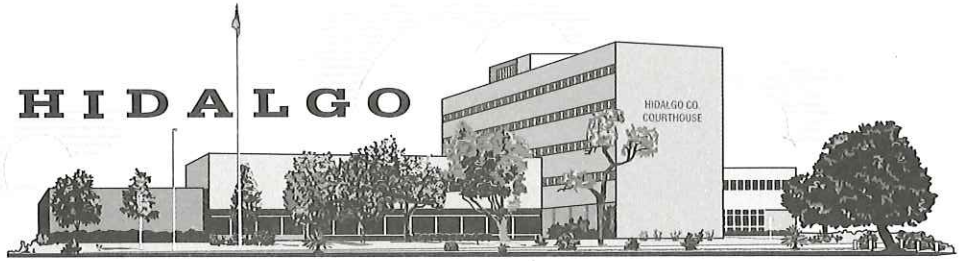


COUNTY of HIDALGO



EDINBURG, TEXAS 78539

HIDALGO COUNTY AUDITOR'S OFFICE
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December 23, 2020

The Honorable Jose M. Flores, Commissioner
Hidalgo County Precinct No. 3
724 North Breyfogle
P.O. Box 607
Mission, TX 78574

Re: Sanitation Program *Monthly Fee Report* for July 2020 through November 2020

Dear Commissioner Flores:

We conducted a limited scope review of the Precinct 3 Sanitation Program *Monthly Fee Report* and supporting documentation for the months of July 2020 through November 2020 pursuant to Local Government Code §115.002 (a) and (b). The objective of the review was to determine if fees collected were properly accounted and reported. The purpose of this report is to furnish management independent, objective analyses, recommendations, and information concerning the area reviewed. The report should serve as a tool to help management discern and implement specific improvements.

Conclusion:

Collections for the months of July 2020, August 2020, September 2020, October 2020, and November 2020 totaled \$18,050.00, \$24,800.00, \$56,025.00, \$49,475.00, and \$36,500.00, respectively. Based on the review, we concluded that fees collected were generally properly accounted and reported; however, the system of internal controls for the accounting and reporting of fees 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.

Scope:

The scope of the review was limited to collections reported by your office on the *Monthly Fee Report* for the months of July 2020 through November 2020. The 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.

Methodology:

In conducting the review, the following procedures were performed:

- Verified that the *Monthly Fee Report* and supporting documentation were submitted to the County Auditor's Office within five days after the last day of the month pursuant to Local Government Code §114.001 (b).

HIDALGO COUNTY DISTRICT JUDGES

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| LUIS M. SINGLETERRY JUDGE, 82 ND D.C. | FERNANDO MANCIAS JUDGE, 83 RD D.C. | J. R. "BOBBY" FLORES JUDGE, 139 TH D.C. | ROSE GUERRA REYNA JUDGE, 204 TH D.C. | MARLA CUELLAR JUDGE, 275 TH D.C. | MARIO E. RAMIREZ, JR. JUDGE, 332 ND D.C. | NOE GONZALEZ JUDGE, 370 TH D.C. OVERSEER | LETICIA LOPEZ JUDGE, 389 TH D.C. | L. KENO VASQUEZ JUDGE, 398 TH D.C. | ISRAEL RAMON, JR. JUDGE, 430 TH D.C. | RENEE R. BETANCOURT JUDGE, 449 TH D.C. | YSMAEL D. FONSECA JUDGE, 464 TH D.C. |
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- Verified that the *Monthly Fee Report* was signed by an authorized signatory as documented on the “Authorized Signatories Form.”
- Verified the mathematical accuracy of the *Monthly Fee Report* by footing and cross-footing the report.
- Reviewed receipts issued to determine if proper fee amounts were collected and reported.
- Verified that receipts and permits were issued in sequential order.
- Verified that procedures for voiding receipts and permits were properly followed.
- Reviewed *Cashier’s Daily Close-out Reports/Daily Remittance Forms* (Close-out Reports) to determine if fees collected were properly accounted and deposited with the financial institution on a daily basis.
- Verified that the collections per the *Monthly Fee Report* agreed to: 1.) total receipts issued by the Precinct; 2.) total deposits made with the financial institution; and 3.) total receipts issued by the County Treasurer.
- Verified that receipts, Close-out Reports and the *Monthly Fee Report* were properly completed.

Observation No. 1:

We noted that permit number 81982 issued to user 13 during August 2020, permit number 82296 issued to user 14 during September 2020, permit numbers 84300, 84367, and 84440 issued to user 13 during October 2020, and permit number 85581 issued to user 13 during November 2020 were out of sequence and unaccounted for. Precinct 3 staff was unable to provide an explanation for the missing permits.

In addition, shortages and missing permits totaling \$2,105.00 (shortages of \$25.00, \$10.00, \$5.00, \$20.00, \$5.00, and \$15.00 on January 8, 2016, January 11, 2016, February 24, 2016, November 26, 2018, January 27, 2020, and May 18, 2020 respectively, and 81 missing permits totaling \$2,025.00 issued between January 2016 and June 2020) have not been replenished and deposited with the County Treasurer, as previously requested by the County Auditor’s Office.

Persons who accept accountable forms (i.e., permits, receipts, etc.) become responsible, upon receipt, for the accountability and safeguarding of such forms. Loss or theft of accountable forms must be promptly reported to the County Auditor’s Office. The written notification should include a statement of the circumstances concerning the loss. Accountable forms reported lost or stolen must be marked “Void” in the electronic application system. Management must also monitor all missing accountable forms to determine if there is a pattern meriting further investigation, modification of procedures, retraining of personnel, or disciplinary action. Furthermore, the supervisor should verify that the permits previously issued to the cashier have been sold prior to issuing additional permits. Moreover, prior to replacing a permit, the cashiers should verify that the permit is in the Solid Waste Disposal System and not reported missing and unaccounted for. A missing and unaccounted permit should not be replaced until the constituent provides proof of payment.

The County Auditor’s Office requires that cash receipts be deposited intact on a daily basis. A county officer is personally liable for the loss of funds (e.g., shortage, acceptance of counterfeit bill, hot check, credit card charge back, etc.) while in his/her possession in the performance of official duties. Shortages must be replenished.

Failure to ensure that cash receipts are deposited intact on a daily basis and permits are properly accounted and safeguarded may result in the loss of County revenue.

Recommendation:

Management should ensure that permits are properly accounted and safeguarded. At a minimum, the procedures noted above should be implemented. The unaccounted permits should also be voided in the Solid Waste Disposal Application Program and \$2,255.00 for shortages and missing permits should be replenished and deposited with the County Treasurer.

Observation No. 2:

We noted that the “Void Permit Log” was not properly completed. In some instances, the “Void Permit Log” did not contain the void permit number, new permit number, the permit issued to (constituent’s name), reason for void, and the supervisor’s signature of approval.

HIDALGO COUNTY DISTRICT JUDGES

Furthermore, we noted that permit number 81922 voided in the month of August 2020 was reactivated on November 2020. Precinct 3 staff was unable to provide an explanation for reactivating the void permit in the Solid Waste Disposal Program.

The County Auditor's Office requires the Precinct to maintain a "Void Permit Log" to document the issuance of a new permit to replace an active permit (void permit). The "Void Permit Log" requires the employee to document the date the permit was voided, void permit number, reason for void, new permit number, the name of the individual requesting the new permit, employee's signature, and the supervisor's signature of approval. The supervisor's signature must be obtained prior to voiding the permit. In addition, prior to issuing a replacement permit, the voided permit must be obtained from the constituent, marked void, and submitted to the County Auditor's Office along with the Monthly Fees Report. Void permits should not be reactivated in the Solid Waste Disposal Program.

Failure to ensure that the "Void Permit Log" is properly completed, and that cashiers do not reactivate expired or previously voided permits, may result in the loss of County revenue.

Recommendation:

Management should ensure that "Void Permit Log" is properly completed. In addition, management should prohibit all cashiers from reactivating expired or previously voided permits. Management should request the assistance from the Information Technology Department to ensure that cashiers are restricted from reactivating voided permits in the Solid Waste Disposal Program. At a minimum, the procedures noted above should be implemented.

Observation No. 3:

We noted during the months in review that *Daily Close-out Reports* were not properly completed. In some instances, the *Daily Close-out Reports* did not contain the money order or check numbers and detail amounts, the "Witness by" signature, the "Validated deposit slip/County Treasurer Receipt" verification, and Commissioner approval as required in Section II and Section III.

Furthermore, we also noted that Precinct 3 staff collected money orders for higher amounts than the approved fees set by Commissioners Court which created overages. Some of the overages have not been refunded to payers.

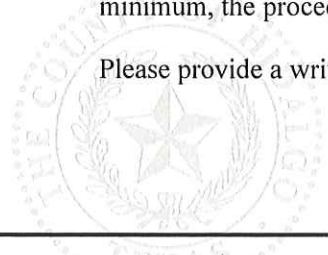
The County Auditor's Office requires that the *Daily Close-out Reports* be reconciled on a daily basis prior to making a deposit in order to reconcile receipts issued to collections daily. Cashiers should confirm the numeric amounts listed on money orders agree to the receipt issued and for the exact amount due. The check/money order information must be documented on the *Daily Close-out Reports*. Both the cashier and the witness must verify that the *Daily Close-out Report* is completed in its entirety and must sign to document their responsibility for this verification. After the deposit has been made, the County official or his/her designee must verify that the total amount on the bank validated deposit and County Treasurer receipt agrees to the total amount on the *Daily Close-out Report*. The County official or his/her designee must sign the *Daily Close-out Report* to document responsibility for reviewing and approving the *Daily Close-Out Report*.

Failure to ensure that *Daily Close-out Reports* are properly completed increases the risk of loss of County funds.

Recommendation:

Management should ensure that the *Daily Close-out Reports* are properly completed. In addition, a refund request should be submitted to the County Auditor's Office for the overages that have not been refunded. At a minimum, the procedures noted above should be implemented.


Please provide a written management response to the observations noted above by December 29, 2020.



HIDALGO COUNTY DISTRICT JUDGES

If you have any questions regarding the requested information, please contact Aaron Robledo, Internal Auditor I, at 318-2511, ext. 4694, Reynaldo Cantu III, Compliance Audit Supervisor, at ext 4654, Letty Chavez, Director of Audit Division, at ext. 4651, Linda Fong, First Assistant Auditor, at ext. 4668, or me at ext. 4645.

Respectfully,


Maria Arcilia Duran, CPA
Hidalgo County Auditor

Enclosure: Management Response Forms

cc: Mr. Valde Guerra, County Executive Officer



HIDALGO COUNTY DISTRICT JUDGES

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

FERNANDO MANCIAS
JUDGE, 93RD D.C.

J. R. "BOBBY" FLORES
JUDGE, 159TH D.C.

ROSE GUERRA REYNA
JUDGE, 204TH D.C.

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