

# COUNTY of HIDALGO

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EDINBURG, TEXAS 78539

June 13, 2019

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

Received  
Central Office

JUN 14 2019

Re: Cash Count Report No. 2019-559

Dear Mr. Olivarez:

We conducted a surprise cash count of the cash held at the Hidalgo Health Clinic on May 14, 2019 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 the review was limited to a count of the cash on hand as of the time of the cash count. We also conducted a follow-up review of the internal control weaknesses identified in the cash count conducted on November 28, 2018. Our review was not designed nor intended to be a detailed study of every relevant control system, procedure, or transaction. Accordingly, the opportunities for improvement presented in this report may not be all-inclusive of areas where improvement could be made.

### Conclusion:

Total cash on hand at the time of the cash count was \$55.00. Based on the review, we concluded that total cash on hand reconciled to the receipts issued at the time of the cash count and the approved change fund of \$50.00. However, we noted that the system of internal controls for the collection and safeguarding of cash requires improvement as noted in the following observations.

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.

### **Observation No. 1:**

We noted that security cameras were not utilized where cash is receipted and safeguarded. According to management, the office is seeking approval from Commissioners Court to implement a rule that prohibits the use of cameras in areas that provide access to client's identity and personal health information.

Security cameras serve as a crime deterrent; therefore, 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 in areas where cash is receipted and safeguarded increases the risk of loss or misuse of County funds.

### HIDALGO COUNTY DISTRICT JUDGES

LUIS H. SMOLETERRY JUDGE, 10<sup>th</sup> D.C.    FERNANDO MANCIAS JUDGE, 53<sup>rd</sup> D.C.    J. R. "BOBBY" FLORES JUDGE, 131<sup>st</sup> D.C.    ROSE GUERRA REYNA JUDGE, 206<sup>th</sup> D.C.    MARLA CUELLAR JUDGE, 376<sup>th</sup> D.C.    MARIO E. RAMIREZ, JR. JUDGE, 332<sup>nd</sup> D.C.    NOE GONZALEZ JUDGE, 378<sup>th</sup> D.C. OVERSEER    LETICIA LOPEZ JUDGE, 388<sup>th</sup> D.C.    L. HENR VASQUEZ JUDGE, 388<sup>th</sup> D.C.    ISRAEL RAMON, JR. JUDGE, 430<sup>th</sup> D.C.    RENEZ R. BETANCOURT JUDGE, 448<sup>th</sup> D.C.    JAIME T. JERNA JUDGE, 464<sup>th</sup> D.C.

**Recommendation:**

Management should ensure that security cameras are utilized in areas where cash is received and safeguarded, otherwise, management should ensure the approval from Commissioners Court is obtained as soon as possible.

**Observation No. 2:**

We noted that segregation of duties over the handling of cash requires improvement. The Clerk manager and Clerk perform the following incompatible duties:

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

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

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

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

Failure to have adequate segregation of duties 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.

Please provide written management responses to the observations noted above by June 28, 2019.

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 Marissa Castillo, Internal Auditor II, at 318-2511 ext. 4650, Yvonne Torres, Revenue Audit Supervisor, at ext. 4642, Letty Chavez, Director of Audit, at ext. 4651, Linda Fong, First Assistant County Auditor, at ext. 4668, or me at ext. 4645.

Respectfully,



Maria Arcilia Duran, CPA  
Hidalgo County Auditor

cc: Mr. Valde Guerra, County Executive Office

**HIDALGO COUNTY DISTRICT JUDGES**