

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



August 22, 2023

The Honorable Richard F. Cortez, Hidalgo County Judge
 The Honorable David L. Fuentes, Commissioner Precinct No. 1
 The Honorable Eduardo Cantu, Commissioner Precinct No. 2
 The Honorable Everardo Villarreal, Commissioner Precinct No. 3
 The Honorable Ellie Torres, Commissioner Precinct No. 4

Dear Judge and Commissioners:

Pursuant to Local Government Code Section 115.0035 (c), we are submitting for your review the following County Auditor reports:

| Department | Description |
|--|--|
| Mr. Eduardo Olivarez, Director Hidalgo County Department of Health and Human Services | Pharr Health Clinic Cash Count Report No. 2022-567 |
| The Hon. Pablo Villarreal, Jr., RTA Hidalgo County Tax Assessor/Collector | Weslaco Motor Vehicle Cash Count Report No. 2022-587 |
| Mr. Faustino Lopez, Executive Director Community Supervision and Corrections Department | Court Service Building Cash Count Report No. 595 |
| The Hon. Gilberto Saenz, Justice of the Peace Pct. 1 Pl. 1 | Cash Count Report No. 2022-598 |
| The Hon. Jesus Morales, Justice of the Peace Pct. 1 Pl. 2 | Cash Count Report No. 2022-599 |

Respectfully,

Linda Fong
 Linda Fong, CPFO
 Interim County Auditor

Attachments

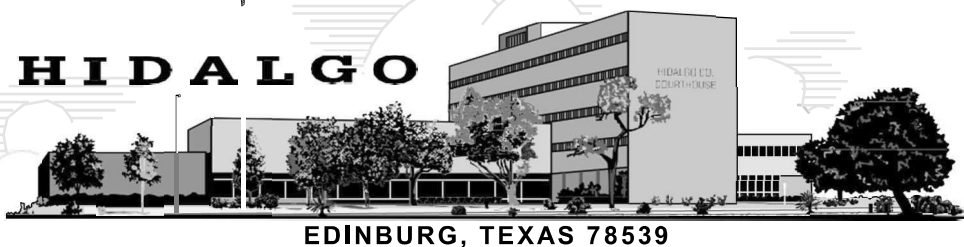


HIDALGO COUNTY DISTRICT JUDGES

LUIS M. SINGLETERRY JUDGE, 92ND D.C. FERNANDO MANCIAS JUDGE, 93RD D.C. J. R. "BOBBY" FLORES JUDGE, 139TH D.C. ROSE GUERRA REYNA JUDGE, 208TH D.C. MARLA CUELLAR JUDGE, 275TH D.C. MARIO E. RAMIREZ, JR. JUDGE, 332ND D.C. NOE GONZALEZ JUDGE, 370TH D.C. OVERSEER LETICIA LOPEZ JUDGE, 389TH D.C. L. KENO VASQUEZ JUDGE, 398TH D.C. ISRAEL RAMON, JR. JUDGE, 430TH D.C. RENEE R. BETANCOURT JUDGE, 449TH D.C. JOSE "JOE" RAMIREZ JUDGE, 464TH D.C. YSMAEL FONSECA JUDGE, 476TH 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



May 8, 2023

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

Re: Cash Count Report No. 2022-567

Dear Mr. Olivarez:

We conducted a surprise cash count of the cash held at the Pharr Health Clinic on May 19, 2022 as required by Local Government Code §115.0035. The objective of the cash count was to determine if 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.

Executive Summary:

Based on the review, we concluded that 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; however, we noted that the system of internal controls for the collection and safeguarding of cash requires improvement. More specifically, we noted that the Clerks performed incompatible duties.

Scope:

The scope of the review was limited to a count of the cash on hand as of the time of the cash count. 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.

As part of our procedures, we verified 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 completed, recorded, and reported in accordance with applicable laws and procedures. The internal controls reviewed during our audit 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:

Cash on hand at the time of the cash count totaled \$365.00. Based on the review, we 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 \$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 observation.

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.

HIDALGO COUNTY DISTRICT JUDGES

LUIS M. SINGLETERRY JUDGE, 92nd D.C. FERNANDO MANCIAS JUDGE, 93rd D.C. J. R. "BOBBY" FLORES JUDGE, 139th D.C. ROSE GUERRA REYNA JUDGE, 206th D.C. MARLA CUELLAR JUDGE, 275th D.C. MARIO E. RAMIREZ, JR. JUDGE, 332nd D.C. NOE GONZALEZ JUDGE, 370th D.C. OVERSEER LETICIA LOPEZ JUDGE, 389th D.C. L. KENO VASQUEZ JUDGE, 398th D.C. ISRAEL RAMON, JR. JUDGE, 430th D.C. RENEE R. BETANCOURT JUDGE, 449th D.C. JOSE "JOE" RAMIREZ JUDGE, 464th D.C. YSMAEL FONSECA JUDGE, 476th D.C.

Observation No. 1:

We noted that segregation of duties over the collection and recording of cash requires improvement. In addition, compensating controls to cover the lack of basic internal controls have not been implemented. The Clerks perform the following incompatible duties:

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

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

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

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


Formal monitoring procedures have not been developed and implemented to ensure that incompatible duties are adequately segregated or that compensating controls are implemented. Failure to have adequate segregation of duties increases the risk of loss or misuse of County revenues.

Recommendation:

Management should develop and implement formal monitoring procedures to ensure that incompatible duties are adequately segregated or that compensating controls are implemented.

Please provide a written management response to the observation noted above on the attached Management Response Form by May 23, 2023. The Management Response Form should be emailed to managementresponse@auditor.co.hidalgo.tx.us.

If you should have any questions, contact Edgar Alan Escobedo, Internal Auditor III, at 318-2511 ext. 4655, Yvonne Torres, Revenue Internal Audit Supervisor, at ext. 4642, Reynaldo Cantu III, Director of Audit Division, at ext. 4654, Letty Chavez, First Assistant Auditor, at ext. 4651, or me at ext. 4668.

Respectfully,

Linda Fong, CPF
Interim County Auditor

Enclosure: Management Response Form

cc: Valde Guerra, County Executive Officer
Dairen Sarmiento, Assistant Director, Health and Human Services Department

HIDALGO COUNTY DISTRICT JUDGES

COUNTY of HIDALGO

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



June 8, 2023

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. 2022-587

Dear Mr. Villarreal:

We conducted a surprise cash count of the cash held at the Weslaco Motor Vehicle Substation on May 24, 2022, as required by Local Government Code §115.0035. The objective of the cash count was to determine if 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.

Executive Summary:

Based on the review, we concluded that cash on hand did not generally reconcile to the total receipts issued for the day up to the time of the cash count and the approved change fund. In addition, we noted that the system of internal controls for the collection and safeguarding of cash requires improvement. More specifically, we noted the following:

- Not all cash on hand was receipted at the time of the cash count; and
- Dealer drop-off checks were accepted without the numeric and written dollar amounts noted on the face of the check.

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 to evaluate the progress towards resolving the observations identified in the cash count conducted on December 11, 2019. 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.

As part of the procedures, we verified 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 audit 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.

HIDALGO COUNTY DISTRICT JUDGES

LUIS M. SINGLETERRY JUDGE, 92ND D.C. FERNANDO MANCIAS JUDGE, 93RD D.C. J. R. "BOBBY" FLORES JUDGE, 139TH D.C. ROSE GUERRA REYNA JUDGE, 206TH D.C. MARLA CUELLAR JUDGE, 275TH D.C. MARIO E. RAMIREZ, JR. JUDGE, 332ND D.C. NOE GONZALEZ JUDGE, 370TH D.C. OVERSEER LETICIA LOPEZ JUDGE, 389TH D.C. L. KENO VASQUEZ JUDGE, 398TH D.C. ISRAEL RAMON, JR. JUDGE, 430TH D.C. RENEE R. BETANCOURT JUDGE, 449TH D.C. JOSE "JOE" RAMIREZ JUDGE, 464TH D.C. YSMAEL FONSECA JUDGE, 476TH D.C.

Conclusion:

Cash on hand at the time of the cash count totaled \$66,374.13. Based on the review, we concluded that total cash on hand did not reconcile to total receipts issued for the day up to the time of the cash count, change order forms (request for change from bank via armored company), web dealer reports, and the approved change fund of \$7,200.00 (see Observation No. 1). In addition, 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:

Total cash on hand at the time of the cash count exceeded receipts issued due to the following:

- 97 checks dropped off by dealers between May 20, 2022 and May 24, 2022 had not been received. Of the 97 checks:
 - 23 checks totaling \$10,295.66 were subsequently received on May 25, 2022.
 - 3 checks totaling \$1,290.42 were rejected and returned for various reasons according to the dealer logs provided to the County Auditor's Office.
 - Insufficient documentation was provided to determine if 3 checks totaling \$350.88 were received or rejected after the cash count.
 - 68 checks did not state an amount on the face of the check (see Observation No. 2). Of the 68 checks:
 - 54 checks totaling \$36,362.80 were received on May 25, 2022.
 - 14 checks were rejected and returned for various reasons.
- We noted a \$3.00 cash overage in a clerk's cash bag. The overage was deposited; however, the overage was recorded in the Short/Over-General balance sheet account instead of being deposited as miscellaneous revenue in the general fund.

The County Auditor's Office requires that all payments, including dealer drop-off checks, be promptly recorded and controlled using pre-numbered official County receipts. Collections must be deposited intact on a daily basis, unless the amount collected is less than \$100.00. Generally, overages collected should be remitted to the County Treasurer's Office as miscellaneous revenue and deposited with the daily collections. If a payment discrepancy occurs (i.e., vehicle requiring current inspection, incorrect payment amount, etc.), a pre-numbered manual official County receipt should be issued. Once the discrepancy is resolved, an official County receipt from the electronic receipting system should be issued and a refund check issued, if applicable.

Failure to ensure that all payments received are properly collected, promptly receipted, and deposited in the bank or with the County Treasurer's Office may result in the loss or misuse of County funds.

Recommendation:

Management should ensure that all payments are properly collected, promptly receipted and deposited. In addition, management should develop and implement formal monitoring procedures to ensure that overages are properly accounted and reported. Management should monitor all overages to determine if there is a pattern meriting further investigation, modification of collection procedures, retraining of personnel, or disciplinary action. At a minimum, the procedures noted above should be implemented.

Observation No. 2:

We noted that dealer drop-off checks are accepted without the numeric and written dollar amount on the face of the check. According to staff, fees for services cannot always be readily determined; therefore, the dealers

HIDALGO COUNTY DISTRICT JUDGES

opt to send a blank check along with the recording documents. Once the amount is determined, the deputy clerk (deputy) writes the numeric and written dollar amounts on the check, the documents are recorded, and a receipt is issued.

For the prior day's collections, we noted that a check without the numeric and written dollar amount was prepared by a deputy for \$75.25 instead of \$80.25, in error. The check was corrected by placing a post-it over the numeric and written amounts. The check was deposited in the amount of \$80.25 using the electronic remote deposit system. According to the substation Supervisor, they are required to return checks with errors to the dealer; however, due to an oversight, the check was not returned for correction.

The County Auditor's Office requires that prior to accepting a check as payment, the deputy must verify that the numerical and written dollar amounts agree and are for the exact amount due. Checks that are not properly completed should not be accepted.

If an exception is made by the department head to receive blank checks from dealers, dealers should be required to complete and submit the enclosed "Authorization to Complete Blank Check Amount" form. The signed and original forms should be retained by the Motor Vehicle Department and made available for review by the County Auditor's Office.

Failure to ensure that deputy's do not accept checks that are not properly completed unless they include an "Authorization to Complete Blank Check Amount" form may result in the loss or misuse of County funds. In addition, the County may be liable for checks prepared by the deputy in error or a blank check misplaced by the department.

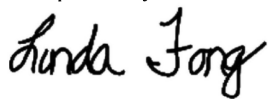
Recommendation:

Management should ensure that deputy's do not accept checks that are not properly completed. In the alternative, if management allows the department to receive blank checks from dealers, the enclosed "Authorization to Complete Blank Check Amount" form should be utilized. The "Authorization to Complete Blank Check Amount" form has been reviewed by legal counsel.

Please email management responses to managementresponse@auditor.co.hidalgo.tx.us for the observations noted above by June 23, 2023.

If you have any questions or would like to schedule a meeting regarding this cash count, please contact Osvaldo Escamilla, Internal Auditor III, at 318-2511 ext. 4647, Yvonne Torres, Revenue Audit Supervisor, at ext. 4642, Reynaldo Cantu III, Director of Audit Division, at ext. 4654, Letty Chavez, First Assistant Auditor, at ext. 4651, or me at ext. 4668.

Respectfully,



Linda Fong, CPFO
Interim County Auditor

Enclosures: Management Response Forms and Authorization to Complete Blank Check Amount Form

cc: Valde Guerra, County Executive Officer
Eva Mireles, Tax Office Chief Deputy
Santos Castilleja, Motor Vehicle Division Manager
Lucy Flores, Weslaco Substation Supervisor

HIDALGO COUNTY DISTRICT JUDGES



PABLO (PAUL) VILLARREAL JR
TAX ASSESSOR-COLLECTOR

Date: _____

AUTHORIZATION TO COMPLETE BLANK CHECK AMOUNT

I, _____ (business name if not an individual) authorize a deputy of the Hidalgo County Tax Office to write in the exact dollar amount of payment due on the check(s) I have provided for the motor vehicle transaction(s) submitted.

All other fields, including the PAY TO THE ORDER OF (payee) must be completed.

ACCEPTABLE CHECKS MUST BE MADE OUT TO THE FOLLOWING:

- a.) HIDALGO COUNTY,
- b.) HIDALGO COUNTY TAX ASSESSOR & COLLECTOR, or,
- c.) HIDALGO COUNTY PABLO (PAUL) VILLARREAL JR. ASSESSOR & COLLECTOR

UNDER NO CIRCUMSTANCE WILL A CHECK WITH A BLANK PAYEE BE ACCEPTED

I understand that this is a convenience service provided by the Hidalgo County Tax Office (Tax Office) and hold the Tax Office harmless from liability. This authorization letter will be retained by the Tax Office and will remain in effect until authorization is withdrawn in writing.

An owner or officer of a corporation must sign this letter of authorization.

Under penalty or perjury, I attest that I am authorized to sign this letter of authorization.

I swear and affirm that I am authorized to sign this AUTHORIZATION TO COMPLETE BLANK CHECK AMOUNT.

Customer Signature

Print Name: _____

Title: _____

Company Name: _____

Address: _____

Telephone Number: _____



**HIDALGO COUNTY AUDITOR'S OFFICE
INTERNAL AUDIT DIVISION
MANAGEMENT RESPONSE FORM**

AUDITEE: Motor Vehicle - Weslaco AUDIT NO.: 2022-587

AUDIT: Cash Count MANAGEMENT RESPONSE DUE: June 23, 2023

FINDING No.: 1 RECOMMENDATION: 1

Management should ensure that all payments are properly collected, promptly receipted and deposited. In addition, management should develop and implement formal monitoring procedures to ensure that overages are properly accounted and reported. Management should monitor all overages to determine if there is a pattern meriting further investigation, modification of collection procedures, retraining of personnel, or disciplinary action. At a minimum, the procedures noted above should be implemented.

Management Response (Choose One):

_____ **AGREE TO TAKE REMEDIAL ACTION (Action Plan attached)**
_____ **AGREE TO ACCEPT RISK OF NOT TAKING REMEDIAL ACTION**
_____ **DISAGREE THAT RISK EXISTS (Specify below)**

Management Comments (Attach additional page(s) if necessary):

Specify Target Date of Remedial Action (if any):

Signature: _____ **Date:** _____

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



April 28, 2023

Mr. Faustino Lopez, Executive Director
Community Supervision and Corrections Department
3100 South Business Highway 281
Edinburg, TX 78539

Re: Cash Count Report No. 2022-595

Dear Mr. Lopez:

We conducted a surprise cash count of the cash held at the Community Supervision and Corrections Department-Court Services (Old Administration) Building on May 18, 2022 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 approved change fund.

Executive Summary:

Based on the review, we concluded that 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. However, we noted that the system of internal controls for the collection and safeguarding of cash requires improvement. More specifically, we noted the following:

- The “Court Service Collection Bag Transfer” log is not utilized to document the transfer of collections;
- The *Cashier’s Daily Close-out Report* is not used to reconcile the daily collections; and
- Security cameras are not installed in the area where collections are safeguarded overnight.

Scope:

The scope of the review was limited to a count of the cash on hand at 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 June 20, 2019. 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.

As part of the procedures, we verified 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 the cash count 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.

HIDALGO COUNTY DISTRICT JUDGES

| | | | | | | | | | | | | |
|---|--|---|--|--|--|---|---|--|--|--|---|---|
| LUIS M. SINGLETERRY JUDGE, 92 ND D.C. | FERNANDO MANCIAS JUDGE, 93 RD D.C. | J. R. "BOBBY" FLORES JUDGE, 139 TH D.C. | ROSE GUERRA REYNA JUDGE, 206 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. | JOSE "JOE" RAMIREZ JUDGE, 464 TH D.C. | YSMAEL FONSECA JUDGE, 478 TH D.C. |
|---|--|---|--|--|--|---|---|--|--|--|---|---|

Conclusion:

Total cash on hand at the time of the cash count was \$492.00. Based on the results of the review, we concluded that total cash on hand reconciled to 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 observations below. In addition, improvements have not been made towards resolving the prior audit observations 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 of theft, and that transactions are executed in accordance with management's authorization and recorded properly.

Observation No. 1:

We noted that prior day collections had been picked up for transfer to Community Supervision and Corrections Department-Main Office; however, the "Court Service Collection Bag Transfer" log had not been updated since October 19, 2021. According to staff, the "Court Service Collection Bag Transfer" log had not been completed due to an oversight.

To establish individual responsibility for cash receipts, the County Auditor's Office requires that collections being transferred from one individual/location to another be documented by using the "Court Service Collection Bag Transfer" log. The "Court Service Collection Bag Transfer" log documents the date, time, initials of the employee transferring custody, and signature of the employee accepting custody.

Failure to ensure that the "Court Service Collection Bag Transfer" log is used to document the transfer of collections may result in loss of County funds.

Recommendation:

Management should ensure that the "Court Service Collection Bag Transfer" log is used to document the transfer of collections.

Repeat Observation No. 1:

We noted that a *Daily Money Recap* form is used to reconcile collections instead of the *Cashier's Daily Close-out Report* (see attached report) prescribed by the County Auditor's Office. The *Daily Money Recap* form does not document the reconciliation of credit card collections. According to Management, the Accountant reconciles all credit card collections 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. According to staff, the *Cashier's Daily Close-out Report* is not used since it has not been approved by Management.

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 *Cashier's Daily Close-out Report*. The reconciliation of credit card payments must be documented on the *Cashier's Daily Close-out Report*.

Failure to ensure that the reconciliation of credit card payments is documented may increase the risk that discrepancies between actual credit card collections and recorded amounts are not discovered in a timely manner.

Recommendation:

Management should ensure that the *Cashier's Daily Close-out Report* is used to reconcile collections. At a minimum, the *Daily Money Recap* Form used to reconcile collections should be revised to include the reconciliation of credit card payments.

HIDALGO COUNTY DISTRICT JUDGES

Mr. Faustino Lopez
April 28, 2023
Page 3 of 3

Repeat Observation No. 2:

We noted that a security camera is not installed in the area where collections are safeguarded overnight. According to staff, security cameras have not been purchased due to budgetary constraints.

The use of security cameras acts as a crime deterrent. The County Auditor's Office recommends that security alarms and security cameras be installed in areas where cash collections are received and safeguarded.

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

Recommendation:

Management should contact the Executive Office and/or the Department of Budget and Management to request funding for security cameras to be installed in all areas where cash collections are received and safeguarded.

Please email management responses to managementresponse@auditor.co.hidalgo.tx.us for the observations noted above by May 15, 2023.

If you have any questions or would like to schedule a meeting regarding this cash count, please contact Araceli A. Guillen, Internal Auditor III, at 318-2511 ext. 4649, Yvonne Torres, Revenue Audit Supervisor, at ext. 4642, Reynaldo Cantu III, at ext. 4654, Letty Chavez, First Assistant Auditor, at ext. 4651, or me at ext. 4668.

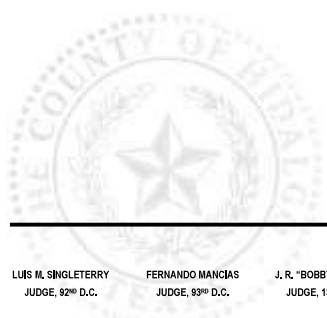
Respectfully,



Linda Fong, CPFO
Interim County Auditor

Enclosure: *Cashier's Daily Close-out Report* and Management Response Forms

cc: Valde Guerra, County Executive Officer
Rosario Ramirez-Castilleja, Budget/Fiscal Director, CSCD

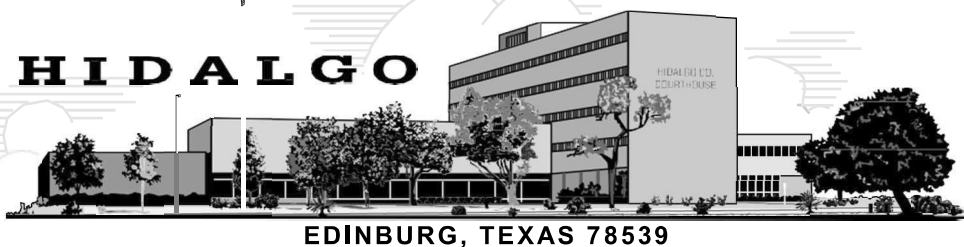


HIDALGO COUNTY DISTRICT JUDGES

LUIS M. SINGLETERRY JUDGE, 92nd D.C. FERNANDO MANCIAS JUDGE, 83rd D.C. J. R. "BOBBY" FLORES JUDGE, 139th D.C. ROSE GUERRA REYNA JUDGE, 206th D.C. MARLA CUELLAR JUDGE, 275th D.C. MARIO E. RAMIREZ, JR. JUDGE, 332nd D.C. NOE GONZALEZ JUDGE, 370th D.C. OVERSEER LETICIA LOPEZ JUDGE, 389th D.C. L. KENO VASQUEZ JUDGE, 398th D.C. ISRAEL RAMON, JR. JUDGE, 430th D.C. RENEE R. BETANCOURT JUDGE, 449th D.C. JOSE "JOE" RAMIREZ JUDGE, 464th D.C. YSMAEL D. FONSECA JUDGE, 476th 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



May 10, 2023

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. 2022-598

Dear Judge Saenz:

We conducted a surprise cash count of the cash held at your office on July 1, 2022 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.

Executive Summary:

Based on the review, we concluded that cash on hand generally 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. More specifically, we noted the following:

- Collections were not promptly and correctly receipted;
- Incompatible duties were not adequately segregated;
- Citations and civil cases are not reconciled to Odyssey using a log; and
- Cash collections are not properly secured.

Scope:

The scope of the review was limited to a count of the cash on hand as of the time of the cash count. In addition, we conducted a follow-up review of the observations identified in the cash count conducted on August 19, 2019. Furthermore, we evaluated the procedures in place related to documenting the authorization of dismissed criminal cases for the period of May 1, 2022 through May 31, 2022. 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.

Conclusion:

Total cash on hand at the time of the cash count was \$2,576.20. Based on the results of our review, we determined that total cash on hand reconciled to 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. In addition, we noted that observations noted in the previous cash count have not been resolved.

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.

HIDALGO COUNTY DISTRICT JUDGES

LUIS M. SINGLETERRY JUDGE, 92ND D.C. FERNANDO MANCIAS JUDGE, 93RD D.C. J. R. "BOBBY" FLORES JUDGE, 139TH D.C. ROSE GUERRA REYNA JUDGE, 206TH D.C. MARLA CUELLAR JUDGE, 275TH D.C. MARIO E. RAMIREZ, JR. JUDGE, 332ND D.C. NOE GONZALEZ JUDGE, 370TH D.C. OVERSEER LETICIA LOPEZ JUDGE, 389TH D.C. L. KENO VASQUEZ JUDGE, 398TH D.C. ISRAEL RAMON, JR. JUDGE, 430TH D.C. RENEE R. BETANCOURT JUDGE, 449TH D.C. JOSE "JOE" RAMIREZ JUDGE, 464TH D.C. YSMAEL FONSECA JUDGE, 476TH D.C.

Observation No. 1:

We noted that 6 checks received through the mail had not been receipted. The checks were receipted on the day of the cash count; however, 2 checks were receipted with the incorrect payor information. According to the Court Coordinator, the errors on the receipts were due to Clerk's oversight.

The County Auditor's Office requires that all collections (i.e., cash, checks, credit card payments, etc.) received be promptly and correctly receipted.

Failure to ensure that receipts are promptly and correctly receipted increases the risk of loss or misuse of County revenues.

Recommendation:

Management should ensure that receipts are promptly recorded and contain the correct payor information.

Repeat Observation No. 1:

We noted that segregation of duties over the handling of cash requires improvement. The Court Clerks and the Court Coordinator performs the following incompatible duties:

- Custody: Receive money, issue receipts, open and list mail receipts, balance copies of receipts against the cash bag, maintain cash bag, and prepare deposit slips
- Recording: Account for the numerical sequence of cash receipts, follow up on delinquencies, prepare reports of cash received, and prepare the monthly report
- Authorization: Compare listed mail receipts to recorded cash receipts and verify that voided original receipts are kept and reviewed

According to the Court Coordinator, segregation of duties is not enforced since the Justice of the Peace prefers for an employee to perform a transaction from beginning to end in order to be cross-trained in all aspects of court duties.

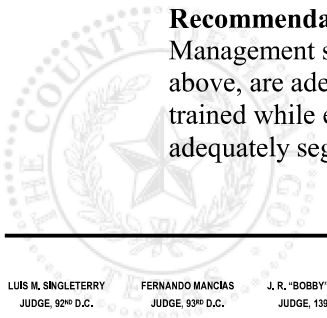
Segregation of duties is a basic, key internal control in any organization. Segregation of duties prevents one individual from performing a transaction from beginning to end. In addition, it provides an individual with the opportunity to catch an error before a transaction is fully executed. Duties that 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 bag, maintaining a cash bag, and preparing deposit slips should be different from the individual responsible for accounting for the numerical sequence of cash receipts, following up on delinquencies, preparing reports of cash received, and preparing the monthly report. In addition, the individuals previously noted should be different from the individual responsible for comparing listed mail receipts to recorded cash receipts and verifying that voided original receipts are kept and reviewed.

Maintaining segregation of duties is especially challenging for units with a small number of employees. In these cases, it is important that management institute compensating controls to cover for the lack of a basic control. In an environment with 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. Duties should be periodically rotated to allow all employees to be cross-trained while ensuring incompatible duties are adequately segregated. If incompatible duties cannot be adequately segregated, management should ensure that compensating controls are implemented.



HIDALGO COUNTY DISTRICT JUDGES

Repeat Observation No. 2:

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 (LEAs) and civil cases were not individually recorded on a log to reconcile citations and civil cases to *Odyssey*, the case management system. An exception is made for the Department of Public Safety (DPS), as the LEA automatically uploads the citations into Odyssey. In addition, the log did not contain a citation number, name of violator/plaintiff, or name of officer who issued the citation.
2. The "Ticket Log" also did not have an area where the person responsible for entering the citations into Odyssey could enter the date of entry and docket number assigned to the citation/civil case on the log and provide his/her signature on the "Entered by" line of the log.
3. A reconciliation of citations and civil cases filed at the court to those recorded in *Odyssey* was not conducted and formally documented; and
4. Duties related to citations and civil cases are not properly segregated. Individuals responsible for opening and/or accepting the delivery of citations/civil cases, entering citations into *Odyssey* (recording responsibility), also are responsible for issuing receipts (custody responsibility).

According to the Court Coordinator, the reconciliation of citations is accomplished when issuing out payment request courtesy letters. Prior to mailing out the letters, clerks have to check if the citation was uploaded and scanned into Odyssey. In addition, segregation of duties is not done because the Justice of the Peace prefers to have all staff cross trained.

The County Auditor's Office requires that a reconciliation of citations and civil cases filed at the court be conducted and formally documented. This reconciliation may be conducted and formally documented by completing a citation/civil cases filed log (log). Citations/civil cases should be entered into *Odyssey*, the case management system, 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 citations/civil cases should immediately list citations/civil cases on the log before distribution to the person responsible for entering them into *Odyssey*. Since the person responsible for entering the citations/civil 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 citations/civil 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 citations into *Odyssey* should enter the date of entry and docket number assigned to the citation/civil case on the log and provide his/her signature on the "Entered by" line of 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 citations 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 regarding the citations filed with the courts from law enforcement agencies and reconcile the reports to the citations recorded in *Odyssey*.
- g. Copies of the citation 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.

HIDALGO COUNTY DISTRICT JUDGES

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 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. The procedures noted above should be implemented. If the procedures cannot be implemented, management should ensure that compensating controls are implemented.

Repeat Observation No. 3:

We noted that when employees leave for lunch and/or on breaks the cash bags are left unlocked in their desks. According to the court coordinator, employees are not required to lock cash bags since cameras monitor the area.

The County Auditor's Office requires that cash be secured in a locked cash bag when employees are away from their work station.

Failure to ensure that the employees lock their cash bags when they are away from their workstation increases the risk of theft of County funds.

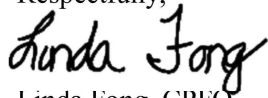
Recommendation:

Management should ensure that employees lock their cash bags when away from their workstation.

Please email management responses to managementresponse@auditor.co.hidalgo.tx.us for the observations noted above by Thursday, May 25, 2023.

If you have any questions or would like to schedule a meeting regarding this cash count, please contact Araceli A. Guillen, Internal Auditor II, at 318-2511 ext. 4649, Yvonne Torres, Revenue Audit Supervisor, at ext. 4642, Reynaldo Cantu III, Director of Audit Division, at ext. 4654, Letty Chavez, First Assistant Auditor, at ext. 4651, or me at ext. 4668.

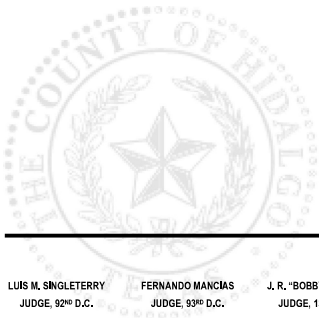
Respectfully,



Linda Fong, CPFO
Interim County Auditor

Enclosure: Management Response Forms

cc: Valde Guerra, County Executive Officer
Luisa Sustaita, Court Coordinator, Justice of the Peace Pct. 1, Pl. 1

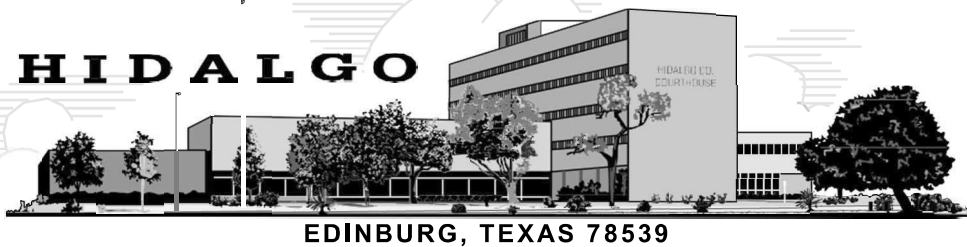


HIDALGO COUNTY DISTRICT JUDGES

LUIS M. SINGLETERRY JUDGE, 92ND D.C. FERNANDO MANCIAS JUDGE, 93RD D.C. J. R. "BOBBY" FLORES JUDGE, 139TH D.C. ROSE GUERRA REYNA JUDGE, 206TH D.C. MARLA CUELLAR JUDGE, 275TH D.C. MARIO E. RAMIREZ, JR. JUDGE, 332ND D.C. NOE GONZALEZ JUDGE, 370TH D.C. OVERSEER LETICIA LOPEZ JUDGE, 389TH D.C. L. KENO VASQUEZ JUDGE, 398TH D.C. ISRAEL RAMON, JR. JUDGE, 430TH D.C. RENEE R. BETANCOURT JUDGE, 449TH D.C. JOSE "JOE" RAMIREZ JUDGE, 464TH D.C. YSMAEL FONSECA JUDGE, 476TH 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



July 11, 2023

The Honorable Jesus E. Morales
Justice of the Peace, Pct. 1, Pl. 2
1902 Joe Stephens, Suite 302
Weslaco, Texas 78596

Re: Cash Count Report No. 2022-599

Dear Judge Morales:

We conducted a surprise cash count of the cash held at your office on August 11, 2022 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.

Executive Summary:

Based on the review, we concluded that 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 improvements. More specifically, we noted the following:

- Incompatible duties were not adequately segregated; and
- Dismissal of cases were not properly documented.

Scope

The scope of our 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 August 8, 2019. In addition, we evaluated the procedures in place related to documenting the authorization of dismissed criminal cases for the period of June 1, 2022 through June 30, 2022. 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 \$100.00. Based on the results of our review, we concluded that total cash on hand did reconcile to the total receipts issued for the day up to the time of the cash count. However, we noted that the system of internal controls for the collection and safeguarding of cash requires improvement as noted in the following observations. In addition, we noted that the observations noted in the previous cash count have not been resolved.

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.

HIDALGO COUNTY DISTRICT JUDGES

LUIS M. SINGLETERRY JUDGE, 92ND D.C. FERNANDO MANCIAS JUDGE, 93RD D.C. J. R. "BOBBY" FLORES JUDGE, 139TH D.C. ROSE GUERRA REYNA JUDGE, 206TH D.C. MARLA CUELLAR JUDGE, 275TH D.C. MARIO E. RAMIREZ, JR. JUDGE, 332ND D.C. NOE GONZALEZ JUDGE, 370TH D.C. LETICIA LOPEZ JUDGE, 389TH D.C. L. KENO VASQUEZ JUDGE, 398TH D.C. ISRAEL RAMON, JR. JUDGE, 430TH D.C. RENEE R. BETANCOURT JUDGE, 449TH D.C. JOSE "JOE" RAMIREZ JUDGE, 464TH D.C. YSMAEL FONSECA JUDGE, 476TH D.C.

Repeat Observation No. 1:

We noted that segregation of duties over the handling of collections requires improvement.

The Court Coordinator performs the following incompatible duties:

- Custody: Opens and lists mail receipts
- Authorization: Compares listed mail receipts to recorded cash receipts and verifies that voided original receipts are kept and reviewed
- Recording: Accounts for numerical sequence of cash receipts, prepares billings and follows up on delinquencies, has ability to write off any receivables/dismiss cases in *Odyssey* and prepares monthly reports

In addition, the Assistant Court Coordinators and Clerks perform the following incompatible duties:

- Custody: Receive money, issue receipts, balance copies of receipts against cash drawer, maintain a cash drawer, and prepare bank deposits
- Recording: Have ability to write off any receivable/dismiss cases in *Odyssey* and prepare reports of cash received

According to the Court Coordinator, all staff has been cross trained in the event that they are limited in 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 opening and listing mail receipts, receiving money, issuing receipts, balancing copies of receipts against the cash drawer, maintaining a cash drawer, and preparing bank deposits should be different from the individual responsible for comparing listed mail receipts to recorded cash receipts and verifying that voided original receipts are kept and reviewed. In addition, the individuals previously noted should not be responsible for accounting for the numerical sequence of cash receipts, preparing billings and following up on delinquencies, writing off receivables in *Odyssey*, and preparing monthly reports.

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

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

Recommendation:

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



HIDALGO COUNTY DISTRICT JUDGES

Repeat Observation No. 2:

We randomly selected 15 of 57 (26%) dismissed criminal cases for the month ended June 30, 2022 to determine if the dismissal of the cases was properly documented. The results of the review revealed that 11 cases did not contain the proper documentation authorizing the dismissal of the cases. The “Motion/Order to Dismiss” were missing the signatures of both the Assistant District Attorney and the Justice of the Peace, and/or the reason for the dismissal was not entered in Odyssey. According to the Court Coordinator the dismissal of the cases was not properly documented due to an oversight.

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.

Please email management responses to managementresponse@auditor.co.hidalgo.tx.us for the observations noted above by July 26, 2023.

If you have any questions or would like to schedule a meeting regarding this cash count, please contact Edgar Alan Escobedo, Internal Auditor II, at 318-2511 ext. 4655, Yvonne Torres, Revenue Internal Audit Supervisor, at ext. 4642, Reynaldo Cantu III, Director of Audit Division, at ext. 4654, Letty Chavez, First Assistant Auditor, at ext. 4651, or me at ext. 4668.

Respectfully,



Linda Fong, CPFO
Interim County Auditor

Enclosure: Management Response Forms

cc: Valde Guerra, County Executive Officer
Irene Cardenas, Court Coordinator, Justice of the Peace Pct. 1, Pl. 2

HIDALGO COUNTY DISTRICT JUDGES



**HIDALGO COUNTY AUDITOR'S OFFICE
INTERNAL AUDIT DIVISION
MANAGEMENT RESPONSE FORM**

AUDITEE: Justice of the Peace, Pct. 1, Pl. 2 AUDIT NO.: 2022 - 599

AUDIT: Cash Count MANAGEMENT RESPONSE DUE: July 26, 2023

FINDING No.: 1 RECOMMENDATION: 1

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.

Management Response (Choose One):

 AGREE TO TAKE REMEDIAL ACTION (Action Plan attached)
 AGREE TO ACCEPT RISK OF NOT TAKING REMEDIAL ACTION
 DISAGREE THAT RISK EXISTS (Specify below)

Management Comments (Attach additional page(s) if necessary):

Specify Target Date of Remedial Action (if any):

Signature: _____ **Date:** _____



**HIDALGO COUNTY AUDITOR'S OFFICE
INTERNAL AUDIT DIVISION
MANAGEMENT RESPONSE FORM**

AUDITEE: Justice of the Peace, Pct. 1, Pl. 2 AUDIT NO.: 2022 - 599

AUDIT: Cash Count MANAGEMENT RESPONSE DUE: July 26, 2023

FINDING No.: 2 RECOMMENDATION: 2

Management should ensure that dismissals are properly documented.

Management Response (Choose One):

 AGREE TO TAKE REMEDIAL ACTION (Action Plan attached)
 AGREE TO ACCEPT RISK OF NOT TAKING REMEDIAL ACTION
 DISAGREE THAT RISK EXISTS (Specify below)

Management Comments (Attach additional page(s) if necessary):

Specify Target Date of Remedial Action (if any):

Signature: _____ **Date:** _____
