

COUNTY of HIDALGO

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October 30, 2023

The Honorable Everardo Villarreal, Commissioner
Hidalgo County Precinct No. 3
724 North Breyfogle
Mission, TX 78572

Re: Sanitation Program MFR for January 2022 through December 2022

Dear Commissioner Villarreal:

We conducted a limited scope review of the Precinct No. 3 Sanitation Program *Monthly Fee Report* (MFR) and supporting documentation for the months of January 2022 through December 2022 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.

Executive Summary:

Fees collected were generally properly accounted and reported; however, the system of internal controls for the accounting and reporting of fees requires improvement. More specifically we noted the following:

- Shortages have not been replenished;
- Shortages for the months of April 2022 and May 2022 have not been replenished; and
- The *Void Permit Log* is not properly completed.

Scope:

The scope of the review was limited to collections reported by your office on the MFR for the months of January 2022 through December 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.

Methodology:

In conducting the review, the following procedures were performed:

- Verified that the MFR and supporting documentation were submitted to the County Auditor's Office within 5 days after the last day of the month pursuant to Local Government Code §114.001 (b).
- Verified that the MFR was signed by an authorized signatory as documented on the "Authorized Signatories Form."
- Verified the mathematical accuracy of the MFR 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.

HIDALGO COUNTY DISTRICT JUDGES

LUIS M. SINGLETERRY JUDGE, 32nd 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, 378th D.C. OVERSEER LETICIA LOPEZ JUDGE, 389th D.C. L. KENO VASQUEZ JUDGE, 396th D.C. ISRAEL RAMON, JR. JUDGE, 439th D.C. RENEE R. BETANCOURT JUDGE, 448th D.C. JOSE "JOE" RAMIREZ JUDGE, 454th D.C. YSMAEL FONSECA JUDGE, 476th D.C.

- 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 MFR 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 MFR were properly completed.

Conclusion:

Collections for the months of January 2022 through December 2022 totaled \$47,000.00, \$37,860.00, \$53,250.00, \$48,170.00, \$41,365.00, \$43,575.00, \$39,870.00, \$42,685.00, \$36,225.00, \$38,145.00, \$37,800.00, and \$42,175.00, 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 observations below.

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

On January 13, 2022, February 28, 2022, and March 7, 2022, overages were recorded in the amounts of \$1.00, \$1.00, and \$3.00, respectively, by user 103. According to staff, incorrect change was disbursed resulting in the overages. Additionally, on August 9, 2022, an overage of \$15.00 was recorded due to change being left behind by a constituent. All overages were deposited with the daily collections.

Also, on April 12, 2022 and May 12, 2022, shortages were recorded in the amounts of \$3.00 and \$15.00, respectively, by user 103. According to staff, incorrect change was disbursed resulting in the shortages. The shortages totaling \$18.00 were approved for indemnification by Commissioners Court on June 9, 2022 with AJ-86086.

Furthermore, on August 25, 2022 and November 18, 2022, shortages were recorded in the amounts of \$25.00 each by user 103. According to staff, the incorrect change was disbursed resulting in the \$50.00 shortage. As of the date of this letter, the \$50.00 shortage has not been replenished.

The County Auditor's Office requires that all payments be promptly recorded and controlled using pre-numbered official County receipts. Generally, overages collected should be remitted to the County Treasurer's Office as miscellaneous revenue and deposited with the daily collections. Cash receipts should 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 chargeback, etc.) while in his/her possession in the performance of official duties. All shortages must be replenished.

Failure to ensure that all payments received are properly collected, promptly receipted, and deposited cash receipts are deposited intact on a daily basis may result in the loss of County revenue.

Recommendation:

Management should retrain staff to ensure that collections are deposited intact on a daily basis. In addition, management should monitor all overages and shortages to determine if there is a pattern meriting further investigation, modification of collection procedures, retraining of personnel, or disciplinary action. Management should replenish the \$50.00 shortage or request indemnification from Commissioners Court pursuant to Local Government Code § 157.903.

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Observation No. 2:

We noted that several void and reissued permits in the months of March, May, June, July, August, October, November, and December 2022 were not properly documented on the *Void Permit Log*. Precinct staff did not provide an explanation as to why the void and reissued permits were not properly documented on the *Void Permit Log*.

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 Fee Report*. If the void permit cannot be provided by the constituent because the vehicle was stolen or the vehicle was involved in an accident, a police report must be obtained prior to replacing the permit. *Void permits should not be reactivated in the Solid Waste Disposal Program.*

Failure to ensure that the *Void Permit Log* is properly completed may result in the loss of County revenue.

Recommendation:

Management should ensure that the *Void Permit Log* is properly completed. At a minimum, the procedures noted above should be implemented.

Please provide a management response to the observations noted above by November 14, 2023. The Management Response Forms should be emailed to managementresponse@auditor.co.hidalgo.tx.us.

If you have any questions, please contact Linda Vasquez, Internal Auditor II, at 318-2511 ext. 4694, Corina Martinez, Compliance Audit Supervisor, at ext. 4656, 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

cc: Honorable Richard Cortez, County Judge
Valde Guerra, County Executive Officer
Jorge Arcaute, Chief Administrator, Hidalgo County Precinct No. 3
Norma Ceballos, Executive Assistant III, Hidalgo County Precinct No. 3

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