



Travis County Auditor's Office
Review of the Travis County Treasurer's Office
August 5, 2020

TRAVIS COUNTY
AUDITOR'S OFFICE

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To: Dolores Ortega-Carter
Travis County Treasurer

From: Patti Smith, CPA
Travis County Auditor

Date: August 5, 2020

Subject: Treasurer's Office Examination

Scheduled as part of our statutory requirements, the Risk Evaluation and Consulting (REC) Division of the Travis County Auditor's Office has completed an examination of the Treasurer's Office. We conducted our examination in accordance with the applicable statutes governing the County Auditor's Office and those relating to County financial and accounting protocols. As a result of our examination, we are providing this report on our findings and recommendations.

BACKGROUND

The Treasurer provides for the safekeeping of all County funds and is chief custodian of County finances. The Treasurer receives, accounts for, and disburses all money belonging to the County; is the paying agent/registrar for County registered bonds; processes juror payments; and manages the County's unclaimed property program.

SCOPE OF EXAMINATION

This examination included an assessment of the adequacy and effectiveness of the overall system of financial controls in place for the Treasurer's Office during the period January 1, 2019 to December 31, 2019. This review included examinations of controls over handling and managing collections, disbursements by check and wire transfer, bank reconciliations, disbursements to the State, pledged collateral, fixed assets, and accounting for unclaimed property.

EXAMINATION METHODOLOGY

Our work was based on applying sampling procedures to office records and on verbal and written representations from the Treasurer's Office. Sampling relates to examining, on a test basis, evidence supporting the amounts and disclosures in the financial records and statements. The use of sampling techniques would not necessarily disclose all matters in the office's financial statements, financial records, and financial controls that might be material weaknesses or misstatements. Regarding the written and verbal representations made by personnel from the Treasurer's Office, unless otherwise noted in this report, office management maintains that the assertions we relied upon in the examination were correct to the best of their knowledge.

SUMMARY OF FINDINGS AND RECOMMENDATIONS

During this examination, we noted issues with cash handling controls, bank reconciliations, collateralization, unclaimed property, and vehicle titles.

ATTACHMENTS

Attachment A: This attachment contains the details of our findings for this review, including recommendations to and responses from office management.

EXAMINATION TEAM

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Tracey Powers, Staff Auditor
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CLOSING

This report is intended solely for the information and use of the Travis County Treasurer's Office and the Commissioners Court. We greatly appreciate the cooperation and assistance received from the management and staff of the Treasurer's Office during this examination. Please contact us if you have any questions or concerns regarding this report.

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Cynthia McDonald, County Executive, Transportation and Natural Resources
Tony Callaway, Chief Fire Marshal, Emergency Services
Tracey Calloway, Director, Human Resources Management
Caryl Colburn, Director, Counseling and Education Services
Travis County Executive Managers
Managers, Travis County Auditor's Office
Examination File

ATTACHMENT A – FINDINGS AND RECOMMENDATIONS

1. Cash Handling Controls

The Treasurer's Office receives funds for deposit at their front office window and in the mail. We reviewed their internal controls for safeguarding these funds, noting multiple internal control weaknesses.

Daily Reconciliations of Funds on Hand

The Treasurer's Office has not implemented sufficient controls to verify that all funds collected by this office are deposited into the bank. This is an important internal control used to mitigate the risk of theft or defalcation of funds. In order to implement this control, a complete list of all monies received for the day must be compiled for comparison to that day's deposit(s). The procedures we recommend for this are broken down below by method of collection:

In-Person Collections:

The most effective means for creating a record of funds received in person is to issue either a computer-generated or a pre-numbered, multiple-copy manual receipt to the party presenting funds for deposit. When receipts are consistently issued, a system-generated receipt report or a manual listing of receipts can be prepared. This report/listing should be compared to each day's deposit(s) to help verify that all funds received have been remitted to the bank. Receipts also create an audit trail and proof of remittance for the party presenting the funds for deposit, an important evidentiary control.

Mail Collections:

The Treasurer's Office also receives monies for deposit via external (postal service) and interoffice mail. For both types of mailed-in receipts, the designated accountant in the Treasurer's Office opens the mail and presents all funds received to the accountant responsible for preparing deposits. Neither party creates a list of funds received in the mail (commonly called a mail log), which is the primary internal control for safeguarding monies received in this manner. In addition, from the standpoint of good internal controls, funds received should not be conveyed in the interoffice mail.

Standard internal controls dictate that the party opening the mail should not create or review deposits, record deposits in the accounting records, or reconcile the bank statement. Instead, this party should prepare a mail log listing all funds received, the date of receipt, and the remitting party, at a minimum. A third party should verify that all items listed on the mail log have been properly deposited.

Restrictive Endorsement of Checks

An essential internal control for safeguarding checks and money orders involves restrictively endorsing these items to the applicable County bank accounts immediately upon receipt. The Treasurer's Office currently restrictively endorses checks during deposit creation, not when the funds are received.

Independent Review of Deposits

A policy of requiring independent review of the deposit is central to a strong system of internal controls for cash handling. The Treasurer's Office does not have this control in place. Currently, when the County department presenting funds to the Treasurer for deposit has not prepared a deposit slip and/or has not placed the funds in a sealed bank bag, the designated Treasurer's Office accountant performs these tasks. No independent third party or managerial review of this deposit is performed at the Treasurer's Office.

Daily Deposits

A significant internal control for safeguarding funds on hand involves limiting physical access to funds by depositing collections no later than the next business day after receipt. Although this is the Treasurer's Office policy, we noted some exceptions. We reviewed 50 (6.7%) of the deposit warrants totaling \$872,742 (46.9%) that were issued during the audit period, noting that four (8.0%) of the deposits totaling \$10,372 (1.2%) were deposited more than one business day after receipt. We were unable to determine the timeliness of deposit for an additional 14 (28.0%) of the deposit warrants totaling \$684,418 (78.4%) because the applicable supporting documentation was not date stamped.

Significance:

All Travis County offices and departments have a fiduciary responsibility to safeguard County funds from loss or misappropriation. The implementation of appropriately strong, viable internal controls is an essential part of the safeguarding process.

Recommendation:

The Treasurer's Office should implement a process requiring the independent daily verification that all monies received by this office have been deposited. This should entail compiling a daily listing of all monies received and a comparison of this list to the completed bank deposits. This review should be performed by an independent employee – one who is not otherwise involved with the cash handling process. The Treasurer's Office should also implement the following controls:

- Issue system-generated or sequentially numbered, multiple-copy manual receipts to all parties presenting funds for deposit. In the case of manual receipts, the Treasurer's Office should issue these receipts in numerical order, restrict access to the manual receipt books, track receipt books, and periodically verify the receipts are being issued in numerical order. The Treasurer's Office should also consider entering the manual receipt number on the deposit warrants in the County's financial software, if possible. Finally, the Treasurer's Office should require documented management approval of voided manual receipts, and they should retain all copies of voided receipts in the receipt books.
- The employee opening the mail should utilize a password-protected electronic mail log to document all funds received via the external and internal mail. The log should include the date the funds were received, the payer, the dollar amount, and any information provided about the purpose of the payment. The log's preparer should remit a copy of each day's log to the employee preparing the day's deposit(s) and the party verifying and reviewing said deposit(s). The latter party should verify that all funds noted on the log are deposited. After the deposit

warrants are issued for the day's deposit(s), the warrant numbers should be included on the applicable log entries for reference purposes.

We recommend the Treasurer's Office require employees to restrictively endorse all checks and money orders upon receipt. In addition, the Treasurer's Office should strive to deposit all funds received within one business day of receipt. Office personnel should also date stamp the applicable deposit supporting documents to help create a proper audit trail.

Management Response:

System generated sequentially numbered receipts are given to the departments once the deposits are entered in SAP.

Occasionally we receive checks in the mail that do not belong to our office, these are then forwarded to the correct department so they can be deposited into their office account. Therefore, we cannot endorse each check as soon as received, we must first determine to which department it belongs. When offices bring us checks, they are stamped by the department before we receive them.

Documents/checks that come into our office are date stamped. If the document is scanned into SAP by the department then our date stamp will not show up on the scanned document. Checks are deposited as soon as possible once they are received. We want the county to receive full benefit from all deposits.

Audit Rejoinder:

The system-generated receipts to which the Treasurer's Office refers above are technically deposit warrants and not receipts. These statutorily-required warrants are generated in SAP at the end of the cash handling process after the funds have been deposited and recorded on the books. Although this procedure makes it possible to verify that all deposited funds were recorded in SAP, it is not an internal control designed to help ensure all funds collected by the office were deposited.

The Treasurer is responsible for safekeeping County funds, including all monies delivered to their office. We again encourage the Treasurer's Office to implement the noted internal controls for cash on hand, including the issuance of receipts to all parties presenting funds to the Treasurer for deposit and the creation of a mail log for all payments received in the external and internal mail. These controls will allow the Treasure to mitigate the risk of theft or defalcation of funds received.

2. Transaction Recording Timeliness

The Treasurer is the only authorized signer on five credit card bank accounts. These accounts were opened in the Treasurer's name on behalf of County departments without the statutory authority to open bank accounts of their own. For these credit card bank accounts, we compared the February 2019 credit card bank statements to the County's ledger balances, noting the total of the ending balances per the bank was \$58,333 whereas the total per the books was \$5,004, a discrepancy of \$53,329. The details are provided on the following table (see next page):

	Bank Statement for February of 2019				County's Books for February of 2019			
	Balance 2/1/2019	Additions or Deposits	Deductions or Checks/ Charges	Balance 2/28/2019	Balance 2/1/2019	Additions or Deposits	Deductions or Checks/ Charges	Balance 2/28/2019
Fire Marshal	\$1,228	\$5,212	\$1,228	\$5,212	\$1,488	\$4,744	\$1,228	\$5,004
Health Clinic	47	188	94	141	-	94	94	-
TCCES	-	42,878	42,878	-	2,094	40,784	42,878	-
TNR-Parks	13,488	61,215	30,930	43,773	-	30,930	30,930	-
TNR-Permits	9,819	54,197	54,809	9,207	-	54,809	54,809	-
Total	\$24,582	\$163,690	\$129,939	\$58,333	\$3,582	\$131,361	\$129,939	\$5,004

The "Additions or Deposits" columns in the table above should both represent credit card receipts deposited and posted. However, deposits per the February bank statements totaled \$163,690, while the total deposited per the books was \$131,361, a difference of \$32,329. This discrepancy occurred because some credit card deposits (inbound ACHs from the credit card company) were not recorded on the books the month they were received.

In the chart below, the first four columns detail how deposits were posted to the ledger in and around February of 2019, while the last column lists the total deposits posted to the bank that February. This chart details the timing differences that occurred in these accounts due to untimely posting of the applicable transactions. In the case of February deposits posted to the books in January, the postings were either backdated to January or entries were made in January for funds that were not delivered to the bank until February.

	February Booked in February	February Booked in January	February Booked in March	January Booked in February	February Deposits Per Bank
Fire Marshal	\$4,744	\$260	\$208		\$5,212
Health Clinic	94		141	(\$47)	188
TCCES	40,784	2,094			42,878
TNR-Parks	30,930		35,935	(5,650)	61,215
TNR-Permits	54,809		9,207	(9,819)	54,197
Total	\$131,361	\$2,354	\$45,491	(\$15,516)	\$163,690

In addition, 14 TNR Parks deposits totaling \$690 from December 2018 and 29 deposits totaling \$6,783 from January 2019 were not posted to the County books until March 5, 2019. They were included with several February Parks deposits that were posted on the same date.

Significance:

Incomplete and/or untimely posting of financial transactions results in misstated financial records.

Recommendation:

The departments collecting funds via credit cards should work with the Treasurer's Office and Auditor's Office to ensure collections are posted to the general ledger in a timely manner.

Management Responses:

Treasurer's Office

The credit card accounts are entered in SAP by the collecting department. The department receives information from the collector concerning deposits and then enters the information in SAP. When we receive a transfer request from the department, the money is moved from the depository credit card account into the Operating account. Each office handles their reconciliation for the SAP entries differently, and receipts are recorded daily, weekly and monthly at their discretion.

Fire Marshal

The Emergency Services Financial Manager and Fire Marshal Department administration staff will proactively check to make sure all credit card transaction(s) are recorded in the month in which the fund(s) are deposited in the bank account.

It takes 3 working days from the time a credit card is swiped until the transaction is deposited in the bank account. Currently, the Financial Manager has been the only one who has had access to the bank information. We have made the necessary arrangements so one of the two staff members in this office can see what has been deposited to the bank account on a given day. The Fire Marshal's Office did not have this capability before and relied on the Finance Manager to provide this information. If this person was out, or not available, staff did not have the means to obtain this information.

Effective, July 1, 2020, timely posting of financial transaction(s) will occur.

Human Resources Management Department

HRMD acknowledges the importance of correctly reconciling bank accounts and adhering to statutory requirements. The audit findings were from February 2019, which was only the second month of having this bank account set up and HRMD's first bank account. There were some issues to resolve with the clinics regarding the processing, reconciling and transferring of the credit card transactions. We now know when to request reports with sufficient time to record the credit card transactions in the month the funds were deposited into the credit card bank account. We do not anticipate having these issues in the future as our new procedures are effective immediately.

Transportation and Natural Resources

TNR will increase the timeliness of postings to the general ledger. Delays in the postings are often due to incompatible information between the information obtained at the time of payment and that provided for the park reservation by the customer. TNR's Max Galaxy System, which is used for park reservations, does not interface with the credit card merchant's system, so a reconciliation must be done manually by contacting the payer. The reservation information is critical to determining the correct general ledger account to be used for the cash receipt before the funds are transferred to the Treasurer's bank account.

These transactions include those which have been identified as "settled" by the credit card merchant's online status report. Some end of the month end credit card transactions that are "settled" may not post until the following period, depending on whether we were able to complete the reconciliation process before the current period is closed in SAP.

The procedures have been updated and reviewed with financial services staff members responsible for monitoring and processing the TNR credit card transactions. The updated procedures include a requirement for staff to review the online credit card status report at the start of business each Friday. For tracking purposes, they are to save a copy of the credit card summary report, which includes the report date, transaction date(s), and their settlement status each time the status is viewed. The weekly review will help ensure transactions are transferred within five business days of receipt as required under Chapter 113 of the Local Government Code. For credit card transactions, TNR will refer to the “settled” date as the receipt date.

Once the transactions are reported as “settled”, staff will prepare the deposit information and will enter the cash receipt into SAP for posting. The deposit receipt number and supporting documentation will be sent via email to the Treasurer’s Office and the Auditor’s staff member responsible for the TNR credit card bank reconciliations. As part of the end of month process, TNR staff will provide a “settlement pending” credit card transactions status report to assist the Auditor with the reconciliation process.

Written procedures are in place for staff to reference. The updated procedures, including the weekly review, are effective immediately. All prior Parks deposits not yet posted will be resolved no later than the end of July 2020.

3. Credit Card Transfers

The Treasurer is the only authorized signer on five credit card bank accounts. These accounts were opened in the Treasurer’s name on behalf of County departments without the statutory authority to open bank accounts of their own. For these credit card bank accounts, we selected the February 2019 bank statements for a detailed review, noting the following:

The credit card bank accounts for which the Treasurer is responsible are handled in a two-step process: 1) when a payment is deposited into the credit card bank account, the department initiating the transaction is required to post the cash receipt to the corresponding credit card cash account on the County’s books, and 2) the department asks the Treasurer’s Office to transfer the deposit from the credit card bank account to the Treasurer’s Operating Bank Account.

Chapter 113 of the Local Government Code requires the deposit of County collections into the primary Treasurer’s bank account within five business days of receipt. We reviewed the February 2019 credit card deposits and the transfer of these funds to the Treasurer, noting that 58 (55%) of the deposits totaling \$65,055 (40%) were transferred from 1 to 41 business days after this statutory deadline. The details are provided in the chart at the top of the following page:

Department	Count	Amount	Transferred After 5 Business Days				
			Count	%	Amount	%	# Days Late
Fire Marshal	9	\$5,212	9	100%	\$5,212	100%	24 to 41
Health Clinic	3	188	3	100%	188	100%	1 to 15
TCCES	19	42,879	-	-	-	-	N/A
TNR-Permits	19	54,197	8	42%	22,710	42%	1 to 6
TNR-Parks	56	61,215	38	68%	36,945	60%	1 to 19
Total	106	\$163,690	58	55%	\$65,055	40%	

Significance:

When County revenue is not recorded timely in the County's general ledger, these funds are not properly recognized. In addition, Local Government Code, Section 113.022 (a), "Time for Making Deposits", states the following:

A county officer or other person who receives money shall deposit the money with the county treasurer on or before the next regular business day after the date on which the money is received. If this deadline cannot be met, the officer or person must deposit the money, without exception, on or before the fifth business day after the day on which the money is received.

Recommendation:

We recommend that all County departments transfer their credit card deposits to the Treasurer's Operating Bank Account no later than five business days of receipt.

Management Responses:**Treasurer's Office**

The credit card accounts are entered in SAP by the collecting department. The department receives information from the collector concerning deposits and then enters the information in SAP. When we receive a transfer request from the department, the money is moved from the depository credit card account into the Operating account. Each office handles their reconciliation for the SAP entries differently, receipts are recorded daily, weekly and monthly at their discretion.

Fire Marshal

The Emergency Services Financial Manager is currently requesting transfer(s) at the end of each month when reconciling what was recorded in SAP to the bank statement. This has been the procedure since the creation of the account and was part of discussion(s) during its inception.

Going forward, we will request the transfer the same day the credit card transaction is recorded in SAP. One of the Fire Marshal's two administration staff will request the transfer in conjunction with the SAP entry. The Emergency Services Financial Manager will serve as backup and review the account at the end of each month for discrepancies.

Effective July 1, 2020, transfers will be requested at the same time as SAP transactions are recorded.

Human Resources Management

HRMD understands the importance of timeliness of transferring money to the Treasurer's Office and adhering to statutory requirements. The audit findings were from February 2019, which was only the second month of having this bank account set up and HRMD's first bank account. There were some issues to resolve with the clinics regarding the processing, reconciling and transferring of the credit card transactions. We now know when to request reports with sufficient time for the money to be transferred by the Treasurer's Office to meet the statutory deadline. We do not anticipate having these issues in the future as our new procedures are effective immediately.

Transportation and Natural Resources

TNR will increase the timeliness of requesting transfers from the credit card bank account to the Treasurer's operating bank account. Delays in the transfers are often due to incompatible information between the information obtained at the time of payment and that provided for the park reservation. TNR's Max Galaxy System, which is used for park reservations, does not interface with the credit card merchant's system, so a reconciliation must be done manually by contacting the payer. The reservation information is critical to determining the correct general ledger account to be used for the cash receipt before the funds are transferred to the Treasurer's bank account.

These transactions include those which have been identified as "settled" by the credit card merchant's online status report. Some end of month credit card transactions that are "settled" may not post until the following period, depending on whether we were able to complete the reconciliation process before the current period was closed in SAP.

The procedures have been updated and reviewed with financial services staff members responsible for monitoring and processing the TNR credit card transactions. The updated procedures include a requirement for staff to review the online credit card status report at the start of business each Friday. For tracking purposes, they are to save a copy of the credit card summary report which includes the report date, transaction date(s), and their settlement status each time the status is viewed. The weekly review will help ensure transactions are transferred within five business days of receipt as required under Chapter 113 of the Local Government Code. For credit card transactions, TNR will refer to the "settled" date as the receipt date.

Once the transactions are reported as "settled", staff will prepare the deposit information and will enter the cash receipt into SAP for posting. The deposit receipt number and supporting documentation will be sent via email to the Treasurer's Office requesting the transfer be made from the credit card account to the Treasurer's operating banking account. The Auditor's staff member responsible for the credit card bank reconciliations will be included in the email notification.

Written procedures are in place for staff to reference. The updated procedures, including the weekly review, are effective immediately.

4. Pledged Collateral

Chase Bank is required to collateralize Travis County bank deposits and certificates of deposit at 105% of the total balance on hand, to the extent the balance exceeds federal insurance (FDIC) limits. On a daily basis, the Treasurer's Office is required to compute the County's total deposits, calculate the collateral requirement, and verify the bank provided adequate collateral.

We selected a sample of 27 business days to review the Treasurer's Office pledged collateral sufficiency verification. During this review, we noted the County's total deposits were under-collateralized by \$105,334,831 on January 31, 2019. When asked, the Treasurer's Office indicated they did not take any actions to address this under-collateralization with the bank. The details are as follows:

	January 30	January 31	February 1
County's Total Deposits	\$188,764,775	\$467,485,553	\$121,366,585
Less FDIC	(500,000)	(500,000)	(500,000)
Uninsured Balance	188,264,775	466,985,553	120,866,585
Required Collateral %	105%	105%	105%
Required Collateral	197,678,013	490,334,831	126,909,914
Pledged Collateral	385,000,000	385,000,000	385,000,000
Over/(Under) Collateralized	\$187,321,987	(\$105,334,831)	\$258,090,086

Note that we provided the collateral calculations in the table above for the business days before and after January 31st to show how substantial the increase in required collateral was for that day. Paragraph 23.052 (b) of the County's Investment Policy addresses the situation where an increase in collateral of more than \$50 million is needed after noon on any business day. When this occurs, pledged collateral must be equal to or greater than 100% until the next business day when the bank can obtain additional collateral. Although we do not know at what point in the day the County's total deposits became under-collateralized, we note the Investment Policy anticipates the scenario where there is a big spike in collateral requirements.

We included the last two business days of January and the first five business days of February in our sample because the collection of property tax, the County's largest source of revenue, tends to occur during this time. We believe it would be prudent for the Treasurer's Office to verify the sufficiency of pledged collateral on a more frequent basis when they expect collections to be extraordinarily high (particularly in late January and early February) in order to give the bank ample time to secure additional collateral.

Significance:

The Treasurer's Office has a fiduciary responsibility to safeguard County funds from loss, so it is imperative that they timely address under-collateralization. Specifically, paragraph 23.092 "Treasurer's Office" of the Travis County Investment Policy states the following:

(4) Ensuring Security of Investments. The Treasurer accesses the depository's files daily to verify Travis County's account balances. The Treasurer adds the certificates of deposit purchased by the Investment Officers, Tax Office, County Clerk, and District Clerk to the

total county cash balances to obtain the total county balance. The Treasurer compares the total county balance to the total collateral purchased by the depository banks.

(A) The collateral must be 105% of Travis County's total balances held with the depository.

(B) If the collateral is less than 105% of Travis County's total balances, the Treasurer must contact the depository bank to verify that the depository bank has increased the collateral to the required level.

Recommendations:

We recommend the Treasurer's Office fulfill the responsibilities set out for this office in the County's Investment Policy by contacting the bank to secure additional pledged collateral when it falls below the 105% threshold. We also recommend the Treasurer's Office implement a policy of verifying the sufficiency of pledged collateral at midday when large influxes of cash are likely, such as when the bulk of property taxes are collected.

Management Response:

Ensuring the security of Travis County funds is a high priority of the Treasurer's Office. Depository balances are closely monitored daily to prevent any collateral shortages. During property tax season, the daily deposits fluctuate quickly therefore the collecting departments are not always able to give us ample notification to request additional collateral. We do carry higher collateral balances during this time, however occasionally a large deposit will be made that is unexpected and received too late to request additional collateral. Requesting additional collateral, the following day is usually not necessary because the funds are transferred to an overnight investment.

We will continue close contact with the collecting departments to minimize any shortages.

5. Unclaimed Property

Chapter 76 of the Property Code requires the County Treasurer to perform several functions for abandoned property valued at \$100 or less. We reviewed the Treasurer's Unclaimed Property Report, unclaimed funds on hand, and Unclaimed Property Procedures, noting the following:

Unclaimed Property Remittances

During the examination period, the Treasurer's Office received 222 new individual unclaimed property items totaling \$21,383. We reviewed 25 (11.3%) of these items totaling \$10,162 (47.5%), noting the following:

Abandoned Property Remitted Without Property Report

Fifteen (60.0%) remittances totaling \$8,510 (83.7%) were processed without the Treasurer's Travis County Report Mailing Form (property report); therefore, the offices remitting the abandoned property to the Treasurer's Office did not do so in a statutorily compliant manner as detailed below (see following page):

- Sections 76.101 and 76.301 of the Property Code require County offices holding abandoned property on June 30th to deliver it to the Treasurer on or before November 1st with the form prescribed by the Treasurer.
- Sections 76.102 and 76.302 of the Property Code require holders of abandoned property to make certain written verifications under oath. The Treasurer's property report contains the statements to be verified and provides a place for the holder's signature and notary public's information (the holder makes the sworn statements to the notary).

Remittance Exceeded Statutory Threshold

The Treasurer's Office retained one (0.5%) remittance of \$150 (0.7%), which exceeded the threshold of \$100 or less set by Section 76.001 of the Property Code. When we asked about this item, the Treasurer's Office returned the property to the appropriate office.

Remittance of Abandoned Property from Known Owners

Two (8.0%) of the sampled remittances totaling \$111 (1.1%) were from known owners, and the Treasurer's Office retained both. An owner of abandoned property that is either a well-known business or is still in business is referred to as a known owner. We noted that several unclaimed property items that were not included in our sample appear to have known owners as well.

Section 76.302 (a) (2) of the Property Code requires a verification under oath that *the existence and location of the listed owners are unknown to the holder*. Because holders of abandoned property are required to take this oath when they remit abandoned property to the Treasurer's Office, they should not be remitting unclaimed property from known owners. In response to our office's previous reporting of this issue, the Treasurer's Office requested a County Attorney's opinion. They made the request for opinion on August 26, 2008 and asked how the County offices handling the abandoned property and the Treasurer's Office should handle this issue. To date, a response has not been received.

Published Notice Lacked Language Required by Statute

The notice of abandoned property published by the Treasurer's Office in the Austin American Statesman on January 5, 2020 lacked the following statements required by Section 76.201 (b) of the Property Code, which states the following:

The published notice must state that the reported property is presumed abandoned and subject to this chapter and must contain:

(1) a statement that, by addressing an inquiry to the treasurer of the holder, any person possessing a legal or beneficial interest in the reported property may obtain information concerning the amount of the property; and

(2) a statement that the owner may present proof of the claim to the treasurer of the holder and establish the owner's right to receive the property.

Insufficient Policies and Procedures

We reviewed the Treasurer's Office Unclaimed Property Procedures, noting a lack of reference to the requirements set by Chapter 76 of the Property Code. In the preceding paragraphs, we noted several instances where the Treasurer's Office did not handle unclaimed property in compliance with statute. The purpose of documented policies and procedures is to ensure a particular outcome, and, in the case of unclaimed property, it should be compliance with statute.

Treasurer's Website Does Not List the Correct Threshold

The Treasurer's Office website indicates they handle unclaimed property that is valued under \$100. Section 76.001 of the Property Code states that the County is responsible for property valued at \$100 or less.

Significance/Recommendation:

The Treasurer's Office is responsible for handling unclaimed property in compliance with Chapter 76 of the Property Code. We recommend they address the departures from statute described above. In addition, we recommend the Treasurer's Office follow up with the County Attorney's Office on the requested opinion regarding known owners.

The combination of written policies and procedures and appropriate checks and balances to ensure adherence to the stated procedures is an effective strategy for creating strong internal controls. We recommend the Treasurer's Office expand their Unclaimed Property Procedures to include the requirements set out in Chapter 76 of the Property Code, making updates for legislative changes. In addition, we recommend the Treasurer's Office distribute their procedures to the County offices that remit abandoned property to their office.

Management Response:

In an effort to remind the remitting offices of the procedures that should be followed for unclaimed funds, we will send out a memo and our booklet on Implementing Chapter 76 of Title 6-Unclaimed Property-Texas Property Code. As well as stress that "known" owners should not be a part of the remitted funds.

The published notice and website wording will be reviewed for accuracy and corrected as needed.

6. Vault Inventory of Vehicle Titles

The Treasurer's Office is tasked with safeguarding County vehicle titles in their vault. They track the movement of the vehicle titles in and out of the vault on their Title Inventory Report (Title Report). As of December 31, 2019, the Title Report contained 1,418 vehicles while the SAP fixed asset module listed 1,493 active vehicles. We reconciled the Title Report to an SAP download of the County's vehicles, noting the following discrepancies:

- There were 111 vehicles on the Title Report that could not be matched to vehicles in the SAP fixed asset module data.
- There were 186 vehicles listed on the SAP fixed asset module that could not be matched to vehicles on the Title Report.

Significance:

The items noted above are significant because accurate record keeping helps to ensure proper safeguarding and accounting for these vehicle titles and their related assets.

Recommendations:

Based on the noted significance, we recommend the following:

- The Treasurer's Office should work with the appropriate personnel in the Purchasing Office to reconcile the differences between the Treasurer's Title Inventory Report and the SAP fixed asset module data.
- The Treasurer's Office should periodically reconcile their Title Inventory Report to an SAP Fixed Asset Listing to help ensure all titles are accounted for and properly recorded.

Management Response:

Accurate record keeping of the county's assets is very important. The discrepancies between the titles in SAP and the Treasurer's Title Inventory Report will be investigated once we receive an SAP download of the County's vehicle titles.

We will periodically reconcile our records with the County's Fixed Asset Listing.