursuant to the local agreements. Of the 18 confirmation requests, 9 LEAs responses were received. Of the 9 LEAs, only 6 confirmed that vehicles had been seized and forfeited. Of the 9 LEAs, 3 (Pharr PD, Edinburg PD and Mission PD) confirmed that proceeds totaling \$8,869.00, \$11,800.00, and \$131,295.72, respectively, had been received from the auction of forfeited personal property during the period of review. Therefore, we were not able to determine if forfeited personal property had been auctioned by the remaining 9 LEAs. As of the date of this report, the portion belonging to the District Attorney's Office had not been forwarded by 2 LEAs (Edinburg PD and Mission PD). Auction proceeds from Pharr PD in the amount \$3,547.60 representing 40% as required per the interlocal agreement were forwarded to the County Treasurer on October 29, 2015. Pursuant to the local agreements, the auction proceeds should have been forwarded within 30 days of the sale. According to the District Attorney's Office Accountant, attempts to obtain the forfeited funds from the LEAs have not been made.
12. 1 vehicle was not titled to Hidalgo County as required by Transportation Code § 501.022 and § 501.006. According to the District Attorney's Office staff, it has been the practice that titles are only obtained for vehicles that will be placed in use. However, research will be conducted to determine if this practice is compliant with the Transportation Code.
13. 79 CDs were opened for the cash seizures made by LEAs and the District Attorney's Office during the period of review. Of the 79 CDs:
 - All the petitions filed by the District Attorney's Office were in the amount of the CDs and the seizing officer's affidavit.
 - 38 CDs were opened within 72 hours of seizure as required by CCP § 59.03 (c).
 - 41 CDs were not opened within 72 hours of seizure. The CDs were opened 1 to 626 days late.
14. There were 61 CDs totaling \$4,258,130.83 held as of August 31, 2015 at the county depository related to Chapter 59. All 61 CDs were properly accounted by the District Attorney's Office on the financial statements. Of the 61 CDs:
 - 59 CDs totaling \$4,250,911.65 were for cases pending a judgment; therefore, the funds had not been distributed.
 - 2 CDs totaling \$7,219.18 (see Exhibit A) were for cases in which an order for non-suit and final judgment had been rendered on May 30, 2013 and June 12, 2014, respectively. The District Attorney's Office did not have formal policies and procedures to ensure that funds were disbursed in a timely manner pursuant to Texas Rule of Appellate Procedure No. 26.1. These funds were subsequently disbursed on October 21, 2015.
15. There were 248 petitions filed by the District Attorney's Office during the period of review. Of the 248 petitions, 6 petitions were not filed within 30 days after the date of seizure as required by CCP § 59.04 (a) & (b). The petitions were filed by the District Attorney's Office from 1 to 30 days late. According to the Assistant District Attorney, cases are filed even if the 30 days have elapsed. However, the risk exists that seizures/forfeitures may need to be returned to the respondent/defendant if the petition is not filed in a timely manner.
16. There were 68 judgments that included cash disbursements during the period of review. For 1 of 68 cases, court costs were paid to the District Clerk in noncompliance with CCP § 59.05 (f) since the final judgment amount was less than \$2,500.00. According to the current District Attorney's Office Accountant, court costs are paid to the District Clerk only if the case involves the forfeiture of cash greater than \$2,500; however, the court costs on this case were paid by the previous District Attorney's Office Accountant from the prior administration.

Recommendations:

In our opinion, the issues identified during our review could be addressed by developing and implementing formal policies and procedures for the proper accounting and reporting of Chapter 59 seizures, forfeitures, receipts, and expenditures. At a minimum, the following procedures should be implemented:

1. Ensure that funds are distributed to the proper parties in a timely manner (30 days after the final judgment is signed).

HIDALGO COUNTY DISTRICT JUDGES

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JUDGE, 400th D.C.

JESSE CONTRERAS
JUDGE, 449th D.C.

2. Coordinate with the Purchasing Department to ensure that auction proceeds generated from the sale of forfeited assets are apportioned to the District Attorney Forfeiture Fund within 30 days of the auction.
3. Ensure that the interlocal agreement between the District Attorney's Office and DPS includes language stipulating who will take custody of the property when seized and who will be responsible for selling the forfeited property. In addition, if applicable, a log should be developed to document when the District Attorney's Office takes custody of assets seized and/or forfeited by DPS. The log should include the date the asset was delivered to the District Attorney's Office or Rods; the names of the individuals that delivered and took possession of the asset; asset description; and case number.
4. Coordinate with the auctioneer and the LEAs to determine what agency seized the vehicles.
5. Coordinate with the LEAs to ensure that auction proceeds from the sale of forfeited property are distributed to the District Attorney's Office within 30 days of the auction pursuant to the interlocal agreement. In addition, a formal request should be made to all LEAs that the District Attorney's portion of any auction proceeds be forwarded to the County Treasurer's Office immediately.
6. Ensure that a certificate of title is obtained pursuant to Transportation Code § 501.022 for forfeited vehicles whether the vehicle is retained for the official purpose of the District Attorney's Office or declared surplus.
7. Notify LEAs that CDs should be opened within 72 hours of seizure pursuant to CCP § 59.03 (c) which requires a law enforcement agency of the state or a political subdivision to take custody of the property and move it to a proper location. In addition, management should consider revising the interlocal agreements to include language that requires LEAs to open CDs within 72 hours of seizures.
8. Develop and implement formal policies and procedures to ensure funds are disbursed as soon as the forfeited judgment becomes final pursuant to the Texas Rule of Appellate Procedure No. 26.1.
9. Develop and implement formal policies and procedures to ensure petitions are filed on or before the 30th day after the date of the seizure as required by CCP § 59.04 (a) & (b). In addition, management should consider revising the interlocal agreements to include language that requires LEAs to submit to the District Attorney's Office the affidavits with sufficient time to ensure that a petition is filed on or before the 30th day after the date of the seizure.
10. Ensure that court costs for forfeited amounts less than \$2,500.00 are not paid to the District Clerk's Office.

Please provide management responses to findings 7 through 16 noted in the conclusion section of the report by February 12, 2016.

If you have any questions or would like to schedule a meeting to discuss the above noted recommendations, please call Reynaldo Cantu, Internal Auditor I, at 318-2511 ext. 4653, Letty Chavez, Compliance Audit Supervisor, at ext.4651, Arcy B. Duran, CPA, Director of Audit, at ext. 4644, or me at ext. 4604.

Respectfully,


Ray Eufrazio, CPA
County Auditor

cc: The Honorable Ramon Garcia, County Judge
The Honorable A.C. Cuellar, Commissioner Precinct 1
The Honorable Eddie Cantu, Commissioner Precinct 2
The Honorable Jose M. Flores, Commissioner Precinct 3
The Honorable Joseph Palacios, Commissioner Precinct 4
The Honorable Laura Hinojosa, District Clerk
Mr. Kent Richardson, Assistant Attorney General

HIDALGO COUNTY DISTRICT JUDGES

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JUDGE, 82ND D.C.

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COUNTY HIDALGO

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EDINBURG, TEXAS 78539

January 28, 2016

Honorable Eddie Guerra
Hidalgo County Sheriff
711 El Cibolo Rd.
Edinburg, Texas 78541

Re: Cash Count
Report No. 2015-73

Dear Sheriff Guerra:

We conducted a surprise cash count of the cash held at the Sheriff's Office for the Inmate Trust account on December 15, 2015, as required by Local Government Code §115.0035. The objective of the cash count was to determine whether total cash on hand reconciled to the total receipts issued for the day up to the time of the cash count.

Scope:

The scope of our review was limited to a count of the cash on hand as of the time of the cash count. Our review was not designed nor intended to be a detailed study of every relevant control system, procedure, or transaction. Accordingly, the opportunities for improvement presented in this report may not be all-inclusive of areas where improvements could be made.

The responsibility for establishing and maintaining a sound internal control system rests with management. The objectives of an internal control system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or theft, and that transactions are executed in accordance with management's authorization and recorded properly.

As part of our procedures, we verified that cash on hand agreed to the total receipts issued up to the time of the cash count. We also reviewed the internal control structure in order to verify that cash on hand was safeguarded against loss from unauthorized use and that only authorized transactions were executed, recorded, and reported in accordance with applicable laws and procedures. The internal controls reviewed during our walkthrough included but were not limited to the following: custody of cash, use of locked cash drawers, proper authorization of voided transactions, and segregation of duties.

Conclusion:

Total cash on hand at the time of the cash count was \$10,265.05. Based on the results of our review, we have concluded that total cash on hand did reconcile to the total receipts issued for the day up to the time of the cash count. However, we noted that the system of internal controls for the collection and safeguarding of cash requires improvement as noted in the following observations.

Observation No. 1:

We noted during our review that several checks were not restrictively endorsed "For deposit only." According to staff, employees were unaware that out of county checks needed to be stamped.

The County Auditor's Office requires that all checks, money orders, and/or cashier's checks be stamped with the restrictive endorsement "For Deposit Only" upon receipt.

Failure to ensure that checks, money orders, and/or cashier's checks are stamped with the restrictive endorsement "For Deposit Only" upon receipt increases the risk of loss or misuse of County funds.

HIDALGO COUNTY DISTRICT JUDGES

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JUDGE, 388th D.C.

ISRAEL RAMON, JR.
JUDGE, 418th D.C.

JESSE CONTRERAS
JUDGE, 448th D.C.

Recommendation:

Management should ensure that all checks, money orders, and/or cashier's checks are stamped with the restrictive endorsement "For Deposit Only" upon receipt.

Observation No. 2:

We noted during our review that the "Cash Handling Guidelines and Procedures" acknowledgement receipts were not maintained on file for all employees responsible for handling cash. According to staff, jail staff is not required to read the "Cash Handling Guidelines and Procedures."

The County Auditor's Office requires that departments train all employees responsible for handling cash regarding proper cash handling procedures. The employees handling cash must read the "Cash Handling Guidelines and Procedures" and sign a receipt acknowledging their understanding of these guidelines and procedures. The acknowledgment receipt should be kept on file by the department.

Failure to ensure that employees responsible for handling cash are required to read and sign a receipt acknowledging their understanding of the guidelines and procedures increases the risk of loss or misuse of County funds.

Recommendation:

Management should require all employees responsible for handling cash to read the "Cash Handling Guidelines and Procedures" and sign a receipt acknowledging their understanding of these guidelines and procedures. The acknowledgment receipt should be maintained on file for all employees responsible for handling cash.

Management should consider incorporating this process as part of their new hire training.

Observation No. 3:

We noted during our review that a current sample of the official County receipt was not posted for the public's view. According to staff, due to recent software (Odyssey) change, the new Odyssey receipt had not been posted.

The County Auditor's Office requires that a notice stating "Make sure you receive an official County receipt when making payments at this office" be posted in a conspicuous location for the public's view. A sample of each official County receipt issued by the department should be posted by the notice in order to indicate to the payee what he/she should expect to receive.

Failure to post a sample of the official County receipt by the required notice increases the risk of loss or misuse of County funds.

Recommendation:

Management should ensure that the current sample official County receipt be posted for the public's view.

Please provide written management responses to the observations noted above by February 22, 2016.

Procedures established by your department for the handling of cash were previously provided to the Auditor's Office; however, the procedures did not address the following:

- a. Location of cash collection points;
- b. Types of collections made by each cash collection point;
- c. The training that will be provided at the collection point and description of how segregation of duties will be maintained;
- d. A complete start to finish description of the following:
 1. Process for accounting and safeguarding of the change fund, if any;
 2. Process for safeguarding cash until it is deposited;
 3. Process for accounting and safeguarding mail-in payments;
 4. Process for reconciling collections, including frequency of reconciliation;
 5. Bookkeeping system used, and how it is maintained; and
 6. Computer hardware and software used;
- e. A schedule of how often deposits will be made;
- f. List of the reports prepared/generated for the collection and the reporting of funds, including procedures for preparing the reports, who the reports should be submitted to, and when the reports are due;
- g. A schedule of how often deposits will be made; and
- h. Copies of any related forms/reports.

HIDALGO COUNTY DISTRICT JUDGES

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JUDGE, 12TH D.C.

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JUDGE, 13TH D.C.

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ROSE GUERRA REYNA
JUDGE, 16TH D.C.

JUAN R. PARTIDA
JUDGE, 27TH D.C.

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JUDGE, 33RD D.C.

HOE GONZALEZ
JUDGE, 37TH D.C.
INVPRSPFH

LETICIA LOPEZ
JUDGE, 38TH D.C.

ADA SALINAS FLORES
JUDGE, 39TH D.C.

ISRAEL RAMON, JR.
JUDGE, 43RD D.C.

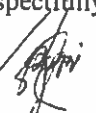
JESSE CONTRERA
JUDGE, 44TH D.C.

Honorable Eddie Guerra
January 28, 2016
Page 3 of 3

Please provide our office with copies of the procedures listed above and any updated procedures, if applicable, by February 22, 2016.

We would like to express our sincere appreciation to you and your staff for the courtesy, cooperation, and assistance provided to us during the cash count. If you have any questions regarding this cash count, please contact Reynaldo Cantu III, Internal Auditor 1, at (956) 318-2511, ext.4653, Letty Chavez, Compliance Audit Supervisor, at ext. 4651, Arcy B. Duran, CPA, Director of Audit, at ext. 4645, or me at ext.4604.

Respectfully,



Ray Eufrazio, CPA
County Auditor

cc: Commander Gabriel Castañeda, Hidalgo County Sheriff's Office Financial Services Bureau
Valde Guerra, Commissioners Court Executive Officer

HIDALGO COUNTY DISTRICT JUDGES

LUIS M. SINGLETERRY
JUDGE, 92ND D.C.

RODOLFO DELGADO
JUDGE, 93RD D.C.

J. R. "BOBBY" FLORES
JUDGE, 139TH D.C.

ROSE GUERRA REYNA
JUDGE, 204TH D.C.

JUAN R. PARTIDA
JUDGE, 275TH D.C.

MARIO E. RAMIREZ, JR.
JUDGE, 332ND D.C.

NOE GONZALEZ
JUDGE, 370TH D.C.
TWFFRFFR

LETICIA LOPEZ
JUDGE, 383TH D.C.

ADA BALMAS FLORES
JUDGE, 398TH D.C.

ISRAEL RAMON, JR.
JUDGE, 430TH D.C.

JESSE CONTRERA
JUDGE, 443TH D.C.

COUNTY of HIDALGO

HIDALGO COUNTY AUDITOR'S OFFICE
County Administration Building
2808 South Business Highway 281
Edinburg, Texas 78539-3587
PHONE: (956) 318-2511
FAX: (956) 318-2577
WEBSITE: www.co.hidalgo.tx.us/auditor



EDINBURG, TEXAS 78539

January 28, 2016

The Honorable Ricardo Rodriguez, Jr., Criminal District Attorney
Hidalgo County District Attorney's Office
100 N. Clossner
Edinburg, TX 78539

Ref: Cash Count
Report No. 2015-79

Honorable Ricardo Rodriguez:

We conducted a surprise cash count of the cash held at your office at the Asset Forfeiture Section on December 29, 2015, as required by Local Government Code § 115.0035. The objective of the cash count was to determine whether total cash on hand reconciled to the total receipts issued up to the time of the cash count.

Scope:

The scope of our review was limited to a count of the cash on hand as of the time of the cash count. Our review was not designed nor intended to be a detailed study of every relevant control system, procedure, or transaction. Accordingly, the opportunities for improvement presented in this report may not be all-inclusive of areas where improvements could be made.

The responsibility for establishing and maintaining a sound internal control system rests with management. The objectives of an internal control system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or theft, and that transactions are executed in accordance with management's authorization and recorded properly.

As part of our procedures, we verified that cash on hand agreed to the total receipts issued up to the time of the cash count. We also reviewed the internal control structure in order to verify that cash on hand was safeguarded against loss from unauthorized use and that only authorized transactions were executed, recorded, and reported in accordance with applicable laws and procedures. The internal controls reviewed during our walkthrough included, but were not limited to, the following: custody of cash, use of locked cash drawers, proper authorization of voided transactions, and segregation of duties.

Conclusion:

Total cash on hand at the time of the cash count was \$5,000.00. Based on the results of our review, we have concluded that total cash on hand did reconcile to the total receipts issued for the day up to the time of the cash count. However, we noted that the system of internal controls for the collection and safeguarding of cash requires improvement as noted in the following observations.

Observation No. 1:

Security cameras were not utilized in areas where cash was receipted and safeguarded. According to staff, they were not aware that security cameras were needed at each cash collection point.

The County Auditor's Office recommends that security alarms and/or security cameras be installed in areas where cash collections are received and safeguarded. Camera images must be stored on the type of media (e.g., digital recording box, tape, DVD, etc.) and retained for the period of time recommended by the Information Technology Department. If, however, the camera images are part of an ongoing investigation, they must be retained for the period of time determined by the investigating agency. Furthermore, a notice

HIDALGO COUNTY DISTRICT JUDGES

LUIS M. SINGLETERRY
JUDGE, 92ND D.C.

RODOLFO DELGADO
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J. R. "BOBBY" FLORES
JUDGE, 131ST D.C.

ROSE GUERRA REYNA
JUDGE, 204TH D.C.

JUAN R. PARTIDA
JUDGE, 275TH D.C.

MARIO E. RAMIREZ, JR.
JUDGE, 332ND D.C.

NOE GONZALEZ
JUDGE, 379TH D.C.
OVERSEER

LETICIA LOPEZ
JUDGE, 389TH D.C.

AIDA SALINAS FLORES
JUDGE, 391ST D.C.

ISRAEL RAMON, JR.
JUDGE, 430TH D.C.

JESSE CONTRERAS
JUDGE, 449TH D.C.

stating that an area is being monitored by a security camera must be posted at the entrance to the area being monitored.

Failure to utilize security cameras in areas where cash is received and safeguarded increases the risk of loss or misuse of County funds.

Recommendation:

Management should ensure that security cameras are utilized in areas where cash is received and safeguarded.

Observation No. 2:

We noted during our review that a bag without a lock is utilized when transporting deposits to the bank. According to staff, they were not aware that a locked cash bag needed to be utilized to transport deposits to the bank.

The County Auditor's Office requires that cash be secured in a locked cash bag when transporting deposits to the bank. The courier should exercise caution when transporting deposits by not taking the key to the cash bag with them and by varying the time and the route taken.

Failure to utilize a locked cash bag when transporting deposits may result in the loss of County funds.

Recommendation:

Management should request a locked cash bag from the County Treasurer's Office to ensure proper safeguarding of cash when deposits are taken to the bank.

Observation No. 3:

We noted during our review that segregation of duties over the collection and recording of cash requires improvement. The Accountant performs the following incompatible duties:

- Custody: Maintains a cash drawer, prepares bank deposits, has access to the inventory of unused receipts, prepares checks for disbursement, and has access to blank checks
- Recording: Accounts for numeral sequence of cash receipts, maintains an inventory log of unused receipts, takes inventory of and orders blank checks, reconciles bank statements, and prepares reports of cash received and disbursed
- Approve: Verifies that voided original receipts are kept and reviewed

According to staff, they were not aware of the recommended segregation of duties.

The responsibility for sound internal controls rests with management. Segregation of duties is a basic, key internal control in any organization. Segregation of duties prevents one individual from performing a transaction from beginning to end. In addition, it provides an individual with the opportunity to catch an error before a transaction is fully executed. Duties that should be segregated include: custody of assets, recording transactions, and authorization. The individual responsible for maintaining a cash drawer, preparing bank deposits, having access to the inventory of unused receipts, preparing checks for disbursement, and having access to blank checks should be different from the individual responsible for accounting for numerical sequence of cash receipts, maintaining an inventory log of unused receipts, taking inventory of and ordering blank checks, reconciling bank statements, and preparing reports of cash received and disbursed. In addition, the individuals responsible for the responsibilities previously noted should be different than the individual responsible for verifying that voided original receipts are kept and reviewed.

Maintaining segregation of duties is especially challenging for units with a small number of employees. In these cases, it is important that management institute compensating controls to cover for the lack of a basic control. In an environment with limited numbers of clerical and administrative personnel, management needs to be involved in documenting, reviewing, and approving transactions, reports, and reconciliations. Adequate and timely supervision is especially important in small departments, where limited personnel may inhibit a thorough segregation of duties.

Failure to have adequate segregation of duties increases the risk of loss or misuse of County revenues.

HIDALGO COUNTY DISTRICT JUDGES

Recommendation:

Management should ensure that incompatible duties are adequately segregated such as those noted above. If incompatible duties cannot be adequately segregated, management should ensure that compensating controls are implemented.

Please provide written management responses to the observations noted above by February 22, 2016.

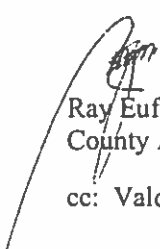
In addition, please provide us with copies of updated written procedures and internal controls, if any, established by your department for the handling of cash and cash equivalent transactions. The written procedures manual should include, at a minimum, the following:

- a. An office organizational chart,
- b. Location of cash collection points;
- c. Types of collections made by each cash collection point;
- d. A list of those positions involved with the handling of cash, a description of their duties, training that will be provided, and description of how segregation of duties will be maintained;
- e. A complete start to finish description of the following:
 1. Process for accounting and safeguarding of the change fund, if any;
 2. Process for safeguarding cash until it is deposited;
 3. Process for accounting and safeguarding mail-in payments;
 4. Process for reconciling collections, including frequency of reconciliation;
 5. Bookkeeping system used, and how it is maintained; and
 6. Computer hardware and software used;
- f. List of the reports prepared/generated for the collection and the reporting of funds, including procedures for preparing the reports, who the reports should be submitted to, and when the reports are due;
- g. A schedule of how often deposits will be made; and
- h. Copies of any related forms/reports.

Please provide our office with copies of the procedures by February 22, 2016.

We would like to express our sincere appreciation to you and your staff for the courtesy, cooperation, and assistance provided to us during the cash count. If you have any questions regarding this cash count or would like to schedule a meeting to discuss this cash count, please contact Reynaldo Cantu III, Internal Auditor I, at 318-2511 ext. 4653, Letty Chavez, Compliance Audit Supervisor, at ext. 4651, Arcy B. Duran, CPA, Director of Audit, at ext. 4645, or me at ext. 4604.

Respectfully,



Ray Eufrazio, CPA
County Auditor

cc: Valde Guerra, County Executive Officer

HIDALGO COUNTY DISTRICT JUDGES

COUNTY of HIDALGO

HIDALGO COUNTY AUDITOR'S OFFICE
Hidalgo County Administration Building
2808 South Business Highway 281
Edinburg, Texas 78539-6243
PHONE: (956) 318-2511
FAX: (956) 318-2577
WEBSITE: www.co.hidalgo.tx.us/auditor



EDINBURG, TEXAS 78539

January 28, 2016

The Honorable Pablo (Paul) Villarreal Jr., RTA
Hidalgo County Tax Assessor/Collector
2804 South Business Highway 281
Edinburg, Texas 78539

Re: Cash Count
Report No. 2015-528

Dear Mr. Villarreal:

We conducted a surprise cash count of the cash held at the Weslaco Motor Vehicle Substation on November 16, 2015, as required by Local Government Code §115.0035. The objective of the cash count was to determine whether total cash on hand reconciled to the total receipts issued for the day up to the time of the cash count and the approved change fund.

Scope:

The scope of our review was limited to a count of the cash on hand as of the time of the cash count. Our review was not designed nor intended to be a detailed study of every relevant control system, procedure, or transaction. Accordingly, the opportunities for improvement presented in this report may not be all-inclusive of areas where improvements could be made.

The responsibility for establishing and maintaining a sound internal control system rests with management. The objectives of an internal control system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or theft, and that transactions are executed in accordance with management's authorization and recorded properly.

As part of our procedures, we verified that cash on hand agreed to the total receipts issued up to the time of the cash count. We also reviewed the internal control structure in order to verify that cash on hand was safeguarded against loss from unauthorized use and that only authorized transactions were executed, recorded, and reported in accordance with applicable laws and procedures. The internal controls reviewed during our walkthrough included but were not limited to the following: custody of cash, use of locked cash drawers, proper authorization of voided transactions, and segregation of duties.

Conclusion:

Total cash on hand at the time of the cash count was \$123,081.31. Based on the results of our review, we have concluded that generally total cash on hand did reconcile to the total receipts issued for the day up to the time of the cash count and the approved change fund of \$7,200.00. However, we noted that the system of internal controls for the collection and safeguarding of cash requires improvement as noted in the following observations.

Observation No. 1:

We noted during our review that segregation of duties over the handling of cash requires improvement. The Supervisor and Assistant Supervisor perform the following incompatible duties:

- o Custody: Receive money, issue receipts, have access to the inventory of unused receipts
- o Recording: Verify that voided original receipts are kept and reviewed
- o Authorization: Maintain inventory log of unused cash receipts

According to staff, segregation of duties is difficult to implement due to limited staff and a heavy work load.

HIDALGO COUNTY DISTRICT JUDGES

LUIS M. SINGLETERRY
JUDGE, 92ND D.C.

RODOLFO DELGADO
JUDGE, 93RD D.C.

J. R. "BOBBY" FLORES
JUDGE, 131ST D.C.

ROSE GUERRA REYNA
JUDGE, 206TH D.C.

JUAN R. PARTIDA
JUDGE, 275TH D.C.

MARIO E. RAMIREZ, JR.
JUDGE, 332ND D.C.

NOE GONZALEZ
JUDGE, 370TH D.C.
OVERSEER

LETICIA LOPEZ
JUDGE, 389TH D.C.

aida salinas flores
JUDGE, 398TH D.C.

ISRAEL RAMON, JR.
JUDGE, 430TH D.C.

JESSE CONTRERA
JUDGE, 449TH D.C.

The responsibility for sound internal controls rests with management. Segregation of duties is a basic, key internal control in any organization. Segregation of duties prevents one individual from performing a transaction from beginning to end. In addition, it provides an individual with the opportunity to catch an error before a transaction is fully executed. Duties that should be segregated include: custody of assets, recording transactions, and authorization. The individual responsible for receiving money, issuing receipts, and having access to the inventory of unused receipts should be different from the individual responsible for verifying that voided original receipts are kept and reviewed. In addition, the individuals previously noted should be different from the individual responsible for maintaining the inventory log of unused cash receipts.

Maintaining segregation of duties is especially challenging for units with a small number of employees. In these cases, it is important that management institute compensating controls to cover for the lack of a basic control. In an environment with a limited number of clerical and administrative personnel, management needs to be involved in documenting, reviewing, and approving transactions, reports, and reconciliations. Adequate and timely supervision is especially important in small departments, where limited personnel may inhibit a thorough segregation of duties.

Failure to have adequate segregation of duties increases the risk of loss or misuse of County revenues.

Recommendation:

Management should implement formal procedures to ensure that incompatible duties are adequately segregated such as those noted above. If incompatible duties cannot be adequately segregated, management should ensure that compensating controls are implemented.

Observation No.2:

A poster stating "Make sure you receive an official county receipt when making payments at this office" was posted; however, it did not contain a sample of the receipt issued by the department. According to staff, they were not aware that a sample receipt needed to be posted.

The County Auditor's Office requires that a notice stating "Make sure you receive an official County receipt when making payments at this office" must be posted in a place visible to the public near cashiers. A sample of each official County receipt issued by the department must be posted by the notice so the public will know what type of receipt to expect.

Failure to post the required notice increases the risk of loss or misuse of County funds.

Recommendation:

Management should ensure that a poster stating "Make sure you receive an official county receipt when making payments at this office" is posted with a sample of the receipts being issued by the department in a conspicuous location for the public's view.

Observation No. 3:

We noted during our review that several checks received as payment were made payable to "Pablo (Paul) Villarreal, Jr.", "Pablo Villarreal, Jr.", or "Pablo Villarreal. According to staff, cashiers are responsible for verifying that checks are correctly completed prior to acceptance of the check; however, the cashier may have failed to make the required verification.

The County Auditor's Office requires that prior to accepting a check as payment; the cashier must verify that the check is properly completed. This includes verifying that the check is made payable to Hidalgo County, Hidalgo County and the Elected or Public Official's title (i.e., Hidalgo County Tax Assessor/Collector) or Elected Official's title and name (i.e., Hidalgo County Tax Assessor Collector, Pablo (Paul) Villarreal, Jr.).

Failure to ensure that checks accepted as payment are properly completed may result in the loss or misuse of County funds.

Recommendation:

Management should instruct staff to ensure that checks accepted as payment are properly completed. At a minimum, the procedures noted above should be implemented.

Observation No. 4:

A listing of the names of customers whose checks have been returned by the bank ("hot checks") due to insufficient funds, closed accounts, unauthorized signatures, or drawn on uncollected funds is not maintained.

HIDALGO COUNTY DISTRICT JUDGES

LUIS M. SINGLETERRY
JUDGE, 92ND D.C.

RODOLFO DELGADO
JUDGE, 93RD D.C.

J. R. "BOBBY" FLORES
JUDGE, 138TH D.C.

ROSE GUERRA REYNA
JUDGE, 204TH D.C.

JUAN R. PARTIDA
JUDGE, 275TH D.C.

MARIO E. RAMIREZ, JR.
JUDGE, 352ND D.C.

NOE GONZALEZ
JUDGE, 379TH D.C.
OVERSEER

LETICIA LOPEZ
JUDGE, 389TH D.C.

ADA SALINAS FLORES
JUDGE, 398TH D.C.

ISRAEL RAMON, JR.
JUDGE, 430TH D.C.

JESSE CONTRERA
JUDGE, 449TH D.C.

According to staff, the Main Office has provided the Supervisor with an Accounts Receivable aging schedule; however, it has not been distributed to the other employees.

The County Auditor's Office requires that a listing of the names of customers whose checks have been returned by the bank ("hot checks") due to insufficient funds, closed accounts, unauthorized signatures, or drawn on uncollected funds be maintained. The hot check list should be referenced when receiving checks from customers.

Failure to ensure a hot check list is maintained and referenced when receiving checks from customers may result in the loss of County funds.

Recommendation:

Management should ensure that the hot check list is distributed to employees and referenced when receiving checks from customers. Checks from customers on the hot check list should not be accepted.

Observation No. 5:

Security cameras were not utilized in the vault where cash is safeguarded. According to staff, the purchase of additional video equipment would be considered; however, the purchase would not be made in the near future due to budgetary constraints.

The County Auditor's Office recommends that security cameras be installed in areas where cash collections and receipts are received and safeguarded. Camera images must be stored on the type of media (e.g., digital recording box, tape, DVD, etc.) and retained for the period of time recommended by the Information Technology Department. If, however, the camera images are part of an ongoing investigation, they must be retained for the period of time determined by the investigating agency. Furthermore, a notice stating that an area is being monitored by a security camera must be posted at the entrance to the area being monitored.

Failure to ensure that security cameras are utilized in all areas where cash is safeguarded increases the risk of loss or misuse of County funds.

Recommendation:

Management should ensure that security cameras are utilized in all areas where cash is safeguarded. Management should contact the Department of Budget and Management to request their assistance regarding funding for the purchase of security cameras.

Observation No. 6:

According to staff, various dealers drop off checks and supporting documentation along with a "Dealer and Fleet Log". The dealer must document the following on the "Dealer and Fleet Log": date and time received; number of transactions dropped off; dealer's name and phone number; check number; applicant's name; signature/initials of the dealer's agent picking up the documentation; and date the documentation was picked up. The Motor Vehicle Division staff will enter the following on the log: reason for rejection, if applicable; date processed, if applicable; and the name of the cashier that processed/rejected the transaction. The "Dealer and Fleet Log" is returned to the dealer once the transactions are either processed or rejected.

The Motor Vehicle Division staff does not note the transaction number (receipt number) given to each transaction processed since it is not a requirement of the form and the signature of the employee other than the cashier that verified a receipt was issued for each transaction processed. In addition, the check amount is not noted on the log. According to staff, the dealers drop off checks made payable to the "Hidalgo County Tax Assessor-Collector"; however, the lines for the numeric and dollar amounts are left blank since fees due cannot always be readily determined. Once the amount due is determined, the numeric and written dollar amounts are written on the check and the transaction is processed.

The County Auditor's Office requires that all checks dropped-off by dealers be documented on a log. The log should include the following: date and time received; number of transactions dropped off; dealer's name and phone number; check number; check amount; applicant's name; signature/initials of the dealer's agent picking up the documentation; date the documentation was picked up; reason for rejection, if applicable; date processed, if applicable; the name of the cashier that processed/rejected the transaction; the transaction number (receipt number) issued to each transaction processed; and signature of the employee other than the cashier that verified a receipt was issued for each transaction processed. In addition, pursuant to the County Auditor's Office *Cash Handling Guidelines and Procedures*, prior to accepting a check as payment, the cashier must verify that the numerical and written dollar amounts agree and are for the exact amount due.

HIDALGO COUNTY DISTRICT JUDGES

LUIS M. SINGLETERRY
JUDGE, 92ND D.C.

RODOLFO DELGADO
JUDGE, 93RD D.C.

J. R. "BOBBY" FLORES
JUDGE, 139TH D.C.

ROSE GUERRA REYNA
JUDGE, 204TH D.C.

JUAN R. PARTIDA
JUDGE, 279TH D.C.

MARIO E. RAMIREZ, JR.
JUDGE, 332ND D.C.

NOE GONZALEZ
JUDGE, 370TH D.C.
OVERSEER

LETICIA LOPEZ
JUDGE, 389TH D.C.

AIDA BALINAS FLORES
JUDGE, 398TH D.C.

ISRAEL RAMON, JR.
JUDGE, 430TH D.C.

JESSE CONTRERAS
JUDGE, 449TH D.C.

Failure to ensure that the "Dealer and Fleet Log" contains all the information required to maintain an adequate audit trail may result in the loss or misuse of County funds. In addition, failure to ensure that cashiers verify that the numeric and written dollar amounts agree and are for the exact amount due may result in the loss or misuse of County funds.

Recommendation:

Management should ensure that the "Dealer and Fleet Log" contains all the information required to maintain an adequate audit trail. At a minimum, management should ensure that the "Dealer and Fleet Log" is revised to contain all the information noted above. In addition, management should ensure that cashiers verify that the numeric and written dollar amounts agree and are for the exact amount due. Management should provide a fee schedule to the dealers that may be utilized to determine the amount due.

Observation No. 7:

We noted during our review that dealer drop off checks were not immediately restrictively endorsed "For Deposit Only." According to the staff, dealer drop off checks are not restrictively endorsed by the Cashier until the check is ready to be processed since occasionally paperwork filed with the payment will contain errors and will need to be returned.

The County Auditor's Office requires that all checks received be immediately restrictively endorsed by the person responsible for opening the mail.

Failure to ensure that checks accepted as payment are immediately restrictively endorsed "For Deposit Only" may result in the loss or misuse of County funds.

Recommendation:

Management should ensure that checks accepted as payment are immediately restrictively endorsed "For Deposit Only". If the paperwork filed contains errors, the check may be marked "void" and returned to the sender. In the alternative, the check may be deposited and subsequently refunded via check.

Please provide a written management response to the observations noted above by February 22, 2016.

Procedures established by your department for the handling of cash were previously provided to the Auditor's Office; however, the procedures did not address the following:

- a. The training that will be provided at the collection point and description of how segregation of duties will be maintained;
- b. A complete start to finish description of the following:
 1. Process for accounting and safeguarding of the change fund, if any;
 2. Process for safeguarding cash until it is deposited;
 3. Process for accounting and safeguarding mail-in payments;
 4. Process for reconciling collections, including frequency of reconciliation;
 5. Bookkeeping system used, and how it is maintained; and
 6. Computer hardware and software used; and
- c. A schedule of how often deposits will be made.

Please provide our office with copies of the procedures listed above and any updated procedures, if applicable, by February 22, 2016.

We would like to express our sincere appreciation to you and your staff for the courtesy, cooperation, and assistance provided to us during the cash count. If you have any questions regarding this cash count or would like to schedule a meeting to discuss this cash count, please contact Alejandra Santa Ana, MSA, Internal Auditor I, at (956) 318-2511, ext. 4647, Yvonne Torres, Revenue Audit Supervisor, at ext. 4642, Arcy B. Duran, Director of Audit, at ext. 4645, or me at ext. 4604.

Respectfully,


Ray Eufrazio, CPA
County Auditor

cc: Valde Guerra, Executive Officer of Commissioners Court
Santos Castilleja, Motor Vehicle Division Manager
Lucy Flores, Mission Motor Vehicle Substation Supervisor

HIDALGO COUNTY DISTRICT JUDGES

COUNTY of HIDALGO

HIDALGO COUNTY AUDITOR'S OFFICE
Hidalgo County Administration Building
2808 South Business Highway 281
Edinburg, Texas 78539-6243
PHONE: (956) 318-2511
FAX: (956) 318-2577
WEBSITE: www.co.hidalgo.tx.us/auditor



EDINBURG, TEXAS 78539

January 28, 2016

The Honorable Bobby Contreras
Justice of the Peace, Pct. 2, Pl. 1
300 W. Hall Acres, Suite F
Pharr, Texas 78577

Re: Cash Count
Report No. 2015-538

Honorable Bobby Contreras:

We conducted a surprise cash count of the cash held at your office on December 2, 2015 as required by Local Government Code § 115.0035. The objective of the cash count was to determine whether total cash on hand reconciled to the total receipts issued for the day up to the time of the cash count.

Scope

The scope of our review was limited to a count of cash on hand as of the time of the cash count. In addition, we evaluated the procedures in place related to 1.) the collections process, 2.) accounting of citations and civil cases filed with the court, and 3.) documenting the authorization of dismissed criminal cases for the period of October 1, 2015 through October 31, 2015. Our review was not designed nor intended to be a detailed study of every relevant control system, procedure, or transaction. Accordingly, the opportunities for improvement presented in this report may not be all-inclusive of areas where improvements could be made.

The responsibility for establishing and maintaining a sound internal control system rests with management. The objectives of an internal control system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or theft, and that transactions are executed in accordance with management's authorization and recorded properly.

As part of our procedures, we verified that cash on hand agreed to the total receipts issued up to the time of the cash count. We also reviewed the internal control structure in order to verify that cash on hand was safeguarded against loss from unauthorized use and that only authorized transactions were executed, recorded, and reported in accordance with applicable laws and procedures. The internal controls reviewed during our walkthrough included but were not limited to the following: custody of cash, use of locked cash drawers, proper authorization of voided transactions, segregation of duties, filing of citations and civil cases, and documenting the authorization of dismissed cases.

Conclusion:

Total cash on hand at the time of the cash count was \$10.00. Based on the results of our review, we have concluded that total cash on hand did reconcile to the total receipts issued for the day up to the time of the cash count. However, we noted that the system of internal controls for the collection and safeguarding of cash requires improvement as noted in the following observations.

Observation No. 1:

A schedule of authorized fines and fees was not posted in a conspicuous location for the public's view. According to staff, the office does not have a schedule of fines and fees available for posting.

The County Auditor's Office requires that a schedule of authorized fines and fees be posted in a conspicuous location for the public to see. The schedule sets forth those fines and fees to be charged by the Justice of the Peace pursuant to state statutes and Commissioners Court approval.

HIDALGO COUNTY DISTRICT JUDGES

LUIS N. SINGLETERRY
JUDGE, 92ND D.C.

RODOLFO DELGADO
JUDGE, 93RD D.C.

J. R. "BOBBY" FLORES
JUDGE, 138TH D.C.

ROSE GUERRA REYNA
JUDGE, 136TH D.C.

JUAN R. PARTIDA
JUDGE, 775TH D.C.

MARIO E. RAMIREZ, JR.
JUDGE, 312ND D.C.

NOE GONZALEZ
JUDGE, 315TH D.C.
OVERSEER

LETICIA LOPEZ
JUDGE, 311TH D.C.

AIDA BALINAS FLORES
JUDGE, 398TH D.C.

ISRAEL RAMON, JR.
JUDGE, 430TH D.C.

JESSE CONTRERAS
JUDGE, 449TH D.C.

Failure to post a schedule of authorized fines and fees in a conspicuous location increases the risk of loss or misuse of County funds.

Recommendation:

Management should develop and post a schedule of authorized fines and fees in a conspicuous location for the public to see.

Observation No. 2:

We noted during our review that the "Cash Handling Guidelines and Procedures Receipt Acknowledgement" forms (acknowledgement receipts) for all employees responsible for handling cash, including the Justice of the Peace, were not maintained on file. According to staff, copies of the acknowledgement receipts had been maintained on file but had been placed in storage.

The County Auditor's Office requires that departments train all employees responsible for handling cash regarding proper cash handling procedures. The employees handling cash must read the "Cash Handling Guidelines and Procedures" and sign a receipt acknowledging their understanding of these guidelines and procedures. The acknowledgment receipt should be kept on file.

Failure to maintain the acknowledgement receipts as proof that employees, including the Justice of the Peace, were trained regarding proper cash handling procedures increases the risk of loss or misuse of County funds.

Recommendation:

Management should maintain the acknowledgement receipts on file as proof that all employees, including the Justice of the Peace, were trained regarding proper cash handling procedures. In addition, please provide the County Auditor's Office with signed copies of the acknowledgement receipts for all individuals responsible for handling cash.

Observation No. 3:

Although security cameras are utilized, the security cameras are not utilized where cash is received and safeguarded. According to staff, security cameras have not been purchased since staff feels the cameras would invade their privacy.

The County Auditor's Office recommends that security alarms and/or security cameras be installed in areas where cash collections are received and safeguarded. Camera images must be stored on the type of media (e.g., digital recording box, tape, DVD, etc.) and retained for the period of time recommended by the Information Technology Department. If, however, the camera images are part of an ongoing investigation, they must be retained for the period of time determined by the investigating agency. Furthermore, a notice stating that an area is being monitored by a security camera must be posted at the entrance to the area being monitored.

Failure to utilize security cameras increases the risk of loss or misuse of County funds.

Recommendation:

Management should ensure that the security cameras are installed in areas where cash collections are received and safeguarded.

Observation No. 4:

A notice stating that an area is being monitored by a security camera was not posted in a conspicuous location for the public's view. According to staff, the notice was posted; however, during the maintenance and repair of the office, the notice was removed and not replaced.

The County Auditor's Office requires that a notice stating that an area is being monitored by a security camera be posted in a conspicuous location for the public's view.

Failure to post the required notice increases the risk of loss or misuse of County funds.

Recommendation:

Management should ensure that a notice stating an area is being monitored by a security camera is posted in a conspicuous location for the public's view.

Observation No. 5:

According to staff, a listing of the names of customers whose checks have been returned by the bank ("hot checks") due to insufficient funds, closed accounts, unauthorized signatures, or drawn on uncollected funds has not been requested from the County Treasurer's Office. According to staff, only checks received from

HIDALGO COUNTY DISTRICT JUDGES

LUIS M. SINGLETERRY
JUDGE, 92ND D.C.

RODOLFO DELGADO
JUDGE, 93RD D.C.

J. R. "BOBBY" FLORES
JUDGE, 139TH D.C.

ROSE GUERRA REYNA
JUDGE, 204TH D.C.

JUAN R. PARTIDA
JUDGE, 275TH D.C.

MARIO E. RAMIREZ, JR.
JUDGE, 332ND D.C.

NOE GONZALEZ
JUDGE, 370TH D.C.
OVERSEER

LETICIA LOPEZ
JUDGE, 389TH D.C.

aida salinas flores
JUDGE, 398TH D.C.

ISRAEL RAMON, JR.
JUDGE, 430TH D.C.

JESSE CONTRERAS
JUDGE, 449TH D.C.

businesses and/or attorneys are accepted. Since payments received by check are minimal and personal checks are not accepted, staff believes the possibility of accepting a hot check is decreased.

The County Auditor's Office requires that a listing of the names of customers whose checks have been returned by the bank ("hot checks") due to insufficient funds, closed accounts, unauthorized signatures, or drawn on uncollected funds be maintained. The hot check list should be referenced when receiving checks from customers.

Failure to maintain a hot check list may result in the loss of County funds.

Recommendation:

Management should request the "hot check" listing from the County Treasurer's Office.

Observation No. 6:

We noted during our review that undeposited collections are not placed in a locked cash drawer. According to the Court Coordinator, a locked cash drawer is not used as the cashiers place the payments received in their desk until it is time to reconcile at the end of the day. The cashier's desk is not locked when they are away from their desk and remains unlocked throughout the day.

The County Auditor's Office requires for all cash to be protected immediately by using a cash drawer, safe, or other secure place until it is deposited. A secure area for processing and safeguarding cash received, petty cash funds, change funds, and unissued receipts must be provided and restricted to authorized personnel.

Failure to ensure that a locked cash drawer is maintained by each employee responsible for handling collections may result in the loss or misuse of County funds.

Recommendation:

Management should ensure that a locked cash drawer is assigned to each employee responsible for handling collections. At a minimum, the procedures noted above should be implemented.

Observation No. 7:

A mail log was not utilized to record payments received through the mail. According to staff, a mail log is not prepared due to limited staff and time and the quantity of mail received.

The County Auditor's Office requires that mail-in payments be listed on a daily mail log. The mail log should include the following information for each mail-in payment received: date received, the name of the payer, the amount of the remittance, the form of the remittance (e.g., cash or check), and, if applicable, the check number.

Failure to ensure that a daily mail log is prepared to record payments received through the mail may result in the loss or misuse of County funds.

Recommendation:

Management should ensure that a daily mail log is prepared to record payments received through the mail. Please refer to the mail log section of the "Cash Handling Guidelines and Procedures" prescribed by the County Auditor's Office for the minimum procedures to be implemented for processing mail-in payments.

Observation No. 8:

A notice stating "Make sure you receive an official county receipt when making payments at this office" was posted; however, it did not contain a sample of the current receipts being issued by the department. According to staff, they were not aware that the notice had to be updated with a current receipt.

The County Auditor's Office requires that a notice stating "Make sure you receive an official County receipt when making payments at this office" must be posted in a place visible to the public near cashiers. A sample of each official County receipt issued by the department must be posted by the notice so the public will know what type of receipt to expect.

Failure to post the required notice increases the risk of loss or misuse of County funds.

Recommendation:

Management should ensure that a poster stating "Make sure you receive an official county receipt when making payments at this office" is posted with a sample of the receipts being issued by the department in a conspicuous location for the public's view.

Observation No. 9:

We noted during our review that collections are not consistently transported to the bank in a locked cash bag.

HIDALGO COUNTY DISTRICT JUDGES

According to the Court Coordinator, attempts are made to transport the deposits in a locked cash bag; however, when short on time, the collections are taken to the bank inside their purse.

The County Auditor's Office requires that cash be secured in a locked cash bag when transporting deposits to the bank. The courier should exercise caution when transporting deposits by not taking the key to the cash bag with them and by varying the time and the route taken.

Failure to utilize a locked cash bag when transporting deposits may result in the loss of County funds.

Recommendation:

Management should ensure a locked cash bag is utilized when transporting deposits to the bank. At a minimum, the procedures noted above should be implemented.

Observation No. 10:

We noted during our review that voided receipts are not marked "VOID" and do not contain a reason for the void, signatures of the cashier and supervisor, and date of void. According to the staff, this procedure is not followed as the new receipting system does not require three-ply receipts, instead, blank copy paper is used to issue the receipts.

Pursuant to the Cash Handling Guidelines, if a receipt must be voided, the supervisor must sign and date the voided receipt after verifying the receipt is marked "VOID", contains the date of void and an explanation for the void.

Failure to properly void receipts increases the risk of loss or misuse of funds.

Recommendation:

Management should ensure that receipts are properly voided. At a minimum, the procedures noted above should be implemented.

Observation No. 11:

We noted during our review that segregation of duties over the handling of collections requires improvement. The Court Coordinator performs the following incompatible duties:

- o Custody: Receives money, issues receipts, opens and lists mail receipts, balances copies of receipts against cash drawer, maintains a cash drawer, and prepares bank deposits
- o Recording: Has access to dismiss cases in *Odyssey*, prepares reports of cash received and disbursed

According to staff, due to a heavy case load and limited number of staff, proper segregation of duties over the handling of collections has not been implemented.

The responsibility for sound internal controls rests with management. Segregation of duties is a basic, key internal control in any organization. Segregation of duties prevents one individual from performing a transaction from beginning to end. In addition, it provides an individual with the opportunity to catch an error before a transaction is fully executed. Duties that should be segregated include: custody of assets, recording transactions, and authorization. The individual responsible for receiving money, issuing receipts, opening and listing mail receipts, balancing copies of receipts against cash drawer, maintaining a cash drawer, and preparing bank deposits should be different from the individual having access to dismiss cases on *Odyssey*, and preparing reports of cash received and disbursed.

Maintaining segregation of duties is especially challenging for units with a small number of employees. In these cases, it is important that management institute compensating controls to cover for the lack of a basic control. In an environment with a limited number of clerical and administrative personnel, management needs to be involved in documenting, reviewing, and approving transactions, reports, and reconciliations. Adequate and timely supervision is especially important in small departments, where limited personnel may inhibit a thorough segregation of duties.

Failure to ensure that incompatible duties are adequately segregated or that compensating controls are implemented increases the risk of loss or misuse of County funds.

HIDALGO COUNTY DISTRICT JUDGES

Recommendation:

Management should ensure that incompatible duties are adequately segregated such as those noted above. If incompatible duties cannot be adequately segregated, management should ensure that compensating controls are implemented.

Observation No. 12:

We noted that an online credit card transaction received on December 1, 2015 was not promptly receipted. The transaction was receipted 6 days after payment was received. Consequently, the applicable case disposition was not recorded in *Odyssey* in a timely manner. According to the Court Coordinator, staff attempts to review and receipt online credit card transactions on a daily basis; however, due to a heavy workload, procedures are not consistently followed.

The County Auditor's Office requires that all cash (i.e., cash, checks, credit card payments, etc.) received be promptly recorded and controlled using pre-numbered official County receipts. In addition, the case dispositions should be recorded in *Odyssey* upon receipt of payment.

Failure to ensure that credit card transactions are promptly receipted may result in the loss or misuse of County funds. In addition, failure to ensure that case dispositions are entered in a timely manner may result in the arrest of the defendant, in error.

Recommendation:

Management should ensure that credit card transactions are promptly receipted and case dispositions are entered in a timely manner.

Please provide written management responses to the observations noted above by February 22, 2016. In addition, management should develop and implement procedures for the handling of cash and cash equivalent transactions. These procedures should include, at a minimum, the following:

- a. An office organizational chart;
- b. Location of cash collection points;
- c. Types of collections made by each cash collection point;
- d. A list of those positions involved with the handling of cash, a description of their duties, and description of how segregation of duties will be maintained;
- e. A complete start to finish description of the following:
 1. Process for accounting and safeguarding of the change fund, if any;
 2. Process for safeguarding cash until it is deposited;
 3. Process for accounting and safeguarding mail-in payments;
 4. Process for reconciling collections, including frequency of reconciliation;
 5. Bookkeeping system used, and how it is maintained; and
 6. Computer hardware and software used;
- f. List of the reports prepared/generated for the collection and the reporting of funds, including procedures for preparing the reports, who the reports should be submitted to, and when the reports are due;
- g. A schedule of how often deposits will be made; and
- h. Copies of any related forms/reports.

Please provide our office with copies of the procedures by February 22, 2016.

We would like to express our sincere appreciation to you and your staff for the courtesy, cooperation, and assistance provided to us during the cash count. If you should have any questions or would like to schedule a meeting to discuss this cash count, please do not hesitate to contact Alejandra Santa Ana, MSA, Internal Auditor I, at 318-2511 ext. 4647, Yvonne Torres, Revenue Audit Supervisor, at ext. 4642, Arcy B. Duran, CPA, Director of Audit, at ext. 4645, or me at ext. 4604.

Respectfully,


Ray Eufrazio, CPA
Hidalgo County Auditor

cc: Valde Guerra, Commissioners Court Executive Officer

HIDALGO COUNTY DISTRICT JUDGES

LUIS M. SINGLETERRY
JUDGE, 37TH D.C.

RODOLFO DELGADO
JUDGE, 83RD D.C.

J. R. "BOBBY" FLORES
JUDGE, 139TH D.C.

ROSE GUERRA REYNA
JUDGE, 204TH D.C.

JUAN R. PARTIDA
JUDGE, 275TH D.C.

MARIO E. RAMIREZ, JR.
JUDGE, 332ND D.C.

HOE GONZALEZ
JUDGE, 378TH D.C.
OVERSEER

LETICIA LOPEZ
JUDGE, 389TH D.C.

ADA BALINAS FLORES
JUDGE, 398TH D.C.

ISRAEL RAMON, JR.
JUDGE, 438TH D.C.

JESSE CONTRERAS
JUDGE, 448TH D.C.

COUNTY of HIDALGO

HIDALGO COUNTY AUDITOR'S OFFICE
Hidalgo County Administration Building
2808 South Business Highway 281
Edinburg, Texas 78539-6243
PHONE: (956) 318-2511
FAX: (956) 318-2577
WEBSITE: www.co.hidalgo.tx.us/auditor



EDINBURG, TEXAS 78539

January 28, 2016

Mr. Eduardo Olivarez, Chief Administrative Officer
Hidalgo County Health and Human Services Department
1304 S. 25th Street
Edinburg, Texas 78542

Ref: Cash Count
Report No. 2015-549

Dear Mr. Olivarez:

We conducted a surprise cash count of the cash held at the McAllen Health Clinic on December 7, 2015 as required by Local Government Code §115.0035. The objective of the cash count was to determine whether total cash on hand reconciled to the total receipts issued for the day up to the time of the cash count and the approved change fund.

Scope:

The scope of our review was limited to a count of the cash on hand as of the time of the cash count. Our review was not designed nor intended to be a detailed study of every relevant control system, procedure, or transaction. Accordingly, the opportunities for improvement presented in this report may not be all-inclusive of areas where improvements could be made.

The responsibility for establishing and maintaining a sound internal control system rests with management. The objectives of an internal control system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or theft, and that transactions are executed in accordance with management's authorization and recorded properly.

As part of our procedures, we verified that cash on hand agreed to the total receipts issued up to the time of the cash count. We also reviewed the internal control structure in order to verify that cash on hand was safeguarded against loss from unauthorized use and that only authorized transactions were executed, recorded, and reported in accordance with applicable laws and procedures. The internal controls reviewed during our walkthrough included, but were not limited to, the following: custody of cash, use of locked cash drawers, proper authorization of voided transactions, and segregation of duties.

Conclusion:

At the time of the cash count, receipts had not been issued and collections had not been made. Based on the results of our review, we have concluded that total cash on hand did reconcile to the approved change fund of \$25.00. However, we noted that the system of internal controls for the collection and safeguarding of cash requires improvement as noted in the following observations.

Observation No. 1:

We noted during our review that segregation of duties over the collection and recording of cash requires improvement. The Clerks perform the following incompatible duties:

- Custody: Receive money, issue receipts, balance copies of receipts against the cash drawer, maintain a cash drawer, prepare bank deposits, and have access to the inventory of unused receipts
- Recording: Account for the numerical sequence of cash receipts, maintain the inventory log of unused receipts, and prepare reports of cash received

According to staff, proper segregation of duties has not been implemented due to limited staff.

HIDALGO COUNTY DISTRICT JUDGES

LUIS M. SINGLETERY
JUDGE, 92ND D.C.

RODOLFO DELGADO
JUDGE, 92ND D.C.

J. R. "BOBBY" FLORES
JUDGE, 119TH D.C.

ROSE GUERRA REYNA
JUDGE, 294TH D.C.

JUAN R. PARTIDA
JUDGE, 375TH D.C.

MARIO E. RAMIREZ, JR.
JUDGE, 332ND D.C.

HOE GONZALEZ
JUDGE, 378TH D.C.
OVERSEER

LETICIA LOPEZ
JUDGE, 381ST D.C.

ADA SALINAS FLORES
JUDGE, 381ST D.C.

ISRAEL RAMON, JR.
JUDGE, 401ST D.C.

JESSE CONTRERAS
JUDGE, 448TH D.C.

The responsibility for sound internal controls rests with management. Segregation of duties is a basic, key internal control in any organization. Segregation of duties prevents one individual from performing a transaction from beginning to end. In addition, it provides an individual with the opportunity to catch an error before a transaction is fully executed. Duties that should be segregated include: custody of assets, recording transactions, and authorization. The individual responsible for receiving money, issuing receipts, balancing copies of receipts against the cash drawer, maintaining the cash drawer, preparing the bank deposit, and having access to the inventory of unused receipts should be different from the individual responsible for accounting for the numerical sequence of cash receipts, maintaining the inventory log of unused receipts, and preparing reports of cash received.

Maintaining segregation of duties is especially challenging for units with a small number of employees. In these cases, it is important that management institute compensating controls to cover for the lack of a basic control. In an environment with a limited number of clerical and administrative personnel, management needs to be involved in documenting, reviewing, and approving transactions, reports, and reconciliations. Adequate and timely supervision is especially important in small departments, where limited personnel may inhibit a thorough segregation of duties.

Failure to ensure that incompatible duties are adequately segregated or that compensating controls are implemented increases the risk of loss or misuse of County funds.

Recommendation:

Management should ensure that incompatible duties, such as those noted above, are adequately segregated. If incompatible duties cannot be adequately segregated, management should ensure that compensating controls are implemented.

Observation No. 2:

We noted that security cameras were not utilized where cash is receipted and safeguarded. According to management, security cameras in the receipting area have not been installed due to budgetary constraints.

The County Auditor's Office recommends that security alarms and security cameras be installed in areas where cash collections and receipts are received and safeguarded. Camera images must be stored on the type of media (e.g., digital recording box, tape, DVD, etc.) and retained for the period of time recommended by the Information Technology Department. If, however, the camera images are part of an ongoing investigation, they must be retained for the period of time determined by the investigating agency. Furthermore, a notice stating that an area is being monitored by a security camera must be posted at the entrance to the area being monitored.

Failure to ensure that security cameras are utilized where cash is receipted and safeguarded increases the risk of loss or misuse of County funds.

Recommendation:

Management should contact the Department of Budget and Management to request their assistance in obtaining funding for the purchase of security cameras.

Observation No. 3:

We noted during our review that when transporting the cash deposit to the bank, the key to the cash bag is taken by the employee responsible for making the deposit. According to staff, the key is taken by the employee to verify that the validated deposit slip corresponds to the amount being deposited.

The County Auditor's Office requires that cash be secured in a locked cash bag when transporting deposits to the bank or County Treasurer's Office, as applicable. The courier should exercise caution when transporting deposits by not taking the key to the cash bag with them and by varying the time and the route taken. In addition, after the deposit has been made, the County official or his/her designee must verify that the total amount on the bank validated deposit slip agrees to the total amount to be deposited as noted on the Close-Out Report. The verification preferably should not be done by someone other than the person taking the deposit to the bank. The County official or his/her designee must sign under Part III Acknowledgment and Approval of the Close-Out Report to document responsibility for this verification.

Failure to ensure that the employee making the deposit does not take the key to the cash bag when transporting the cash deposit to the bank may result in the loss or misuse of County funds.

HIDALGO COUNTY DISTRICT JUDGES

Recommendation:

Management should ensure that the employee making the deposit does not take the key to the cash bag when transporting the cash deposit to the bank. In addition, verification that the total amount on the bank validated deposit slip agrees to the total amount deposited should be done by someone other than the person taking the deposit to the bank (the County official or his/her designee).

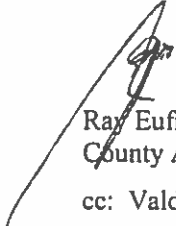
Please provide written management responses to the observations noted above by February 22, 2016.

In addition, information regarding the items listed below was previously provided to our office; however, please provide any updated procedures, if applicable, by February 22, 2016. These procedures should include, at a minimum, the following:

- a. An office organizational chart;
- b. Location of cash collection points;
- c. Types of collections made by each cash collection point;
- d. A list of those positions involved with the handling of cash, a description of their duties, and description of how segregation of duties will be maintained;
- e. A complete start to finish description of the following:
 1. Process for accounting and safeguarding of the change fund, if any;
 2. Process for safeguarding cash until it is deposited;
 3. Process for accounting and safeguarding mail-in payments;
 4. Process for reconciling collections, including frequency of reconciliation;
 5. Bookkeeping system used, and how it is maintained; and
 6. Computer hardware and software used;
- f. List of the reports prepared/generated for the collection and the reporting of funds, including procedures for preparing the reports, who the reports should be submitted to, and when the reports are due;
- g. A schedule of how often deposits will be made; and
- h. Copies of any related forms/reports.

We would like to express our sincere appreciation to you and your staff for the courtesy, cooperation, and assistance provided to us during the cash count. If you have any questions regarding this cash count or would like to schedule a meeting to discuss this cash count, please contact Gricelda Quintero, Internal Auditor I, at (956) 318-2511, ext. 4643, Yvonne Torres, Revenue Supervisor, at ext. 4642, Arcy B. Duran, CPA, Director of Audit, at ext. 4645, or me at ext. 4604.

Respectfully,



Ray Eufrazio, CPA
County Auditor

cc: Valde Guerra, Commissioners Court Executive Officer

HIDALGO COUNTY DISTRICT JUDGES

LUIS M. SINGLETERRY
JUDGE, 12th D.C.

RODOLFO DELGADO
JUDGE, 13th D.C.

J. R. "BOBBY" FLORES
JUDGE, 13th D.C.

ROSE GUERRA REYNA
JUDGE, 20th D.C.

JUAN R. PARTIDA
JUDGE, 27th D.C.

MARIO E. RAMIREZ, JR.
JUDGE, 32nd D.C.

HDE GONZALEZ
JUDGE, 37th D.C.
OVERSEER

LETICIA LOPEZ
JUDGE, 39th D.C.

AIDA SALINAS FLORES
JUDGE, 39th D.C.

ISRAEL RAMON, JR.
JUDGE, 43rd D.C.

JESSE CONTRERAS
JUDGE, 44th D.C.

COUNTY *of* HIDALGO

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WEBSITE: www.co.hidalgo.tx.us/auditor



EDINBURG, TEXAS 78539

January 28, 2016

Mr. Eduardo Olivarez, Chief Administrative Officer
Hidalgo County Health and Human Services Department
1304 S. 25th Street
Edinburg, Texas 78539

Ref: Cash Count
Report No. 2015-551

Dear Mr. Olivarez:

We conducted a surprise cash count of the cash held at the Mission Health Clinic on November 18, 2015 as required by Local Government Code §115.0035. The objective of the cash count was to determine whether total cash on hand reconciled to the total receipts issued for the day up to the time of the cash count and the approved change fund.

Scope:

The scope of our review was limited to a count of the cash on hand as of the time of the cash count. Our review was not designed nor intended to be a detailed study of every relevant control system, procedure, or transaction. Accordingly, the opportunities for improvement presented in this report may not be all-inclusive of areas where improvements could be made.

The responsibility for establishing and maintaining a sound internal control system rests with management. The objectives of an internal control system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or theft, and that transactions are executed in accordance with management's authorization and recorded properly.

As part of our procedures, we verified that cash on hand agreed to the total receipts issued up to the time of the cash count. We also reviewed the internal control structure in order to verify that cash on hand was safeguarded against loss from unauthorized use and that only authorized transactions were executed, recorded, and reported in accordance with applicable laws and procedures. The internal controls reviewed during our walkthrough included, but were not limited to, the following: custody of cash, use of locked cash drawers, proper authorization of voided transactions, and segregation of duties.

Conclusion:

Total cash on hand at the time of the cash count was \$45.00. Based on the results of our review, we have concluded that total cash on hand reconciled to the total receipts issued for the day up to the time of the cash count and the approved change fund of \$25.00. However, we noted that the system of internal controls for the collection and safeguarding of cash requires improvement as noted in the following observations.

Observation No. 1:

We noted that security cameras were not utilized where cash is receipted and safeguarded. According to management, security cameras have not been installed due to budgetary constraints.

The County Auditor's Office recommends that security alarms and/or security cameras be installed in areas where cash collections are received and safeguarded. Camera images must be stored on the type of media (e.g.,

HIDALGO COUNTY DISTRICT JUDGES

LUIS M. SINGLETERRY
JUDGE, 92ND D.C.

RODOLFO DELGADO
JUDGE, 93RD D.C.

J. R. "BOBBY" FLORES
JUDGE, 139TH D.C.

ROSE GUERRA REYNA
JUDGE, 208TH D.C.

JUAN R. PARTIDA
JUDGE, 275TH D.C.

MARIO E. RAMIREZ, JR.
JUDGE, 332ND D.C.

NOE GONZALEZ
JUDGE, 378TH D.C.
OVERSEER

LETICIA LOPEZ
JUDGE, 389TH D.C.

AIDA SALINAS FLORES
JUDGE, 398TH D.C.

ISRAEL RAMON, JR.
JUDGE, 430TH D.C.

JESSE CONTRERAS
JUDGE, 441TH D.C.

digital recording box, tape, DVD, etc.) and retained for the period of time recommended by the Information Technology Department. If, however, the camera images are part of an ongoing investigation, they must be retained for the period of time determined by the investigating agency. Furthermore, a notice stating that an area is being monitored by a security camera must be posted at the entrance to the area being monitored.

Failure to utilize security cameras increases the risk of loss or misuse of County funds.

Recommendation:

Management should contact the Department of Budget and Management to request their assistance in obtaining funding for the purchase of security cameras.

Observation No. 2:

We noted during our review that segregation of duties over the handling of cash requires improvement. The Clerk Manager and three Clerks perform the following incompatible duties:

- Custody: Receive money, issue receipts, balance copies of receipts against the cash drawer, maintain a cash drawer, prepare bank deposits, and have access to the inventory of unused receipts
- Recording: Accounts for the numerical sequence of receipts, maintains inventory log of unused receipts, and prepares reports of cash received

According to staff, proper segregation of duties has not been implemented due to limited staff.

The responsibility for sound internal controls rests with management. Segregation of duties is a basic, key internal control in any organization. Segregation of duties prevents one individual from performing a transaction from beginning to end. In addition, it provides an individual with the opportunity to catch an error before a transaction is fully executed. Duties that should be segregated include: custody of assets, recording transactions, and authorization. The individual responsible for receiving money, issuing receipts, balancing copies of receipts against the cash drawer, maintaining a cash drawer, preparing bank deposits, and having access to the inventory of unused receipts should be different from the individual responsible for accounting for the numerical sequence of receipts, maintaining inventory log of unused receipts, and preparing reports of cash received.

Maintaining segregation of duties is especially challenging for units with a small number of employees. In these cases, it is important that management institute compensating controls to cover for the lack of a basic control. In an environment with limited numbers of clerical and administrative personnel, management needs to be involved in documenting, reviewing, and approving transactions, reports, and reconciliations. Adequate and timely supervision is especially important in small departments, where limited personnel may inhibit a thorough segregation of duties.

Failure to ensure that incompatible duties are adequately segregated or that compensating controls are implemented increases the risk of loss or misuse of County funds.

Recommendation:

Management should ensure that incompatible duties are adequately segregated, such as those noted above. If incompatible duties cannot be adequately segregated, management should ensure that compensating controls are implemented.

Observation No. 3:

We noted during our review that, at times, while performing services at outside clinics, fees will be waived if sufficient funds are not available to provide change. According to staff, waiver of fees is approved by a nurse and only when all attempts are made by the customer to provide the amount due in small dollar bills.

The County Auditor's Office requires that individuals make payment of all fees at the time services are rendered, with the exception of individuals that are deemed indigent, based on the Hidalgo County Health and Human Services Department "Income Guidelines and Schedule of Charges-Sliding Fee Schedule". In addition, a change fund in the amount necessary to maintain an effective cash handling operation should be maintained and utilized for making the appropriate change when necessary.

HIDALGO COUNTY DISTRICT JUDGES

LUIS H. SINGLETERRY
JUDGE, 92ND D.C.

RODOLFO DELGADO
JUDGE, 92ND D.C.

J. R. "BOBBY" FLORES
JUDGE, 138TH D.C.

ROSE GUERRA REYNA
JUDGE, 206TH D.C.

JUAN R. PARTIDA
JUDGE, 275TH D.C.

MARIO E. RAMIREZ, JR.
JUDGE, 332ND D.C.

NOE GONZALEZ
JUDGE, 370TH D.C.
OVERSEER

LETICIA LOPEZ
JUDGE, 385TH D.C.

AIDA SALINAS FLORES
JUDGE, 388TH D.C.

ISRAEL RAMON, JR.
JUDGE, 430TH D.C.

JESSE CONTRERAS
JUDGE, 449TH D.C.

Failure to ensure that individuals make payment of all fees at the time services are rendered and that a change fund, in the amount necessary to maintain an effective cash handling operation, is maintained may result in the loss or misuse of county funds.

Recommendation:

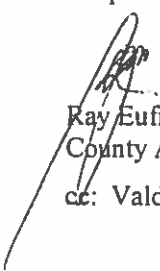
Management should ensure that individuals make payment of all fees at the time services are rendered and that a change fund, in the amount necessary to maintain an effective cash handling operation, is maintained. Please refer to the Cash Handling Guidelines for proper procedures in requesting an increase of the change fund.

Please provide written management responses to the observations noted above by February 22, 2016. In addition, information regarding the items listed below was previously provided to our office; however, please provide any updated procedures, if applicable, by February 22, 2016. These procedures should include, at a minimum, the following:

- a. An office organizational chart;
- b. Location of cash collection points;
- c. Types of collections made by each cash collection point;
- d. A list of those positions involved with the handling of cash, a description of their duties, and description of how segregation of duties will be maintained;
- e. A complete start to finish description of the following:
 1. Process for accounting and safeguarding of the change fund, if any;
 2. Process for safeguarding cash until it is deposited;
 3. Process for accounting and safeguarding mail-in payments;
 4. Process for reconciling collections, including frequency of reconciliation;
 5. Bookkeeping system used, and how it is maintained; and
 6. Computer hardware and software used;
- f. List of the reports prepared/generated for the collection and the reporting of funds, including procedures for preparing the reports, who the reports should be submitted to, and when the reports are due;
- g. A schedule of how often deposits will be made; and
- h. Copies of any related forms/reports.

We would like to express our sincere appreciation to you and your staff for the courtesy, cooperation, and assistance provided to us during the cash count. If you have any questions regarding this cash count or would like to schedule a meeting to discuss this cash count, please contact Gricelda Quintero, Internal Auditor 1, at (956) 318-2511, ext. 4643, Yvonne Torres, Revenue Audit Supervisor, at ext. 4642, Arcy B. Duran, CPA, Director of Audit, at ext. 4645, or me at ext. 4604.

Respectfully,


Ray Eufrazio, CPA
County Auditor

cc: Valde Guerra, Commissioners Court Executive Officer

HIDALGO COUNTY DISTRICT JUDGES

LUIS M. SINGLETERRY
JUDGE, 92ND D.C.

RODOLFO DELGADO
JUDGE, 93RD D.C.

J. R. "BOBBY" FLORES
JUDGE, 119TH D.C.

ROSE GUERRA REYNA
JUDGE, 268TH D.C.

JUAN R. PARTIDA
JUDGE, 274TH D.C.

MARIO E. RAMIREZ, JR.
JUDGE, 331ST D.C.

NCE GONZALEZ
JUDGE, 370TH D.C.
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ADA SALINAS FLORES
JUDGE, 386TH D.C.

ISRAEL RAMON, JR.
JUDGE, 430TH D.C.

JESSE CONTRERAS
JUDGE, 448TH D.C.

COUNTY HIDALGO

HIDALGO COUNTY AUDITOR'S OFFICE
County Administration Building
2808 South Business Highway 281
Edinburg, Texas 78539-3587
PHONE: (956) 318-2511
FAX: (956) 318-2577
WEBSITE: www.co.hidalgo.tx.us/auditor



EDINBURG, TEXAS 78539

January 28, 2016

Mr. Eduardo Olivarez, Chief Administrative Officer
Hidalgo County Health and Human Services Department
1304 S. 25th Street
Edinburg, Texas 78539

Re: Cash Count
Report No. 2015-552

Dear Mr. Olivarez:

We conducted a surprise cash count of the cash held at the Pulmonary Health Clinic on December 16, 2015 as required by Local Government Code §115.0035. The objective of the cash count was to determine whether total cash on hand reconciled to the total receipts issued for the day up to the time of the cash count and the approved change fund.

Scope:

The scope of our review was limited to a count of the cash on hand as of the time of the cash count. Our review was not designed nor intended to be a detailed study of every relevant control system, procedure, or transaction. Accordingly, the opportunities for improvement presented in this report may not be all-inclusive of areas where improvements could be made.

The responsibility for establishing and maintaining a sound internal control system rests with management. The objectives of an internal control system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or theft, and that transactions are executed in accordance with management's authorization and recorded properly.

As part of our procedures, we verified that cash on hand agreed to the total receipts issued up to the time of the cash count. We also reviewed the internal control structure in order to verify that cash on hand was safeguarded against loss from unauthorized use and that only authorized transactions were executed, recorded, and reported in accordance with applicable laws and procedures. The internal controls reviewed during our walkthrough included, but were not limited to, the following: custody of cash, use of locked cash drawers, proper authorization of voided transactions, and segregation of duties.

Conclusion:

At the time of the cash count, receipts had not been issued and collections had not been made. Based on the results of our review, we have concluded that total cash on hand did reconcile to the approved change fund of \$25.00. However, we noted that the system of internal controls for the collection and safeguarding of cash requires improvement as noted in the following observations.

Observation No. 1:

We noted during our review that security cameras were not utilized where cash is received and safeguarded. According to management, security cameras have not been installed due to budgetary constraints.

The County Auditor's Office recommends that security alarms and security cameras be installed in areas where cash collections and receipts are received and safeguarded. Camera images must be stored on the type of media (e.g., digital recording box, tape, DVD, etc.) and retained for the period of time recommended by the Information Technology Department. If, however, the camera images are part of an ongoing investigation,

HIDALGO COUNTY DISTRICT JUDGES

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JUDGE, 119TH D.C.

ROSE GUERRA REYNA
JUDGE, 204TH D.C.

JUAN R. PARTIDA
JUDGE, 273RD D.C.

MARIO E. RAMIREZ, JR.
JUDGE, 332ND D.C.

NOE GONZALEZ
JUDGE, 316TH D.C.
OVERSEER

LETICIA LOPEZ
JUDGE, 319TH D.C.

ADA SALINAS FLORES
JUDGE, 391ST D.C.

ISRAEL RAMON, JR.
JUDGE, 420TH D.C.

JESSE CONTRERAS
JUDGE, 449TH D.C.

they must be retained for the period of time determined by the investigating agency. Furthermore, a notice stating that an area is being monitored by a security camera must be posted at the entrance to the area being monitored.

Failure to utilize security cameras where cash collections are received and safeguarded increases the risk of loss or misuse of County funds.

Recommendation:

Management should ensure that security cameras are installed and utilized where cash is received and safeguarded. Management should contact the Department of Budget and Management to request funding assistance to purchase the security cameras.

Observation No. 2:

We noted during our review that segregation of duties over the handling of cash requires improvement. The Clerk Manager and Clerks perform the following incompatible duties:

- o Custody: Receive collections, issue receipts, balance copies of receipts against the cash drawer, maintain a cash drawer, prepare bank deposits, and have access to the inventory of unused cash receipts
- o Recording: Account for numerical sequence of cash receipts, ability to write off any receivables, prepare reports of cash received
- o Authorization: Compare bank deposit receipts to Close-Out Report

According to management, segregation of duties is difficult to implement due to limited staff; however, department is aware of issues and is trying to resolve them as best as possible.

The responsibility for sound internal controls rests with management. Segregation of duties is a basic, key internal control in any organization. Segregation of duties prevents one individual from performing a transaction from beginning to end. In addition, it provides an individual with the opportunity to catch an error before a transaction is fully executed. Duties that should be segregated include: custody of assets, recording transactions, and authorization. The individual responsible for receiving collections, issuing receipts, balancing copies of receipts against the cash drawer, maintaining a cash drawer, preparing bank deposits, and having access to the inventory of unused cash receipts should be different from the individual responsible for accounting for the numerical sequence of cash receipts, having the ability to write off any receivables, and preparing reports of cash received. In addition, the individuals noted above should be different from the individual responsible for comparing bank deposit receipts to the Close-Out Report.

Maintaining segregation of duties is especially challenging for units with a small number of employees. In these cases, it is important that management institute compensating controls to cover for the lack of a basic control. In an environment with limited numbers of clerical and administrative personnel, management needs to be involved in documenting, reviewing, and approving transactions, reports, and reconciliations. Adequate and timely supervision is especially important in small departments, where limited personnel may inhibit a thorough segregation of duties.

Failure to have adequate segregation of duties or implementing compensating controls increases the risk of loss or misuse of County funds.

Recommendation:

Management should ensure that incompatible duties, such as those noted above, are adequately segregated. If incompatible duties cannot be adequately segregated, management should ensure that compensating controls are implemented.

Observation No. 3:

A notice stating "Gifts, gratuities, and/or tips will not be accepted" was not posted where the collections are taken. According to staff, the notice had been posted; however, during the maintenance and repair of the office, the notice was taken down but was not reposted.

The County Auditor's Office requires that a notice stating "Gifts, gratuities, and/or tips will not be accepted" be posted in a conspicuous location for the public's view.

Failure to post the required notice increases the risk of loss or misuse of County funds.

HIDALGO COUNTY DISTRICT JUDGES

Recommendation:

Management should ensure that a notice stating "Gifts, gratuities, and/or tips will not be accepted" is posted in a conspicuous location for the public's view.

Observation No. 4:

A schedule of fees collected by the department was not posted where the collections are taken. According to staff, the notice had been posted; however, during the maintenance and repair of the office, the notice was taken down and not re-posted.

The County Auditor's Office requires that a schedule of authorized fees be posted in a conspicuous location for the public to see. The schedule sets forth those fees to be charged by the County pursuant to state statutes and Commissioners Court approval.

Failure to post the required schedule increases the risk of loss or misuse of County funds.

Recommendation:

Management should ensure that a schedule of authorized fees is posted in a conspicuous location for the public's view.


Please provide written management responses to the observations noted above by February 22, 2016.

In addition, information regarding the items listed below was previously provided to our office. Please provide any updated procedures, if applicable, by February 22, 2016. These procedures should include, at a minimum, the following:

- a. An office organizational chart;
- b. Location of cash collection points;
- c. Types of collections made by each cash collection point;
- d. A list of those positions involved with the handling of cash, a description of their duties, and description of how segregation of duties will be maintained;
- e. A complete start to finish description of the following:
 1. Process for accounting and safeguarding of the change fund, if any;
 2. Process for safeguarding cash until it is deposited;
 3. Process for accounting and safeguarding mail-in payments;
 4. Process for reconciling collections, including frequency of reconciliation;
 5. Bookkeeping system used, and how it is maintained; and
 6. Computer hardware and software used;
- f. List of the reports prepared/generated for the collection and the reporting of funds, including procedures for preparing the reports, who the reports should be submitted to, and when the reports are due;
- g. A schedule of how often deposits will be made; and
- h. Copies of any related forms/reports.

We would like to express our sincere appreciation to you and your staff for the courtesy, cooperation, and assistance provided to us during the cash count. If you should have any questions, do not hesitate to contact Alejandra Santa Ana, MSA, Intenal Auditor I, at 318-2511 ext. 4647, Yvonne Torres, Revenue Audit Supervisor, at ext. 4642, Arcy B. Duran, CPA, Director of Audit, at ext. 4645, or me at ext. 4604.

Respectfully,


Ray Eufrazio, CPA
County Auditor

cc: Mr. Valde Guerra, Commissioners Court Executive Office
Ms. Jeanne Salinas, Supervisor, Edinburg Pulmonary Clinic

HIDALGO COUNTY DISTRICT JUDGES

LUIS M. SINGLETERRY
JUDGE, 92ND D.C.

RODOLFO DELGADO
JUDGE, 13TH D.C.

J. R. "BOBBY" FLORES
JUDGE, 138TH D.C.

ROSE GUERRA REYNA
JUDGE, 206TH D.C.

JUAN R. PARTIDA
JUDGE, 275TH D.C.

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JUDGE, 378TH D.C.
OVERSEER

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JUDGE, 381ST D.C.

AIDA SALINAS FLORES
JUDGE, 388TH D.C.

ISRAEL RAMON, JR.
JUDGE, 438TH D.C.

JESSE CONTRERAS
JUDGE, 448TH D.C.

COUNTY HIDALGO

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Hidalgo County Administration Building
2808 South Business Highway 281
Edinburg, Texas 78539-6243
PHONE: (956) 318-2511
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WEBSITE: www.co.hidalgo.tx.us/auditor



EDINBURG, TEXAS 78539

January 28, 2016

Mr. Arnold K. Patrick, Director
Community Supervision and Corrections Department
3100 South Business Highway 281
Edinburg, TX 78539

Re: Cash Count
Report No. 2015-553

Dear Mr. Patrick:

We conducted a surprise cash count of the cash held at the Community Supervision and Corrections Department on December 14, 2015 as required by Local Government Code §115.0035. The objective of the cash count was to determine whether total cash on hand reconciled to the total receipts issued for the day up to the time of the cash count and the approved change fund.

Scope:

The scope of our review was limited to a count of the cash on hand as of the time of the cash count. Our review was not designed nor intended to be a detailed study of every relevant control system, procedure, or transaction. Accordingly, the opportunities for improvement presented in this report may not be all-inclusive of areas where improvements could be made.

The responsibility for establishing and maintaining a sound internal control system rests with management. The objectives of an internal control system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or theft, and that transactions are executed in accordance with management's authorization and recorded properly.

As part of our procedures, we verified that cash on hand agreed to the total receipts issued up to the time of the cash count. We also reviewed the internal control structure in order to verify that cash on hand was safeguarded against loss from unauthorized use and that only authorized transactions were executed, recorded, and reported in accordance with applicable laws and procedures. The internal controls reviewed during our walkthrough included, but were not limited to, the following: custody of cash, use of locked cash drawers, proper authorization of voided transactions, and segregation of duties.

Conclusion:

Total cash on hand at the time of the cash count was \$19,369.75. Based on the results of our review, we have concluded that total cash on hand did reconcile to the total receipts issued for the day up to the time of the cash count and the approved change fund of \$200.00. However, we noted that the system of internal controls for the collection and safeguarding of cash requires improvement as noted in the following observations.

Observation No. 1:

We noted during our review that ordered manual receipt books are not delivered by the vendor to the County Auditor's Office for proper safeguarding. According to staff, receipt books have always been delivered to the Community Supervision and Corrections Department for safeguarding. In addition, receipt books are easily accessible in the event that the computer system goes down.

HIDALGO COUNTY DISTRICT JUDGES

LUIS H. SINGLETERRY
JUDGE, 92ND D.C.

RODOLFO DELGADO
JUDGE, 93RD D.C.

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JUDGE, 131ST D.C.

ROSE GUERRA REYNA
JUDGE, 206TH D.C.

JUAN R. PARTIDA
JUDGE, 275TH D.C.

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JUDGE, 322ND D.C.

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JUDGE, 398TH D.C.

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JUDGE, 430TH D.C.

JESSE CONTRERAS
JUDGE, 448TH D.C.

The County Auditor's Office requires that manual receipt books ordered by departments be delivered by the vendor to the County Auditor's Office for proper safeguarding. The manual receipt books will be issued to the departments by the County Auditor's Office, as needed.

Failure to ensure that manual receipt books are delivered by the vendor to the County Auditor's Office for proper safeguarding may increase the risk of loss or misuse of County funds.

Recommendation:

Management should ensure that manual receipt books are delivered by the vendor to the County Auditor's Office for proper safeguarding.

Observation No. 2:

Passwords to gain access to *FinTrak* System, the financial accounting system, are not changed at least every 90 days. According to the Accountant, a compensating control established by department is limiting access to the number of users of the accounting module.

The Hidalgo County Information Technology (IT) Securities Policy requires that passwords be changed at least every 90 days.

Failure to change passwords may increase the risk of unauthorized access to *FinTrak*.

Recommendation:

Management should contact the software provider to inquire whether *FinTrak* may be programmed to prompt and require users to change passwords at least every 90 days. If this is not feasible, management should monitor that employees change their passwords at least every 90 days.

Observation No. 3:

A listing of the names of customers whose checks have been returned by the bank ("hot checks") due to insufficient funds, closed accounts, unauthorized signatures, or drawn on uncollected funds is not maintained. According to staff, the department has not received any hot checks; however, the Accountant will begin to maintain a list of names of customers whose checks have been returned due to insufficient funds.

The County Auditor's Office requires that a listing of the names of customers whose checks have been returned by the bank ("hot checks") due to insufficient funds, closed accounts, unauthorized signatures, or drawn on uncollected funds be maintained. The hot check list should be referenced when receiving checks from customers.

Failure to maintain a hot check list may result in the loss of County funds.

Recommendation:

Management should maintain a "hot check" listing to be used as a reference when receiving checks from customers.

Observation No. 4:

We noted during our review that mail logs are not prepared on a daily basis. According to staff, a mail log is not prepared on a daily basis because collections via mail are not received daily.

The County Auditor's Office requires that a mail log be prepared on a daily basis. If collections are not received daily through mail, a mail log should be prepared showing that no collections were received for the day.

Formal monitoring procedures were not in place to ensure that a mail log is prepared on a daily basis even when no collections were received for the day. This may result in the loss or misuse of County funds.

Recommendation:

Management should ensure that a mail log is prepared on a daily basis. If collections are not received daily through mail, a mail log should be prepared showing that no collections were received for the day.

Please provide written management responses to the observations noted above by February 22, 2016.

HIDALGO COUNTY DISTRICT JUDGES

LUIS M. SINGLETERRY
JUDGE, 92ND D.C.

RODOLFO DELGADO
JUDGE, 93RD D.C.

J. R. "BOBBY" FLORES
JUDGE, 138TH D.C.

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JUDGE, 438TH D.C.

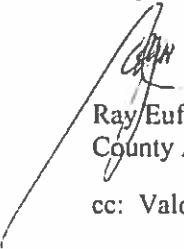
JESSE CONTRERAS
JUDGE, 449TH D.C.

In addition, please provide us with copies of updated written procedures and internal controls, if any, established by your department for the handling of cash and cash equivalent transactions by February 22, 2016. The written procedures manual should include, at a minimum, the following:

- a. An office organizational chart;
- b. Location of cash collection points;
- c. Types of collections made by each cash collection point;
- d. A list of those positions involved with the handling of cash, a description of their duties, training that will be provided, and description of how segregation of duties will be maintained;
- e. A complete start to finish description of the following:
 1. Process for accounting and safeguarding of the change fund, if any;
 2. Process for safeguarding cash until it is deposited;
 3. Process for accounting and safeguarding mail-in payments;
 4. Process for reconciling collections, including frequency of reconciliation;
 5. Bookkeeping system used, and how it is maintained; and
 6. Computer hardware and software used;
- f. List of the reports prepared/generated for the collection and the reporting of funds, including procedures for preparing the reports, who the reports should be submitted to, and when the reports are due;
- g. A schedule of how often deposits will be made; and
- h. Copies of any related forms/reports.

We would like to express our sincere appreciation to you and your staff for the courtesy, cooperation, and assistance provided to us during the cash count. If you have any questions or would like to meet regarding this cash count, please contact Marissa Castillo, Internal Auditor I, at ext. 4650, Yvonne Torres, Revenue Audit Supervisor, at ext. 4642, Arcy B. Duran, CPA, Director of Audit, at ext. 4645, or me at ext. 4604.

Respectfully,



Ray Eufrazio, CPA
County Auditor

cc: Valde Guerra, Commissioners Court Executive Officer

HIDALGO COUNTY DISTRICT JUDGES

LUIS M. SINGLETERRY
JUDGE, 92ND D.C.

RODOLFO DELGADO
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JUDGE, 449TH D.C.

COUNTY of HIDALGO

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EDINBURG, TEXAS 78539

January 28, 2016

The Honorable Pablo (Paul) Villarreal, Jr., RTA
Hidalgo County Tax Assessor/Collector
2804 South Business Highway 281
Edinburg, TX 78539

Re: Cash Count
Audit No. 2015-561

Dear Mr. Villarreal:

We conducted a surprise cash count of the cash held at the Mission Tax Office Substation on December 8, 2015 as required by Local Government Code §115.0035. The objective of the cash count was to determine whether total cash on hand reconciled to the total receipts issued for the day up to the time of the cash count and the approved change fund.

Scope:

The scope of our review was limited to a count of the cash on hand as of the time of the cash count. Our review was not designed nor intended to be a detailed study of every relevant control system, procedure, or transaction. Accordingly, the opportunities for improvement presented in this report may not be all-inclusive of areas where improvements could be made.

The responsibility for establishing and maintaining a sound internal control system rests with management. The objectives of an internal control system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or theft, and that transactions are executed in accordance with management's authorization and recorded properly.

As part of our procedures, we verified that cash on hand agreed to the total receipts issued up to the time of the cash count. We also reviewed the internal control structure in order to verify that cash on hand was safeguarded against loss from unauthorized use and that only authorized transactions were executed, recorded, and reported in accordance with applicable laws and procedures. The internal controls reviewed during our walkthrough included but were not limited to the following: custody of cash, use of locked cash drawers, proper authorization of voided transactions, and segregation of duties.

Conclusion:

Total cash on hand at the time of the cash count was \$296,862.61. Based on the results of our review, we have concluded that total cash on hand did reconcile to the total receipts issued for the day up to the time of the cash count and the approved change fund of \$300.00. However, we noted that the system of internal controls for the collection and safeguarding of cash requires improvement as noted in the following observation.

Observation No. 1:

Security cameras were not utilized in the vault or in the Head Cashier's Office where collections are reconciled and cash is safeguarded. According to staff, additional security cameras will possibly be purchased.

The County Auditor's Office recommends that security cameras be installed in areas where cash collections and receipts are received and safeguarded. Camera images must be stored on the type of media (e.g., digital recording box, tape, DVD, etc.) and retained for the period of time recommended by the Information Technology Department. If, however, the camera images are part of an ongoing investigation, they must be retained for the period of time determined by the investigating agency. Furthermore, a notice stating that an area is being monitored by a security camera must be posted at the entrance to the area being monitored.

HIDALGO COUNTY DISTRICT JUDGES

LUIS M. SINGLETERRY
JUDGE, 92ND D.C.

RODOLFO DELGADO
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ADA SALINAS FLORES
JUDGE, 394TH D.C.

ISRAEL RAMON, JR.
JUDGE, 436TH D.C.

JESSE CONTRERAS
JUDGE, 449TH D.C.

Failure to ensure that security cameras are utilized in all areas where cash is safeguarded increases the risk of loss or misuse of County funds.

Recommendation:

Management should ensure that security cameras are utilized in all areas where cash is safeguarded.

Observation No. 2:

We noted during our review that several checks received at the counter were made payable to "Paul Villarreal" or "Pablo "Paul" Villarreal Jr." According to staff, cashiers are responsible for ensuring checks are correctly completed; however, if the customer presents an improperly completed check for payment, the cashier is not allowed to inconvenience the customer with correcting the "Payable to" portion of the check.

The County Auditor's Office requires that cashiers verify that checks are made payable to Hidalgo County or Hidalgo County and County official's title (e.g., Hidalgo County Tax Assessor-Collector) or the County official's name and title (e.g., Pablo Villarreal Jr., Hidalgo County Tax Assessor-Collector). If the payee line of the check is blank, the department's name must be recorded on the payee line in the manner previously noted. Cashiers may use a stamp to stamp the required information on the checks that are not properly made out to Pablo "Paul" Villarreal Jr. Tax Assessor/Collector above the payable line.

Failure to verify that checks are properly completed may result in the loss or misuse of County funds.

Recommendation:

Management should instruct staff to ensure that checks accepted as payment are properly completed. At a minimum, the procedures noted above should be implemented.

Observation No. 3:

According to staff, when accepting checks as payment, cashiers are not required to ensure that the payer's name, address, driver's license number, date of birth, and phone number are pre-printed or recorded on the face of the check. Staff is only required to verify that a name, address, and phone number are recorded on the check. In addition, identification is not requested by the cashier to verify the information on the check is correct.

The County Auditor's Office requires that, prior to accepting a check for payment; the cashier must verify that the payer's name, address, driver's license number, date of birth, and phone number is pre-printed on the face of the check. If some of this information is not pre-printed on the face of the check, the cashier must request this information and record it in on the face of the check. Identification must be requested by the cashier to verify the information on the check.

Failure to ensure that cashiers verify that the payer's name, address, driver's license number, date of birth, and phone is pre-printed or recorded on the face of the check may result in the loss or misuse of County funds.

Recommendation:

Management should ensure that cashiers verify that the payer's name, address, driver's license number, date of birth, and phone is pre-printed or recorded on the face of the check.

Please provide written management responses to the observations noted above by February 22, 2016.

Procedures established by your department for the handling of cash were previously provided to the Auditor's Office; however, the procedures did not address the following:

- a. Location of cash collection points;
- b. Types of collections made by each cash collection point;
- c. The training that will be provided at the collection point and description of how segregation of duties will be maintained;
- d. A complete start to finish description of the following:
 1. Process for accounting and safeguarding of the change fund, if any;
 2. Process for safeguarding cash until it is deposited;
 3. Process for accounting and safeguarding mail-in payments;
 4. Process for reconciling collections, including frequency of reconciliation;
 5. Bookkeeping system used, and how it is maintained; and
 6. Computer hardware and software used; and
- e. A schedule of how often deposits will be made.


HIDALGO COUNTY DISTRICT JUDGES

Honorable Pablo (Paul) Villarreal Jr.
January 28, 2016
Page 3 of 3

Please provide our office with copies of the procedures listed above and any updated procedures, if applicable, by February 22, 2016.

We would like to express our sincere appreciation to you and your staff for the courtesy, cooperation, and assistance provided to us during the cash count. If you have any questions regarding this cash count, please contact Abigail Guajardo, MSA, Internal Auditor II, at (956) 318-2511, ext.4652, Yvonne Torres, Revenue Audit Supervisor, ext. 4642, Arcy B. Duran, CPA, Director of Audit, at ext. 4645, or me at ext.4604

Respectfully,



Ray Eufrazio, CPA
County Auditor

cc: Eva Mireles, Chief of Operations
Norma L. Ochoa, Substation Supervisor
Valde Guerra, Commissioners Court Executive Officer

HIDALGO COUNTY DISTRICT JUDGES

LUIS M. SINGLETERRY
JUDGE, 92ND D.C.

RODOLFO DELGADO
JUDGE, 93RD D.C.

J. R. "BOBBY" FLORES
JUDGE, 139TH D.C.

ROSE GUERRA REYNA
JUDGE, 204TH D.C.

JUAN R. PARTIDA
JUDGE, 275TH D.C.

MARIO E. RAMIREZ, JR.
JUDGE, 312ND D.C.

NOE GONZALEZ
JUDGE, 370TH D.C.
OVPKRFRR

LETICIA LOPEZ
JUDGE, 389TH D.C.

AIDA SALINAS FLORES
JUDGE, 398TH D.C.

ISRAEL RAMON, JR.
JUDGE, 436TH D.C.

JESSE CONTRERAS
JUDGE, 449TH D.C.

COUNTY of HIDALGO

HIDALGO COUNTY AUDITOR'S OFFICE
Hidalgo County Administration Building
2808 South Business Highway 281
Edinburg, Texas 78539-6243
PHONE: (956) 318-2511
FAX: (956) 318-2577
WEBSITE: www.co.hidalgo.tx.us/auditor



EDINBURG, TEXAS 78539

January 28, 2016

The Honorable Pablo (Paul) Villarreal, Jr., RTA
Hidalgo County Tax Assessor/Collector
2804 South Business Highway 281
Edinburg, TX 78539

Re: Cash Count
Audit No. 2015-571

Dear Mr. Villarreal:

We conducted a surprise cash count of the cash held at the Weslaco Tax Office on November 16, 2015 as required by Local Government Code §115.0035. The objective of the cash count was to determine whether total cash on hand reconciled to the total receipts issued for the day up to the time of the cash count and the approved change fund.

Scope:

The scope of our review was limited to a count of the cash on hand as of the time of the cash count. Our review was not designed nor intended to be a detailed study of every relevant control system, procedure, or transaction. Accordingly, the opportunities for improvement presented in this report may not be all-inclusive of areas where improvements could be made.

The responsibility for establishing and maintaining a sound internal control system rests with management. The objectives of an internal control system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or theft, and that transactions are executed in accordance with management's authorization and recorded properly.

As part of our procedures, we verified that cash on hand agreed to the total receipts issued up to the time of the cash count. We also reviewed the internal control structure in order to verify that cash on hand was safeguarded against loss from unauthorized use and that only authorized transactions were executed, recorded, and reported in accordance with applicable laws and procedures. The internal controls reviewed during our walkthrough included but were not limited to the following: custody of cash, use of locked cash drawers, proper authorization of voided transactions, and segregation of duties.

Conclusion:

Total cash on hand at the time of the cash count was \$99,078.98. Based on the results of our review, we have concluded that total cash on hand generally did reconcile to the total receipts issued for the day up to the time of the cash count and the approved change fund of \$300.00. However, we noted that the system of internal controls for the collection and safeguarding of cash requires improvement as noted in the following observations.

Observation No. 1:

We noted during our review that cashiers accepted two over-the-counter checks on November 16, 2015 dated October 10, 2015 and October 25, 2015. According to the Supervisor, checks accepted over-the-counter should be dated with the date payment was received; however, acceptance of the checks may have been an oversight.

The County Auditor's Office requires that, prior to accepting a check for payment; the cashier must verify that the date on the check is the day that payment is presented. Stale-dated or post-dated checks may not be accepted.

HIDALGO COUNTY DISTRICT JUDGES

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JUDGE, 275TH D.C.

MARIO E. RAMIREZ, JR.
JUDGE, 312ND D.C.

NOE GONZALEZ
JUDGE, 379TH D.C.
OVERSEER

LETICIA LOPEZ
JUDGE, 389TH D.C.

AIDA SALINAS FLORES
JUDGE, 391TH D.C.

ISRAEL RAMON, JR.
JUDGE, 436TH D.C.

JESSE CONTRERA
JUDGE, 449TH D.C.

Failure to verify that checks accepted as payment are dated the date received may result in the loss of County funds.

Recommendation:

Management should ensure that staff verifies that checks accepted as payment are dated the date received.

Observation No. 2:

During the cash count, we were informed that the safe's combination was not changed when the previous Supervisor was relocated to a new office. According to staff, they were not aware that the safe's combination needed to be changed.

The County Auditor's Office requires that keys, access passwords, or safe combinations to restricted areas should be issued to as few employees as possible. Access passwords and safe combinations must be changed at least every two years or when an employee with knowledge of the access password or safe combination is transferred or terminates employment. In addition, employees must be required to return keys prior to terminating employment or when a change in responsibilities occurs.

Failure to ensure that the safe's combination is changed when an employee with knowledge of the combination is transferred or terminates employment may result in the loss or misuse of County funds.

Recommendation:

Management should ensure that the safe's combination is changed when an employee with knowledge of the combination is transferred or terminates employment.

Observation No. 3:

Security cameras were not utilized in the vault where cash is safeguarded. According to the substation Supervisor, she has not been informed if her office will be getting cameras in the near future.

The County Auditor's Office recommends that security cameras be installed in areas where cash collections and receipts are received and safeguarded. Camera images must be stored on the type of media (e.g., digital recording box, tape, DVD, etc.) and retained for the period of time recommended by the Information Technology Department. If, however, the camera images are part of an ongoing investigation, they must be retained for the period of time determined by the investigating agency. Furthermore, a notice stating that an area is being monitored by a security camera must be posted at the entrance to the area being monitored.

Failure to ensure that security cameras are utilized in all areas where cash is safeguarded increases the risk of loss or misuse of County funds.

Recommendation:

Management should ensure that security cameras are utilized in all areas where cash is safeguarded. Management should contact the Department of Budget and Management to request their assistance regarding the purchase of security cameras.

Observation No. 4:

During our cash count, we noted that cashiers do not consistently log off the electronic receiving system (ACT) when stepping away from their workstations. According to the Supervisor, cashiers are required to log off the Tax Office receiving system (ACT); however, the cashier may have not logged off due to an oversight.

In order to properly safeguard collections, access to a cashier's receiving workstation must be restricted to the cashier responsible for collections. Cashiers must log off the electronic receiving system when walking away from the workstation.

Failure to ensure that cashiers log off the electronic receiving system (ACT) when stepping away from their workstations increases the risk of loss or misuse of County funds.

Recommendation:

Management should ensure that cashiers log off the electronic receiving system (ACT) when stepping away from their workstation.

Please provide written management responses to the observations noted above by February 22, 2016. In addition, procedures established by your department for the handling of cash were previously provided to the Auditor's Office; however, the procedures did not address the following:

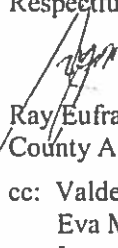
HIDALGO COUNTY DISTRICT JUDGES

- a. Location of cash collection points;
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 5. Bookkeeping system used, and how it is maintained;
 6. Computer hardware and software used; and
- e. A schedule of how often deposits will be made.

Please provide our office with copies of the procedures listed above and any updated procedures, if applicable, by February 22, 2016.

We would like to express our sincere appreciation to you and your staff for the courtesy, cooperation, and assistance provided to us during the cash count. If you have any questions regarding this cash count or would like to schedule a meeting to discuss this cash count, please contact Abigail Guajardo, MSA, Internal Auditor I, at (956) 318-2511, ext.4652, Yvonne Torres, Revenue Audit Supervisor, at ext. 4642, Arcy B. Duran, CPA, Director of Audit, at ext. 4645, or me at ext. 4604.

Respectfully,



Ray Eufracio, CPA
County Auditor

cc: Valde Guerra, Commissioners Court Executive Officer
Eva Mireles, Chief of Operations
Lucy Flores, Substation Supervisor

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