

# 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](http://www.co.hidalgo.tx.us/auditor)



EDINBURG, TEXAS 78539

September 15, 2016

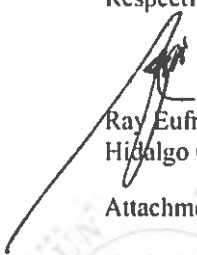
The Honorable Ramon Garcia  
 Hidalgo County Judge  
 302 W. University Drive  
 Edinburg, Texas 78539

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	Description
The Hon. Pablo Villarreal, Jr., RTA Hidalgo County Tax Assessor/Collector	Alamo Motor Vehicle Substation Cash Count Report No. 2016-529
The Hon. Arturo Guajardo, Jr. Hidalgo County Clerk	Collections Department - Cash Count Report No. 2016-533
The Hon. Gilberto Saenz, Justice of the Peace Pct. 1 Pl. 1	Cash Count Report No. 2016-535
Mr. Eduardo Olivarez, Chief Administrator Officer Hidalgo County Health and Human Services Department	Elsa Health Clinic - Cash Count Report No. 2016-544
Mr. Eduardo Olivarez, Chief Administrator Officer Hidalgo County Health and Human Services Department	Weslaco Health Clinic - Cash Count Report No. 2016-546
Mr. Eduardo Olivarez, Chief Administrator Officer Hidalgo County Health and Human Services Department	Mission Health Clinic – Cash Count Report No. 2016-550
Mr. Arnold K. Patrick, Director Community Supervision and Corrections Department	Court Services (Old Adm. Bldg) – Cash Count Report No. 2016-553
The Hon. Pablo Villarreal, Jr., RTA Hidalgo County Tax Assessor/Collector	Pharr Tax Office – Cash Count Audit No. 2016-555
The Hon. Pablo Villarreal, Jr., RTA Hidalgo County Tax Assessor/Collector	Weslaco Tax Office - Cash Count Audit No. 556

Respectfully,

  
 Ray Eufrazio, CPA  
 Hidalgo County Auditor

Attachments

## HIDALGO COUNTY DISTRICT JUDGES

LUIS M. SINGLETERRY  
 JUDGE, 92<sup>ND</sup> D.C.

RODOLFO DELGADO  
 JUDGE, 93<sup>RD</sup> D.C.

J. R. "BOBBY" FLORES  
 JUDGE, 138<sup>TH</sup> D.C.

ROSE GUERRA REYNA  
 JUDGE, 206<sup>TH</sup> D.C.

JUAN R. PARTIDA  
 JUDGE, 275<sup>TH</sup> D.C.

MARIO E. RAMIREZ, JR.  
 JUDGE, 332<sup>ND</sup> D.C.

NOE GONZALEZ  
 JUDGE, 370<sup>TH</sup> D.C.  
 OVERSEER

LETICIA LOPEZ  
 JUDGE, 389<sup>TH</sup> D.C.

AIDA SALINAS FLORES  
 JUDGE, 398<sup>TH</sup> D.C.

ISRAEL RAMON, JR.  
 JUDGE, 430<sup>TH</sup> D.C.

JESSE CONTRERAS  
 JUDGE, 449<sup>TH</sup> D.C.

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EDINBURG, TEXAS 78539

September 1, 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. 2016-529

Dear Mr. Villarreal:

We conducted a surprise cash count of the cash held at the Alamo Motor Vehicle Substation on July 25, 2016, 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 \$4,842.44. Based on the results of our review, we have concluded that generally total cash on hand reconciled 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:

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 Edinburg Main Office. Since payments received by check are minimal and personal checks are not accepted, staff believes the possibility of accepting a hot check is decreased.

#### HIDALGO COUNTY DISTRICT JUDGES

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JUDGE, 449<sup>TH</sup> D.C.

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 increases the risk of loss of County funds.

**Recommendation:**

Management should ensure that all Motor Vehicle locations have an updated listing of the names of customers whose checks have been returned by the bank due to insufficient funds, closed accounts, unauthorized signatures, etc.

**Observation No. 2:**

A notice stating "A \$\_\_ fee will be collected on all returned checks" was not posted in a conspicuous location for the public's view. According to staff, the notice is not posted as the fee is collected at the Edinburg Main Office and not at the substation.

The County Auditor's Office requires that a notice stating "A \$\_\_ fee will be collected on all returned checks" is 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 "A \$\_\_ fee will be collected on all returned checks" is posted in a conspicuous location for the public's view.

**Observation No. 3:**

We noted during our review that a sample of the official County receipt was not posted for the public's view. According to staff, the sample receipt is posted; however, it is difficult to see.

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 sample official County receipt is posted in a conspicuous location for the public's view.

**Observation No. 4:**

We noted during our review that segregation of duties over the handling of collections requires improvement. The Substation Supervisor and Deputy Clerk I perform the following incompatible duties:

- Custody: Receive money, issue receipts, balance receipts against cash drawer, maintain a cash drawer, and prepare the bank deposit
- Authorization: Verify that voided original receipts are kept and reviewed
- Recording: Prepare reports of cash received

According to staff, due to limited staff, segregation of duties is difficult to implement.

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 receipts against the cash drawer, maintaining a cash drawer, and preparing the bank deposit should be different from the individual responsible for verifying that voided original receipts are kept and reviewed. In addition, the individuals noted above should be different from the individual responsible for 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

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**HIDALGO COUNTY DISTRICT JUDGES**

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. 5:**

A schedule of authorized fines and fees was not posted in a conspicuous location for the public's view. According to staff, a notice does not need to be posted as the department does not have control over what the fees will be.

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 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 fines and fees is posted in a conspicuous location for the public's view.

**Observation No. 6:**

We noted that checks received for payment were made payable to either Hidalgo County Tax Assessor Pablo "Paul" Villarreal Jr.; Pablo (Paul) Villarreal Jr. Assessor & Collector; or Pablo (Paul) Villarreal Jr. PCC. In addition, signs were posted for the public's view instructing them to make checks payable to "Pablo (Paul) Villarreal Jr. Tax Assessor & Collector.

On March 7, 2016, the County Auditor issued a letter to the Tax Assessor requiring cashiers to verify that checks are made payable to the Elected or Public Official's title (i.e. Hidalgo County Tax Assessor/Collector) prior to accepting a check as payment.

Failure to ensure to ensure that checks are made out to the Elected Official's title (i.e., Hidalgo County Tax Assessor/Collector) increases the risk of loss or misuse of County funds.

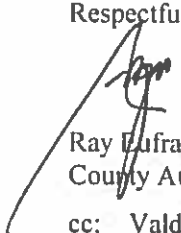
**Recommendation:**

Management should ensure that checks are made out to the Elected Official's title (i.e., Hidalgo County Tax Assessor/Collector).

Please provide a written management response to the observations noted above by September 23, 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, 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 Dufracio, CPA  
County Auditor

cc: Valde Guerra, County Executive Officer  
Santos Castilleja, Motor Vehicle Division Manager  
Daisy Perez, Alamo Motor Vehicle Substation Supervisor

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**HIDALGO COUNTY DISTRICT JUDGES**

LUIS M. SINGLETERRY  
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EDINBURG, TEXAS 78539

September 8, 2016

Honorable Arturo Guajardo, Jr.  
Hidalgo County Clerk  
100 N. Clossner, 1st Floor  
Edinburg, TX 78539

Ref: Cash Count  
Report No. 2016-533

Dear Mr. Guajardo:

We conducted a surprise cash count of the cash held at the Hidalgo County Clerk's Collections Department on August 2, 2016, 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:

The total cash on hand at the time of the cash count was \$18,839.70. 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 observations.

### Observation No. 1:

We noted during our review that County Clerk and District Clerk collections were comingled by one of the cashiers at the Collections Division. According to the Clerk, County Clerk and District Clerk collections are normally separated by placing the District Clerk collections in a cash bag and keeping County Clerk collections in a cash box. However, at the time of the cash count, the cash box was being utilized to safeguard the current day's collections for County Clerk and District Clerk as cash bag was being used to safeguard the prior day's collections and no additional cash bags were available.

### HIDALGO COUNTY DISTRICT JUDGES

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JUDGE, 449<sup>TH</sup> D.C.

Pursuant to County Auditor's Office *Cash Handling Guidelines and Procedures*, "Cash received for payment should not be comingled with cash received on behalf of other departments."

Failure to ensure that cash received for payment is not comingled with cash received on behalf of other departments may result in the loss or misuse of County funds.

**Recommendation:**

Management should ensure that cash received for payment is not comingled with cash received on behalf of other departments. An additional cash bag should be obtained to ensure the collections are not comingled.

**Observation No. 2:**

Receipts acknowledging employees understanding of the County Auditor's Office "Cash Handling Guidelines and Procedures" were not maintained on file. Instead, the County Clerk maintained signed acknowledgement receipts for the employees understanding of the "County Clerk Collections Department Cashiering Policy" only.

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 receipts acknowledging employees understanding of the County Auditor's Office "Cash Handling Guidelines and Procedures" increases the risk of loss or misuse of County funds.

**Recommendation:**

Management should ensure that receipts acknowledging employees understanding of the County Auditor's Office "Cash Handling Guidelines and Procedures" are kept on file.

**Observation No. 3:**

According to staff, cash on hand is reconciled to receipts issued and the change fund on a daily basis by generating a Till Balance Report from Odyssey and by running a tape to confirm collections. However, the daily cash reconciliation for the County Clerk collections is not documented by the cashiers on the *Cashier's Daily Close-Out Report* (Close-out Report).

The County Auditor's Office requires that cash on hand be reconciled to receipts issued and the change fund on a daily basis utilizing the *Cashier's Daily Close-Out Report* (Close-out Report). The following procedures should be implemented consistently when preparing the Close-out Report:

1. The Cashier must count the money and record the appropriate amounts on the Close-out Report.
2. The Witness must generate a daily recap of collections report issued for the day and record the total and beginning and ending receipt numbers on the Close-out Report.
3. The Witness must confirm that the amount recorded by the Cashier agrees to the daily recap of collections report and the change fund, if any. Any variances must be noted with a detailed explanation.
4. Both the Cashier and the Witness must verify that the Close-out Report is completed in its entirety. Both the Cashier and Witness must sign the Close-out Report to document their responsibility for this verification.
5. Copies of the Close-out Report, and checks/money orders/cashier's checks etc., shall be maintained by the department. This documentation shall be made available to the County Auditor's Office for review upon request.

Failure to ensure that the daily cash reconciliation is documented by the cashiers on the Close-out Report increases the risk of loss or misuse of County funds.

**Recommendation:**

Management should ensure that the daily cash reconciliation is documented by the cashiers on the Close-out Report.

**Observation No. 4:**

A schedule of fees is not posted in a conspicuous location for the public's view. According to staff, department does not feel the need to post a schedule of fees for public's view as defendants are aware of the fees due as a bill of cost is given to defendants at the time of judgment.

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**HIDALGO COUNTY DISTRICT JUDGES**

LURE M SINGLETERRY  
JUDGE, 17<sup>th</sup> D C

RODOLFO DELGADO  
JUDGE, 30<sup>th</sup> D C

J R. "BOBBY" FLORES  
JUDGE, 139<sup>th</sup> D C

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JUDGE, 430<sup>th</sup> D C

JESSE CONTRERAS  
JUDGE, 449<sup>th</sup> D C

The County Auditor's Office requires that a schedule of fees that will be charged pursuant to state statutes and/or Commissioners Court approval be posted in a conspicuous location for the public's view.

Failure to post the schedule of fees in a conspicuous location 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.

**Observation No. 5:**

We noted during our review that a notice stating, "Make sure you receive an official County receipt when making payments at this office" was posted for the public's view. However, a sample of the official County receipt utilized by the Collections Division was not posted by the notice. Instead a sample of the receipt issued with the old receiving system, *AbleTerm*, was posted. According to staff, they are aware of the discrepancy but have not been able to properly post a sample of the Official Receipt as is has been difficult due to the size of the receipt. However, according to staff, the correct receipt would be posted by the notice

The County Auditor's Office requires departments to post a notice visible to the public stating "Make sure you receive an official County receipt when making payments at this office". 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 ensure that a notice stating, "Make sure you receive an official County receipt when making payments at this office", along with a sample official County receipt, is posted in a conspicuous location for the public's view increases the risk of loss or misuse of County funds.

**Recommendation:**

Management should ensure that a notice stating, "Make sure you receive an official County receipt when making payments at this office" along with a sample receipt, is posted in a conspicuous location for the public's view.

**Observation No. 6:**

During the cash count, we noted that cashiers accept over the phone credit card payments. According to staff credit card payments over the phone are done through the County Clerk's EZ Justice Portal. The cashiers are required to obtain the cardholder's name, address, and credit card security code to process the credit card payment. Once the credit card payment is processed and accepted, the credit card payment is receipted into Odyssey and the system generated receipt is sent to the defendant through mail. Staff has indicated that the payment is processed as if the defendant would have made the payment from their home and the acceptance of credit card payments over the phone has increased their collections.

The County Auditor's Office requires that the cashier request identification from the payer when a debit or credit card is presented as payment. The identification is required to verify that the card belongs to the payer. After the card is swiped or processed and the transaction has been authorized, the cashier must obtain the payer's signature on the credit card receipt. Over-the-phone credit card payments should not be accepted due to the inability to verify the identity of the card user which is necessary to ensure proper credit card authorization.

Failure to ensure that cashiers request a valid form of identification to verify that the payers name agrees to the card being presented for payment may result in credit card fraud. In addition, taking over-the-phone credit card payments increases the risk of credit card disputes which may result in the loss of County funds.

**Recommendation:**

Management should refrain from processing over-the-phone credit card transactions. Individuals calling and requesting to pay fines should be notified that payments can be made online and referred to the Hidalgo County Clerk Website.

Please provide written management responses to the observations noted above by September 23, 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 by September 23, 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;

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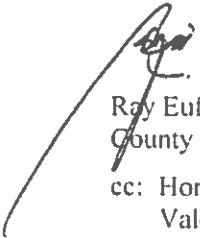
ISRAEL RAMON, JR.  
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JUDGE, 449<sup>TH</sup> D.C.

- 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 regarding this cash count, please contact Griselda Quintero, Internal Auditor I, at 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,



Roy Eufracio, CPA  
County Auditor

cc: Honorable Laura Hinojosá, Hidalgo County District Clerk  
Valde Guerra, County Executive Officer

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**HIDALGO COUNTY DISTRICT JUDGES**

ELI M SINGLETERRY JUDGE, 92 <sup>ND</sup> D.C.	RODOLFO DELGADO JUDGE, 93 <sup>RD</sup> D.C.	J R "BOBBY" FLORES JUDGE, 139 <sup>TH</sup> D.C.	ROSE GUERRA REYNA JUDGE, 206 <sup>TH</sup> D.C.	JUAN R. PARTIDA JUDGE, 275 <sup>TH</sup> D.C.	MARIO E. RAMIREZ, JR. JUDGE, 332 <sup>ND</sup> D.C.	NOE GONZALEZ JUDGE, 370 <sup>TH</sup> D.C. OVERSEER	LETICIA LOPEZ JUDGE, 389 <sup>TH</sup> D.C.	ADA SALINAS FLORES JUDGE, 398 <sup>TH</sup> D.C.	ISRAEL RAMON, JR. JUDGE, 430 <sup>TH</sup> D.C.	JESSE CONTRERAS JUDGE, 449 <sup>TH</sup> D.C.
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# 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](http://www.co.hidalgo.tx.us/auditor)



EDINBURG, TEXAS 78539

September 8, 2016

Honorable Gilberto Saenz  
Hidalgo County Justice of the Peace Pct. 1, Pl. 1  
1902 Joe Stephens, Suite 301  
Weslaco, Texas 78596

Re: Cash Count  
Report No. 2016-535

Dear Judge Saenz:

We conducted a surprise cash count of the cash held at your office on July 19, 2016, 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. 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 June 1, 2016 through June 30, 2016. 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 \$192.13. Based on the results of our review, we have concluded that total cash on hand did not reconcile to the total receipts issued for the day up to the time of the cash count by \$1,000.00 (see Observation 1). In addition, 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 10 cash bond checks totaling \$1,000.00 had not been receipted at the time of the cash count. The cash bond checks had been issued by the Sheriff's Office on February 23, 2016 (2); May 23, 2016 (1); May 31, 2016 (3); June 2, 2016 (3); and June 21, 2016 (1). According to the Court Clerk, that is responsible for receipting bond payments while the Court Coordinator is on maternity leave; the Court Coordinator had not provided her with all the checks that were pending to be receipted and deposited. Subsequently, 9 cash bonds were receipted on July 19, 2016 and 1 cash bond was receipted on July 22, 2016.

### HIDALGO COUNTY DISTRICT JUDGES

LUIS M. SINGLETERRY  
JUDGE, 92<sup>ND</sup> D.C.

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JUDGE, 370<sup>TH</sup> D.C.  
OVERSEER

LETICIA LOPEZ  
JUDGE, 348<sup>TH</sup> D.C.

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JUDGE, 394<sup>TH</sup> D.C.

ISRAEL RAMON, JR.  
JUDGE, 430<sup>TH</sup> D.C.

JESSE CONTRERAS  
JUDGE, 449<sup>TH</sup> D.C.

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 cash bond checks are promptly receipted and case dispositions are entered in a timely manner may result in the loss or misuse of County funds and/or the arrest of the defendant, in error.

**Recommendation:**

Management should ensure that the all cash bond checks are promptly receipted and case dispositions are entered in a timely manner.

**Observation No. 2:**

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

- Custody: Receive money, issue receipts, balance copies of receipts against cash bag, maintain cash bag, open and list mail receipts, and prepare deposits
- Recording: Prepare reports of cash received
- Authorization: Verify that voided original receipts are kept and reviewed, and compare listed mail receipts to recorded cash receipts

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

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 issued against the cash bag, maintaining a cash bag, opening and listing mail receipts, and preparing deposits should be different from the individual responsible for preparing reports of cash received. In addition, the individuals previously noted should be different from the individual responsible for verifying that voided original receipts are kept and reviewed and comparing listed mail receipts to recorded 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, 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:**

Procedures for the accounting of citations received from law enforcement agencies and civil cases filed with the court require improvement as follows:

1. Citations received from law enforcement agencies are recorded on a log, however, required information was not recorded on the log (i.e., citation number, name of violator/plaintiff, date of entry into *Odyssey* and docket number assigned to the citation).
2. A reconciliation of citations and civil cases filed at the court to those recorded on *Odyssey* was not conducted and formally documented; and
3. Duties related to citations and civil cases are not properly segregated. Individuals responsible for issuing receipts (custody responsibility) are also responsible for entering citations and civil cases into *Odyssey* (reporting responsibility).

**HIDALGO COUNTY DISTRICT JUDGES**

The County Auditor's Office requires that a reconciliation of citations and civil cases (cases) filed at the court be conducted and formally documented. This reconciliation may be conducted and formally documented by completing a cases filed log (log). Cases should be entered into *Odyssey* the same day they are received. Any exceptions should be brought to the attention of the Supervisor, placed in a locked area, and processed on the next business day. The following procedures should be followed when processing citations:

- a. The person responsible for opening the mail and/or accepting the delivery of cases should immediately list the cases on the log before distribution to the person responsible for entering them into *Odyssey*. Since the person responsible for entering the cases into *Odyssey* has recording responsibilities, he/she should not be responsible for accepting payments.
- b. The person responsible for opening the mail and/or accepting the delivery of cases should note, at a minimum, the following on the log: date received, citation number, name of violator/plaintiff, and name of officer who issued the citation, as applicable. The person responsible for noting this information should provide his/her signature on the "Prepared by" line of the log.
- c. The person responsible for entering the cases into *Odyssey* should enter the date of entry and docket number assigned to the case and his/her signature on the log.
- d. The "New Cases" and "Cases Filed" reports for the specified date should be generated from *Odyssey* and reconciled to the log by a person other than the person responsible for entering the cases into *Odyssey*. Any variances should be noted on the log, with a detailed explanation, and immediately brought up to the attention of the Justice of the Peace. In addition, the person conducting this reconciliation should provide his/her signature on the log as acknowledgment of the reconciliation.
- e. Citations should be placed in the applicable file.
- f. The Justice of the Peace should request periodic reports from law enforcement agencies regarding the cases filed with the courts and reconcile the reports to the cases recorded in *Odyssey*.
- g. Copies of the logs and periodic reports received from law enforcement agencies shall be maintained by the Justice of the Peace Office. This documentation shall be made available to the County Auditor's Office for review upon request.

Maintaining adequate internal controls over citations 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.

Failure to ensure that citations and civil cases are properly accounted and reconciled or that applicable compensating controls are implemented increases the risk of loss or misuse of County funds.

**Recommendation:**

Management should ensure that citations and civil cases are properly accounted and reconciled. If these procedures cannot be implemented, management should ensure that compensating controls are implemented.

**Observation No. 4:**

We randomly selected 11 of 139 (8%) dismissed criminal cases for the month ended June 30, 2016 to determine if authorization for dismissal of the cases was properly documented. The results of the review revealed the following:

- 8 (73%) dismissals were properly documented. The dismissals contained a "Motion to Dismiss" submitted by the District Attorney's Office, "Order to Dismiss" signed by the Justice of the Peace, and reason(s) for the dismissal noted in the applicable docket book.
- 3 (27%) dismissals were not properly documented.
  - 2 dismissals lacked the "Motion to Dismiss" submitted by the District Attorney's Office and an "Order to Dismiss" signed by the Justice of the Peace.
  - 1 dismissal did not have the reason(s) for the dismissal noted in the applicable docket book.

According to staff, they believe that one of the case dockets without a "Motion to Dismiss" and an "Order to Dismiss" attached is in possession of the District Attorney's Office.

**HIDALGO COUNTY DISTRICT JUDGES**

Pursuant to the Justices of the Peace Manual, Justices of the Peace may dismiss cases in criminal proceedings only when specifically authorized to do so by statute or when directed to do so by the prosecution (i.e. district attorney) in accordance with Code of Criminal Procedure Art. 32.02. All dismissals should be noted in the applicable docket book along with the reason(s) for dismissal.

A properly authorized dismissed criminal case should include in the case files and/or the docket book the following:

- "Motion to Dismiss" submitted by the District Attorney's Office, an "Order to Dismiss" signed by the Justice of the Peace, and reason(s) for the dismissal noted in the applicable docket; or
- "Order to Dismiss" and/or judgment signed by the Justice of the Peace, copies of documents as proof of dismissal based on the judge's discretion in accordance with state statutes (i.e. copies of a commercial vehicle service logs, motor vehicle registration, valid driver's license, etc.), and reason(s) for the dismissal noted in the applicable docket.

Failure to properly document dismissals may result in sanctions from the State Commission on Judicial Conduct and/or loss or misuse of County funds.

**Recommendation:**

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

**Observation No. 5:**

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 the court staff, they were not aware this list needed to be kept. The Assistant Court Coordinator will attempt to request a list.

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 a current sample of the official County receipt was not posted for the public's view. According to staff, they were not aware that the notice had to be updated with a current Official receipt. The Assistant Court Coordinator will update the notice with an updated 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" 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.

**Observation No. 7:**

An updated schedule of authorized fines and fees was not posted in a conspicuous location for the public's view. According to staff, they were not aware that the notice was not up to date.

The County Auditor's Office requires that an updated 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 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.

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**HIDALGO COUNTY DISTRICT JUDGES**

LUIS M BINGLETERY  
JUDGE, 12<sup>TH</sup> D C

RODOLFO DELGADO  
JUDGE, 13<sup>TH</sup> D C

J R "BOBBY" FLORES  
JUDGE, 139<sup>TH</sup> D C

ROSE GUERRA REYNA  
JUDGE, 208<sup>TH</sup> D C

JUAN R. PARTIDA  
JUDGE, 275<sup>TH</sup> D C

MARIO E. RAMIREZ, JR.  
JUDGE, 312<sup>ND</sup> D C

HOE GONZALEZ  
JUDGE, 370<sup>TH</sup> D C  
OVERSEER

LETICIA LOPEZ  
JUDGE, 349<sup>TH</sup> D C

AIDA SALINAS FLORES  
JUDGE, 398<sup>TH</sup> D C

ISRAEL RAMON, JR.  
JUDGE, 430<sup>TH</sup> D C

JESSE CONTRERAS  
JUDGE, 449<sup>TH</sup> D C

**Recommendation:**

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

**Observation No. 8:**

Passwords to gain access to *Hamer*, the County's credit card system, are not changed at least every 90 days. According to staff, *Hamer* has not been programmed to prompt and require users to change passwords at least every 90 days.

The 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 *Hamer*.

**Recommendation:**

Management should contact the software provider to request that *Hamer* be programmed to prompt and require users to change passwords at least every 90 days. The Information Technology Department should be contacted to request their assistance regarding this recommendation. If this is not feasible, management should monitor that employees change their passwords at least every 90 days.

Please provide written management responses to the observations noted above by September 23, 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 a copy of the written procedures by September 23, 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, do not hesitate to contact Mirjam Sinder, Internal Auditor I, at 318-2511 ext. 4646, Yvonne Torres, Revenue Internal 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, County Executive Officer

**HIDALGO COUNTY DISTRICT JUDGES**

# COUNTY of HIDALGO

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EDINBURG, TEXAS 78539

September 7, 2016

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

Ref: Cash Count  
Report No. 2016-544

Dear Mr. Olivarez:

We conducted a surprise cash count of the cash held at the Elsa Health Clinic on August 16, 2016 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 handling of cash requires improvement. The Clerk III performs the following incompatible duties:

- Custody: Receives collections, issues receipts, balances copies of receipts against the cash drawer, maintains a cash drawer, prepares bank deposits, has access to the inventory of unused cash receipts, and is responsible for collection of return checks (NSF)
- Recording: Accounts for numerical sequence of cash receipts, maintains inventory log of unused cash receipts, and prepares reports of cash received

### HIDALGO COUNTY DISTRICT JUDGES

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JUDGE, 13<sup>th</sup> D.C.

J. R. "BOBBY" FLORES  
JUDGE, 13<sup>th</sup> D.C.

ROSE GUERRA REYNA  
JUDGE, 20<sup>th</sup> D.C.

JUAN R. PARTIDA  
JUDGE, 27<sup>th</sup> D.C.

MARIO E. RAMIREZ, JR.  
JUDGE, 32<sup>nd</sup> D.C.

NOE GONZALEZ  
JUDGE, 37<sup>th</sup> D.C.  
OVERSEER

LETICIA LOPEZ  
JUDGE, 38<sup>th</sup> D.C.

AIDA SALINAS FLORES  
JUDGE, 39<sup>th</sup> D.C.

ISRAEL RAMON, JR.  
JUDGE, 43<sup>rd</sup> D.C.

JESSE CONTRERAS  
JUDGE, 44<sup>th</sup> D.C.

According to staff, segregation of duties is difficult to implement 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 collections, issuing receipts, balancing copies of receipts against the cash drawer, maintaining a cash drawer, preparing bank deposits, having access to inventory of unused cash receipts, and collecting of return checks (NSF) should be different from the individual responsible for accounting for the numerical sequence of cash receipts, maintaining inventory log of unused cash 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. 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 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 utilize security cameras increases the risk of loss or misuse of County funds.

**Recommendation:**

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

**Observation No. 3:**

A schedule of authorized fees was not posted in a conspicuous location for the public's view. According to staff, a schedule of authorized fees has not been posted as nurses inform patients of the amount due at the time services are performed.

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.

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ISRAEL RAMON, JR.  
JUDGE, 430<sup>th</sup> D.C.

JESSE CONTRERAS  
JUDGE, 443<sup>rd</sup> D.C.

**Observation No. 4:**

We noted during our review that when a receipt needs to be voided, approval to void is not properly documented. According to staff, when a receipt is voided, the receipt is marked "VOID" on the face of the receipt along with an explanation for the void, the date of void, and the cashier's initials; however, when a supervisor is not available, approval to void is obtained over the phone from Central Office. Therefore, documentation is not maintained validating the authorization to void the receipt.

The County Auditor's Office requires that approval of a void receipt be obtained prior to voiding a receipt. Approval of void receipts should be limited to supervisors. The supervisor should ensure the original and all copies of the void receipt contain on the face of the receipt the word "void", and explanation for the void, the date the receipt was voided, and the supervisor's signature of approval. In addition, the supervisor should ensure that the original and all other copies of the voided receipt are securely attached together.

Failure to ensure receipts are properly voided may result in the loss or misuse of County funds.

**Recommendation:**

Management should ensure that receipts are properly voided. In instances when a supervisor is not available, approval to void a receipt should be documented by obtaining approval via fax or e-mail from an authorized supervisor from the Central Office.

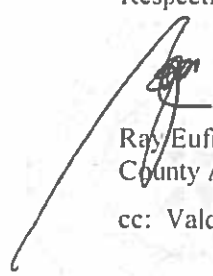
Please provide written management responses to the observations noted above by September 23, 2016. In addition, management should develop and implement procedures for the handling of cash transactions. These procedures should include, at a minimum, the following:

- 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 September 23, 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 Marissa Castillo, Internal Auditor I, at (956) 318-2511, ext. 4650, Yvonne Torres, Revenue 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**

LUIS M. SINGLETERY  
JUDGE, 92<sup>ND</sup> D.C.

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JUDGE, 93<sup>RD</sup> D.C.

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JUDGE, 139<sup>TH</sup> D.C.

ROSE GUERRA PEYNA  
JUDGE, 204<sup>TH</sup> D.C.

JUAN R. PARTIDA  
JUDGE, 275<sup>TH</sup> D.C.

MARIO E. RAMIREZ, JR.  
JUDGE, 322<sup>ND</sup> D.C.

NOE GONZALEZ  
JUDGE, 370<sup>TH</sup> D.C.  
OVERSEER

LETICIA LOPEZ  
JUDGE, 389<sup>TH</sup> D.C.

AIDA SALINAS FLORES  
JUDGE, 398<sup>TH</sup> D.C.

ISRAEL RAMON, JR.  
JUDGE, 430<sup>TH</sup> D.C.

JESSE CONTRERAS  
JUDGE, 449<sup>TH</sup> 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](http://www.co.hidalgo.tx.us/auditor)



EDINBURG, TEXAS 78539

September 1, 2016

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

Re: Cash Count  
Report No. 2016-546

Dear Mr. Olivarez:

We conducted a surprise cash count of the cash held at the Weslaco Health Clinic on August 11, 2016, 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 \$55.00. 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 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, 92 <sup>nd</sup> D.C.	RODOLFO DELGADO JUDGE, 93 <sup>rd</sup> D.C.	J. R. "BOBBY" FLORES JUDGE, 139 <sup>th</sup> D.C.	ROSE GUERRA REYNA JUDGE, 204 <sup>th</sup> D.C.	JUAN R. PARTIDA JUDGE, 273 <sup>rd</sup> D.C.	MARIO E. RAMIREZ, JR. JUDGE, 332 <sup>nd</sup> D.C.	NOE GONZALEZ JUDGE, 370 <sup>th</sup> D.C. OVERSEER	LETICIA LOPEZ JUDGE, 389 <sup>th</sup> D.C.	AIDA SALINAS FLORES JUDGE, 398 <sup>th</sup> D.C.	ISRAEL RAMON, JR. JUDGE, 430 <sup>th</sup> D.C.	JESSE CONTRERAS JUDGE, 448 <sup>th</sup> D.C.
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Failure to utilize security cameras 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 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 that is placed in the locked cash bag by the bank teller 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, the bank should have the keys to the cash bag that are utilized for making deposits.

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.

**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.

Please provide written management responses to the observations noted above by September 23, 2016.

In addition, information regarding the items listed below was previously provided to our office. Please provide any updated procedures, if applicable, by September 23, 2016.

- 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 or would like to schedule a meeting to discuss this cash count, please contact Marissa Castillo, Internal Auditor I, at 318-2511 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: Mr. Valde Guerra, County Executive Officer

**HIDALGO COUNTY DISTRICT JUDGES**

LUIS M. SINGLETERRY  
JUDGE, 97<sup>th</sup> D.C.

RODOLFO DELGADO  
JUDGE, 91<sup>st</sup> D.C.

J. R. "BOBBY" FLORES  
JUDGE, 139<sup>th</sup> D.C.

ROSE GUERRA REYNA  
JUDGE, 208<sup>th</sup> D.C.

JUAN R. PARTIDA  
JUDGE, 273<sup>rd</sup> D.C.

MARIO E. RAMIREZ, JR.  
JUDGE, 332<sup>nd</sup> D.C.

NOE GONZALEZ  
JUDGE, 370<sup>th</sup> D.C.  
OVERSEER

LETICIA LOPEZ  
JUDGE, 383<sup>rd</sup> D.C.

AIDA SALINAS FLORES  
JUDGE, 398<sup>th</sup> D.C.

ISRAEL RAMON, JR.  
JUDGE, 430<sup>th</sup> D.C.

JESSE CONTRERAS  
JUDGE, 449<sup>th</sup> D.C.

# COUNTY of HIDALGO

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Hidalgo County Administration Building  
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WEBSITE: [www.co.hidalgo.tx.us/auditor](http://www.co.hidalgo.tx.us/auditor)



EDINBURG, TEXAS 78539

September 1, 2016

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

Ref: Cash Count  
Report No. 2016-550

Dear Mr. Olivarez:

We conducted a surprise cash count of the cash held at the Mission Health Clinic on July 28, 2016 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 \$85.00. 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.

---

#### HIDALGO COUNTY DISTRICT JUDGES

LUIS M. SINGLETERRY  
JUDGE, 92<sup>ND</sup> D.C.

RODOLFO DELOADO  
JUDGE, 92<sup>ND</sup> D.C.

J. R. "BOBBY" FLORES  
JUDGE, 138<sup>TH</sup> D.C.

ROSE GUERRA REYNA  
JUDGE, 206<sup>TH</sup> D.C.

JUAN R. PARTIDA  
JUDGE, 275<sup>TH</sup> D.C.

MARIO E. RAMIREZ, JR.  
JUDGE, 332<sup>ND</sup> D.C.

NOE GONZALEZ  
JUDGE, 370<sup>TH</sup> D.C.  
OVERSEER

LETICIA LOPEZ  
JUDGE, 389<sup>TH</sup> D.C.

AIDA SALINAS FLORES  
JUDGE, 396<sup>TH</sup> D.C.

ISRAEL RAMON, JR.  
JUDGE, 430<sup>TH</sup> D.C.

JESSE CONTRERAS  
JUDGE, 448<sup>TH</sup> D.C.

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 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, 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.

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 September 23, 2016.

In addition, information regarding the items listed below was previously provided to our office; however, please provide any updated procedures, if applicable, by September 23, 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.

---

**HIDALGO COUNTY DISTRICT JUDGES**

LUIS M. SIMOLETERRY  
JUDGE, 92<sup>ND</sup> D.C.

RODOLFO DELGADO  
JUDGE, 83<sup>RD</sup> D.C.

J. R. "BOBBY" FLORES  
JUDGE, 136<sup>TH</sup> D.C.

ROSE GUERRA REYNA  
JUDGE, 206<sup>TH</sup> D.C.

JUAN R. PARTIDA  
JUDGE, 275<sup>TH</sup> D.C.

MARIO E. RAMIREZ, JR.  
JUDGE, 332<sup>ND</sup> D.C.

HOE GONZALEZ  
JUDGE, 370<sup>TH</sup> D.C.  
OVERSEER

LETICIA LOPEZ  
JUDGE, 389<sup>TH</sup> D.C.

AIDA SALINAS FLORES  
JUDGE, 396<sup>TH</sup> D.C.

ISRAEL RAMON, JR.  
JUDGE, 430<sup>TH</sup> D.C.

JESSE CONTRERAS  
JUDGE, 449<sup>TH</sup> D.C.

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 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, 92<sup>ND</sup> D.C.

RODOLFO DELOADO  
JUDGE, 93<sup>RD</sup> D.C.

J. R. "BOBBY" FLORES  
JUDGE, 138<sup>TH</sup> D.C.

ROSE GUERRA REYNA  
JUDGE, 206<sup>TH</sup> D.C.

JUAN R. PARTIDA  
JUDGE, 275<sup>TH</sup> D.C.

MARIO E. RAMIREZ, JR.  
JUDGE, 332<sup>ND</sup> D.C.

NOE GONZALEZ  
JUDGE, 370<sup>TH</sup> D.C.  
OVERSEER

LETICIA LOPEZ  
JUDGE, 388<sup>TH</sup> D.C.

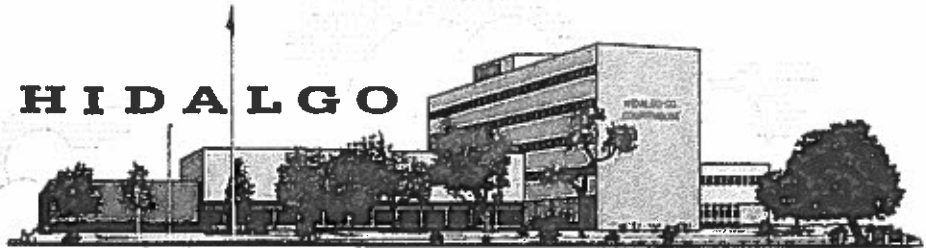
AIDA SALINAS FLORES  
JUDGE, 398<sup>TH</sup> D.C.

ISRAEL RAMON, JR.  
JUDGE, 430<sup>TH</sup> D.C.

JESSE CONTRERAS  
JUDGE, 449<sup>TH</sup> D.C.

# COUNTY OF HIDALGO

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WEBSITE: [www.co.hidalgo.tx.us/auditor](http://www.co.hidalgo.tx.us/auditor)



EDINBURG, TEXAS 78539

August 31, 2016

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

Re: Cash Count  
Report No. 2016-553

Dear Mr. Patrick:

We conducted a surprise cash count of the cash held at the Community Supervision and Corrections Department-Court Services (Old Administration Building) on June 27, 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 \$260.00. 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 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:**

The reconciliation of credit card collections was not formally documented on the *Daily Money Recap Report*. According to management, the Accountant reconciles all credit card payments to the *Hamer Enterprises' Online* payment report for each cashier as part of the daily cash reconciliation process; however, the reconciliation is not formally documented on the *Daily Money Recap Report*.

The County Auditor's Office requires that cashiers reconcile collections to all receipts issued and the approved change fund, if any, on a daily basis by utilizing the *Daily Money Recap Report*. As part of the reconciliation procedures, the credit card collections must be included in the *Daily Money Recap Report*. In addition, as part of the daily reconciliation procedures, the amount received as credit card transactions should be reconciled to the *Hamer Enterprises' Online Payment Report* by each cashier.

**HIDALGO COUNTY DISTRICT JUDGES**

LUIS M. SMOLETEREV  
JUDGE, 12<sup>th</sup> D.C.

RODOLFO DELGADO  
JUDGE, 8<sup>th</sup> D.C.

J. R. "BOBBY" FLORES  
JUDGE, 13<sup>th</sup> D.C.

ROSE GUERRA REYNA  
JUDGE, 26<sup>th</sup> D.C.

LIANA PARTIDA  
JUDGE, 27<sup>th</sup> D.C.

MARIO E. RAMIREZ, JR.  
JUDGE, 22<sup>nd</sup> D.C.

MCE GONZALEZ  
JUDGE, 27<sup>th</sup> D.C.  
OVERSEER

LETICIA LOPEZ  
JUDGE, 28<sup>th</sup> D.C.

ADA BALINAS FLORES  
JUDGE, 38<sup>th</sup> D.C.

ISRAEL RAMON, JR.  
JUDGE, 39<sup>th</sup> D.C.

JETRE CONTRERAS  
JUDGE, 48<sup>th</sup> D.C.

Failure to include credit card collections on the *Daily Money Recap Report* as part of the daily reconciliation process increases the risk of loss or misuse of County funds.

**Recommendation:**

Management should ensure that the credit card collections are included on the *Daily Money Recap Report* as part of the daily reconciliation process. Please utilize the attached *Daily Money Recap Report* during the daily cash reconciliation process.

**Observation No. 2:**

Passwords to gain access to *Odyssey*, the County's justice information system, and *Hamer Enterprises*, the credit card processing system, are not changed at least every 90 days. In addition, the username and password to *Odyssey*, is shared among the Deputy Clerk and the Receptionist. According to staff, access to *Odyssey* is for "inquiry" purposes only and passwords to *Hamer Enterprises* have never been changed due to a limited number of staff having access to the system.

The Information Technology (IT) Securities Policy requires that usernames passwords not be shared and passwords be changed at least every 90 days.

Sharing username and passwords and failure to change passwords may increase the risk of unauthorized access to *Odyssey* and *Hamer Enterprises*.

**Recommendation:**

Management should ensure that usernames and passwords are not shared and passwords are changed at least every 90 days.


Please provide written management response to the observations noted above by September 23, 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 by September 23, 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, or 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, 12<sup>th</sup> D.C.

RODOLFO DELBADO  
JUDGE, 13<sup>th</sup> D.C.

J. R. "BOBBY" FLORES  
JUDGE, 17<sup>th</sup> D.C.

ROSE DIEPRA REYNA  
JUDGE, 20<sup>th</sup> D.C.

JUAN R. PARTIDA  
JUDGE, 17<sup>th</sup> D.C.

MARCO E. RAMIREZ, JR.  
JUDGE, 13<sup>th</sup> D.C.

MOE GONZALEZ  
JUDGE, 17<sup>th</sup> D.C.  
OVERSEER

LETICIA LOPEZ  
JUDGE, 16<sup>th</sup> D.C.

ANGELA SALINAS FLORES  
JUDGE, 16<sup>th</sup> D.C.

ISRAEL RAMON, JR.  
JUDGE, 13<sup>th</sup> D.C.

JESSE CONTRERAS  
JUDGE, 46<sup>th</sup> D.C.

**COUNTY OF HIDALGO, TEXAS  
 CASHER'S DAILY CLOSE-OUT REPORT  
 COMMUNITY SUPERVISION AND CORRECTIONS DEPARTMENT  
 COURT SERVICES (OLD ADMIN)**

DATE OF COLLECTION: \_\_\_\_\_

CASH HELD BY: \_\_\_\_\_

TODAY'S DATE: \_\_\_\_\_

Time Started: \_\_\_\_\_

Time Completed: \_\_\_\_\_

**PART I: CASH ON HAND BY ACTUAL COUNT**

A.) TOTAL MONEY ORDERS (In Person)	\$ _____
B.) TOTAL MONEY ORDERS (By Mail)	\$ _____
C.) TOTAL CREDIT/DEBIT CARD TRANSACTIONS (In-House)	\$ _____
D.) TOTAL CREDIT/DEBIT CARD TRANSACTIONS (Online)	\$ _____

E.) CURRENCY		F.) COINS	
_____ ONES	\$ _____	_____ PENNIES	\$ _____
_____ FIVES	\$ _____	_____ NICKELS	\$ _____
_____ TENS	\$ _____	_____ DIMES	\$ _____
_____ TWENTIES	\$ _____	_____ QUARTERS	\$ _____
_____ FIFTIES	\$ _____	_____ HALF DOLLARS	\$ _____
_____ HUNDREDS	\$ _____	_____ SILVER DOLLARS	\$ _____
_____ OTHER	\$ _____		
TOTAL	\$ _____	TOTAL	\$ _____

TOTAL (A) - (F)	\$ _____
LESS: CHANGE FUND	\$ _____
TOTAL FUNDS RECEIVED	\$ _____
VARIANCE- Overage/ (SHORTAGE)	\$ _____

\*ATTACH TAPE OR LIST OF MONEY ORDERS

COMMENTS: \_\_\_\_\_  
 \_\_\_\_\_

**PART II: ACKNOWLEDGMENT AND APPROVAL**

I have counted and acknowledge receipt of all cash collected.

COUNTED BY: \_\_\_\_\_

WITNESSED BY: \_\_\_\_\_

Cash was transferred to the possession of: \_\_\_\_\_

-Form to be completed by each cashier daily prior to the preparation of the Cashier's Daily Close-Out Report  
 -Form to be maintained on file as per your records retention schedule

# COUNTY of HIDALGO

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WEBSITE: [www.co.hidalgo.tx.us/auditor](http://www.co.hidalgo.tx.us/auditor)



EDINBURG, TEXAS 78539

September 1, 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. 2016-555

Dear Mr. Villarreal:

We conducted a surprise cash count of the cash held at the Pharr Tax Office on August 17, 2016 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 \$9,961.54. 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 \$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:

As previously noted, security cameras were not utilized in the vault where cash is safeguarded. According to the Supervisor, the department has not approved a budget to purchase additional video equipment.

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

#### HIDALGO COUNTY DISTRICT JUDGES

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JUAN R. PARTIDA  
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OVERSEER

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JUDGE, 449<sup>th</sup> D.C.

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 safeguarded increases the risk of loss or misuse of County funds.

**Recommendation:**

Management should ensure that security cameras are utilized where cash is safeguarded. At a minimum, the procedures noted above should be implemented.

**Observation No. 2:**

During the cash count, we were informed that cashiers are allowed to process credit card payments from a person who is not the cardholder. The payer must be able to provide all the information required in order to process a credit card payment which includes the tax account being paid, the cardholder name, address where the credit card is billed, card type, credit card number, expiration date, phone number, and amount to charge. Once the transaction is processed and approved, a receipt is printed and the payer must sign and provide a phone number. According to the Supervisor, if the use of the credit card ends up being fraudulent, the credit card payment is reversed and *Hamer Enterprise* is responsible for resolving the issue with the payer.

The County Auditor's Office requires that the cashier request identification from the payer when a credit card is presented as payment. The identification is required to verify that the card belongs to the payer. After the card is swiped or processed and the transaction has been authorized, the cashier must obtain the payer's signature on the credit card receipt.

Failure to ensure that cashiers request a valid form of identification to verify that the payers name agrees to the card being presented for payment may result in credit card fraud.

**Recommendation:**

Management should ensure that cashiers request a valid form of identification to verify that the payers name agrees to the card being presented for payment.

**Observation No. 3:**

According to staff, the safe's combination, where the change fund and collections are safeguarded, has not been changed since the Assistant Supervisor retired in July 2016. According to the Substation Supervisor, a request was made to the Tax Office IT staff to change the safe's combination.

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. In addition, management should ensure that employees handling cash read section B.18 of the "Cash Handling Guidelines and Procedures" regarding the changing/updating of passwords.

**Observation No. 4:**

A notice stating, "Make sure you receive an official County receipt when making payments at this office" was posted for the public's view. However, a copy of the official County receipt was not posted by the notice. In addition, the notice was not posted in the area where property tax payments are taken but where motor vehicle payments are taken. According to the Substation Supervisor, the office was in the process of requesting a new sample of both tax and motor vehicle receipts.

The County Auditor's Office requires departments to post a notice visible to the public stating "Make sure you receive an official County receipt when making payments at this office". 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.

**HIDALGO COUNTY DISTRICT JUDGES**

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JUDGE, 449<sup>TH</sup> D.C.

Failure to ensure that a copy of the official County receipt is posted by the notice stating "Make sure you receive an official County receipt when making payments at this office" increases the risk of loss or misuse of County funds.

**Recommendation:**

Management should ensure that a copy of the official County receipt is posted by the notice stating "Make sure you receive an official County receipt when making payments at this office".

**Observation No. 5:**

We noted that checks received for payment were made payable to either Hidalgo County Tax Assessor Pablo "Paul" Villarreal Jr.; Pablo (Paul) Villarreal Jr. Assessor & Collector; or Pablo (Paul) Villarreal Jr. PCC. In addition, signs were posted for the public's view instructing them to make checks payable to "Pablo (Paul) Villarreal Jr. Tax Assessor & Collector". Furthermore, tax statements sent out to tax payers instruct payers to make checks payable to "Pablo (Paul) Villarreal Jr., PCC".

On March 7, 2016, the County Auditor issued a letter to the Tax Assessor requiring cashiers to verify that checks are made payable to the Elected or Public Official's title (i.e. Hidalgo County Tax Assessor/Collector) prior to accepting a check as payment.

Failure to ensure to ensure that checks are made out to the Elected Official's title (i.e., Hidalgo County Tax Assessor/Collector) increases the risk of loss or misuse of County funds.

**Recommendation:**

Management should ensure that checks are made out to the Elected Official's title (i.e., Hidalgo County Tax Assessor/Collector).

Please provide written management responses to the observations noted above by September 23, 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;
  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 September 23, 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 II, 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 E. Iracio, CPA  
County Auditor

cc: Valde Guerra, County Executive Officer  
Eva Mireles, Chief of Operations  
Kristi Torres, Substation Supervisor

**HIDALGO COUNTY DISTRICT JUDGES**

LUIS M. SINGLETERRY  
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JUDGE, 139<sup>TH</sup> D. C.

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NOE GONZALEZ  
JUDGE, 399<sup>TH</sup> D. C.  
CIVIL PRSFR

LETICIA LOPEZ  
JUDGE, 349<sup>TH</sup> D. C.

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ISRAEL RAMON, JR.  
JUDGE, 430<sup>TH</sup> D. C.

JESSE CONTRERAS  
JUDGE, 449<sup>TH</sup> D. C.

# COUNTY of HIDALGO

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Hidalgo County Administration Building  
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EDINBURG, TEXAS 78539

September 1, 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. 2016-556

Dear Mr. Villarreal:

We conducted a surprise cash count of the cash held at the Weslaco Tax Office on July 20, 2016 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 \$18,187.41. 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:

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

### HIDALGO COUNTY DISTRICT JUDGES

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LETICIA LOPEZ  
JUDGE, 388<sup>TH</sup> D.C.

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JUDGE, 394<sup>TH</sup> D.C.

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JUDGE, 430<sup>TH</sup> D.C.

JESSE CONTRERAS  
JUDGE, 449<sup>TH</sup> 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. Management should contact the Department of Budget and Management to request their assistance regarding the purchase of security cameras.

**Observation No. 2:**

According to staff, temporary receipts are not cross-referenced with the corresponding ACT receipts. In addition, notes are not entered in the taxpayer's account indicating a temporary receipt was issued. According to the Substation Supervisor, when a temporary receipt is entered into ACT, the computerized receipt is printed out and stapled with a copy of the temporary receipt. They are not required to cross-reference the receipts on the actual receipt or in the system (i.e. in the notes).

The County Auditor's Office requires that pre-numbered manual official County receipts be issued when an electronic receipting system fails. Manually receipted transactions by departments with an electronic receipting system shall be entered into the applicable electronic system as soon as possible but in no case later than the next business day after the electronic receipting system resumes operation. Each manual receipt and corresponding electronic system receipt/record should be cross-referenced. In addition, after a reconciliation of all the receipts within the manual receipt book has been completed, the Department must return each used receipt book to the County Auditor's Office.

Failure to ensure to ensure that each manual receipt and corresponding computer-generated receipt is cross-referenced increases the risk of loss or misuse of County funds.

**Recommendation:**

Management should ensure that each manual receipt and corresponding computer-generated receipt is cross-referenced.

**Observation No. 3:**

We noted that checks received for payment were made payable to either Hidalgo County Tax Assessor Pablo "Paul" Villarreal Jr.; Pablo (Paul) Villarreal Jr. Assessor & Collector; or Pablo (Paul) Villarreal Jr. PCC. In addition, signs were posted for the public's view instructing them to make checks payable to "Pablo (Paul) Villarreal Jr. Tax Assessor & Collector". Furthermore, tax statements sent out to tax payers instruct payers to make checks payable to "Pablo (Paul) Villarreal Jr., PCC".

On March 7, 2016, the County Auditor issued a letter to the Tax Assessor requiring cashiers to verify that checks are made payable to the Elected or Public Official's title (i.e. Hidalgo County Tax Assessor/Collector) prior to accepting a check as payment.

Failure to ensure to ensure that checks are made out to the Elected Official's title (i.e., Hidalgo County Tax Assessor/Collector) increases the risk of loss or misuse of County funds.

**Recommendation:**

Management should ensure that checks are made out to the Elected Official's title (i.e., Hidalgo County Tax Assessor/Collector).

Please provide written management responses to the observations noted above by September 23, 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:

- 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;

**HIDALGO COUNTY DISTRICT JUDGES**

LUIS M. SINGLETERRY  
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JUDGE, 20<sup>th</sup> D.C.

JUAN R. PARTIDA  
JUDGE, 27<sup>th</sup> D.C.

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JUDGE, 37<sup>th</sup> D.C.  
TVPRFRFR

LETICIA LOPEZ  
JUDGE, 38<sup>th</sup> D.C.

AIDA SALINAS FLORES  
JUDGE, 38<sup>th</sup> D.C.

ISRAEL RAMON, JR.  
JUDGE, 43<sup>rd</sup> D.C.

JESSE CONTRERAS  
JUDGE, 44<sup>th</sup> D.C.

4. Process for reconciling collections, including frequency of reconciliation;
  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 September 23, 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 II, 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 Eufrazio, CPA  
County Auditor

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

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**HIDALGO COUNTY DISTRICT JUDGES**

LUIS M. SINGLETERRY  
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