

**TCSO Courthouse
Security Fund Review**

#16-23

TRAVIS COUNTY
AUDITOR'S OFFICE

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To: Greg Hamilton
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From: Nicki Riley, CPA
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Date: August 25, 2016

Subject: Courthouse Security Fund Review

The Risk Evaluation and Consulting (REC) Division of the Travis County Auditor's Office has completed a review of the Travis County Courthouse Security Fund. We conducted our review 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 review, we are providing this report on our findings and recommendations.

BACKGROUND

Special revenue funds are used to account for specific types of revenue that, by contract or statute, are legally restricted in how they can be utilized. The contract or statute in question often requires that these revenues and their corresponding expenditures be accounted for in a separate fund.

The Courthouse Security Fund receives the majority of its revenue from civil and criminal court costs, and it also receives sizable annual transfers from the General fund. This fund is held in the County Treasury and accounted for in the SAP financial system. Disbursements from this fund follow the same basic processes and accounting protocols as disbursements from the General Fund.

OBJECTIVE AND SCOPE OF REVIEW

The purpose of this audit was to identify internal controls, evaluate systems, and review accounting protocols for this fund.

REVIEW METHODOLOGY

Our work was based on applying sampling procedures to office records and on verbal and written representations provided by Travis County Sheriff's Office (TCSO) personnel. Sampling relates to examining, on a test basis, evidence supporting the amounts and disclosures in the applicable financial records and statements. The use of sampling techniques would not necessarily disclose all matters related to these records that might be material weaknesses or misstatements. In regards to the written and verbal representations made by TCSO personnel, unless otherwise noted in this report, office management maintains that the assertions we relied upon in the review were correct to the best of their knowledge.

SUMMARY OF AREAS OF CONCERN AND RECOMMENDATIONS

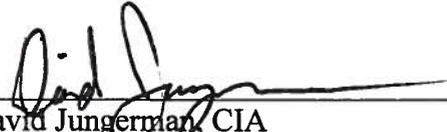
Our review disclosed two, relatively minor internal control weaknesses related to the payroll function for this fund. Specifically, supporting documentation for training time was not consistently maintained, and the allocation of overtime-related taxes and benefits was not accounted for properly.

EXAMINATION TEAM

James Marlett, CPA, Lead Auditor
Travis Lee, Staff Auditor
Camille Cortez, Staff Auditor

CLOSING

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


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Chief Assistant County Auditor I - REC
Division


Patti Smith, CPA
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Paul Matthews, Financial Division Manager
Managers, Travis County Auditor's Office
Examination File

BACKGROUND

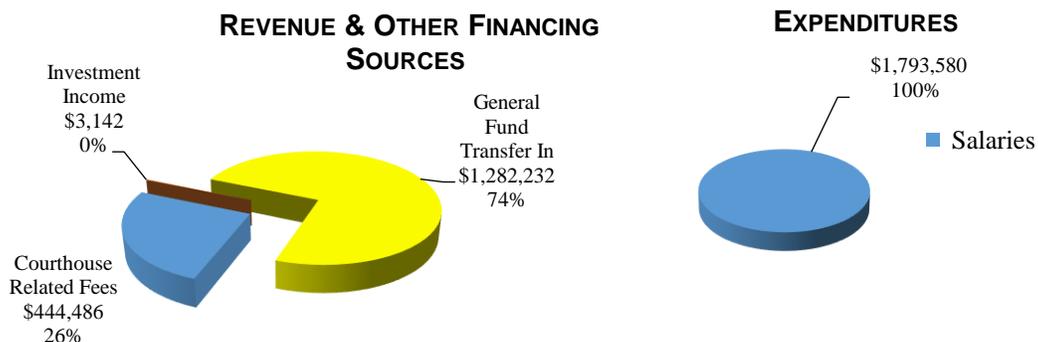
The Courthouse Security Fund is a special revenue fund created to account for revenues and expenditures associated with providing security services for district, county, and justice courts. In Travis County the following locations receive security provided by this fund:

- Blackwell-Thurman Criminal Justice Center – 510 San Antonio Street
- Heman Marion Sweatt Courthouse – 1000 Guadalupe Street
- Gardner Betts Juvenile Justice Center – 2515 S. Congress Avenue
- Child Support Court – 2101 E. St. Elmo Road
- Travis County Administration Building – 700 Lavaca Street

TCSO provides the personnel to maintain security at the above facilities, including seven senior certified peace officers, eight senior corrections officers, one corrections sergeant, and four security coordinators. The salaries and benefits for these employees are paid from the Courthouse Security Fund. The Fund is also used to pay for security personnel training and for security-related equipment. In FY15, expenditures from this fund totaled \$1,793,580, all for personnel-related costs.

Revenues for this fund are primarily assessed and collected as one of the court cost fees charged to specific parties in civil and criminal cases. However, the revenue generated by these court cost fees is insufficient to cover all the costs associated with providing security services for the above facilities. Because of this, the Courthouse Security Fund is also supported by annual transfers from the General Fund. During fiscal year 2015, the Courthouse Security Fund received \$444,486 in court cost fees while investment income (interest) totaled \$3,142. The FY15 transfer to this fund from the General Fund totaled \$1,282,232.

The details for revenue, other financing sources, and expenditures for FY15 are provided below in graph form:



Payroll Process

In descending order, the courthouse security command structure contains a major, a captain, a lieutenant, and three sergeants. The remaining personnel, answering directly to the sergeants, are corrections officers and security coordinators. The captain or major can approve the lieutenant's timesheet, while any of the officers can approve the sergeants' timesheets. The sergeants can approve any of the timesheets of the corrections officers and security coordinators.

On a typical day, security personnel arrive at work 15 minutes prior to the start of an eight-hour shift and remain at work for 15 minutes after the end of their shift. A standard shift includes an unpaid 30 minute lunch break. Security personnel that work more than 40 hours in a week receive overtime pay at 1.5 times their standard rate. Alternatively, the employee can request compensatory (comp) time in lieu of overtime pay.

TCSO policy requires that employee time be entered and approved no later than Monday following the applicable work week. All positions enter time into the SAP payroll system, and supervisors are required to review and approve timesheets. Sergeants review security personnel timesheets for accuracy in coordination with SAP schedules.

To help ensure that hours worked are accurately tracked and coded, the Auditor's Office remits a Proof Listings Report and a Proof Listings Certification Report to all department human resource liaisons semi-monthly for verification and confirmation after paychecks have been issued.

The ***Proof Listings Report*** contains the detailed timesheets of each employee in the department. The following are detailed in this report: employee number, name, position, payroll status, pay-date, hours worked, hours description, wages description and amount paid. The human resource liaison is expected to review this report to determine if all hours are properly recorded (overtime, training, sick leave, FMLA leave, missing hours, holidays, call-back pay, vacation, etc.).

The ***Proof Listings Certification Report*** is an SAP report which summarizes each wage type by department for each pay period. Each human resource liaison is responsible for reviewing the earnings and signing the following statement:

"The earnings reflect: 1) the salary for exempt employees, including all leave used (e.g. vacation, sick, personal holiday, etc.); and 2) the hours worked and all leave used by non-exempt employees. I further certify that this payroll is supported by individual employee timesheets for all non-exempt employees and timesheets for exempt employees consistent with the election below. Authorized supervisors with direct knowledge of the employees hours worked and leave used have verified and approved the timesheets. In addition, the liaison chose the following:

"I have elected for exempt employees in my office/department to report time worked and leave used on a timesheet, with supervisory approval. This is regardless of their exemption status."

During the payroll proofing phase, four human resource liaisons perform separate reviews of the proof listings. The liaisons review each payroll category and code entered on each timesheet to

ensure that the proper codes are used. They then review the proofing reports for items that appear abnormal, such as inaccurate holiday coding, egregious errors, and unusual code choices. If the liaison finds an error, he/she contacts the supervisor and corrects it prior to final payroll verification. The Fiscal Division also reviews the actual payroll expenditures, comparing them to the applicable budget amounts on a monthly basis. Typically, the entire review process for the Sheriff's payroll is completed within one to two days.

Overtime

Typically, security personnel do not earn a significant amount of overtime. Overtime may be earned when a court session lasts longer than its scheduled hours; however, this is rare. Overtime may also be accrued when security personnel provide assistance to the Corrections Division at the jail complex when Corrections is understaffed. Costs associated with overtime include the regular, baseline salary earned for the hours worked; bonus salary for working over 40 hours during the workweek; and benefits and payroll taxes related to both the regular and bonus salary (e.g., social security, Medicare, retirement, and workers compensation).

AREAS OF CONCERN

1. ALLOCATION OF OVERTIME TAXES AND BENEFITS

Taxes and benefits associated with overtime hours from jail shifts are not being allocated to the proper fund.

Background

Regular salaries, payroll taxes, benefits, and overtime bonus salaries earned by courthouse security personnel while working for another cost center, such as Corrections, are not valid, statutorily-compliant expenditures from the Courthouse Security Fund. These costs should instead be incurred by the other cost center.

The internal order system within the SAP financial system allows regular salaries to be tracked and applied to individual cost centers as needed. However, payroll taxes, and benefits incurred while working for another cost center are automatically applied to an employee's assigned cost center. Therefore, when courthouse security personnel perform shifts for Corrections, their regular salary is applied to Corrections, but their payroll taxes and benefits are inappropriately applied to the Courthouse Security Fund.

The allocation of overtime bonus salaries is also an issue. These bonus salaries are applied to cost centers based on where an employee was working when their hours exceed 40 hours during the workweek. For example, courthouse security personnel typically work five eight-hour shifts Monday thru Friday. If one of these employees works an additional four hours for Corrections on *Wednesday*, the hours that are in excess of 40 are considered the last four hours of their *Friday* shift in the SAP Financial System. Overtime bonus is paid on those last four hours. The bonus salaries are incorrectly applied to the Courthouse Security Fund because those last four Friday hours were part of a courthouse security shift.

In the above example, the overtime bonus salaries were incurred by the Courthouse Security Fund due to the timing of the employee's shifts. However, this overtime would not have been incurred without the additional hours worked for Corrections. It is therefore questionable that these overtime bonus salaries would be a valid use of the Courthouse Security Fund.

In fiscal year 2015, approximately \$15,000 was paid in overtime from the Courthouse Security Fund. Much of this total relates to bonus salary on overtime earned by courthouse security personnel performing shifts for Corrections, which should not have been allocated to this fund. An indeterminate amount of payroll taxes and benefits related to regular and overtime salaries incurred by courthouse security personnel while working for other cost centers has also been applied to the Courthouse Security Fund inappropriately.

Recommendations

We recommend that at the end of each fiscal year, TCSO personnel determine/estimate the amount of non-security-related overtime bonus, benefits, and taxes that have been paid from the Courthouse Security Fund during that year. Once calculated, TCSO should work with the

appropriate parties in the Auditor's Office to perform an adjusting entry to transfer these non-security-related costs to the General Fund.

Management Response

TCSO Finance feels that the taxes and benefits related to non-security overtime incurred by Courthouse Security staff is de minimis to the Courthouse Security fund. As noted above, the total amount of overtime earned by Courthouse Security staff was approximately \$15,000 in FY15. Using an estimated 22% rate to cover benefit costs (i.e.: county retirement match, FICA taxes, and Medicare taxes), the total cost of benefits potentially earned by staff for working overtime in other cost centers and paid by the Courthouse Security Fund would approximate \$3,300 for that period.

Juxtaposing this \$18,300 total (\$3,300 + \$15,000) against the \$1.28 million paid by the Travis County General Fund in FY15 to the Courthouse Security Fund, this perceived shortfall seems inconsequential. However, TCSO Finance does understand the importance of meeting statutory requirements in the use of special revenue funds. Because of this, we are currently exploring options for this fund with the Planning and Budget Office (PBO).

One alternative is to move all of the employees currently compensated using the Courthouse Security fund to the General Fund. We would then transfer funds from the Courthouse Security Funds to the General Fund annually to cover a portion of the security costs incurred by the General Fund. This reversal of the current process would eliminate the cost allocation issues noted above. It would also resolve issues relating to the 75% revenue cap on the amount that the General Fund can contribute to a special revenue fund that we have been dealing with for a number of years.

2. EMPLOYEE TRAINING

Proper supporting documentation was not available for 22% of the security personnel hours applied to the training time code in SAP. Because of this, we were unable to determine if the expenditures from the Courthouse Security Fund for these hours were statutorily compliant.

Background

Expenditures from the Courthouse Security Fund are governed by the Code of Criminal Procedure, Article 102.017 (d) MONEY DEPOSITED IN A COURHOUSE SECURITY FUND which states that these funds are to be used:

“...only for security personnel, services, and items related to buildings that house the operations of district, county, or justice courts, and money deposited in a municipal court building security fund may be used only for security personnel, services, and items related to buildings that house the operations of municipal courts.”

Allowable training costs that can be applied to this fund include training specific to the security function or to licenses required for these positions. For employees compensated from this fund, time spent on training required as a condition of employment appears to also be allowable.

Training expenses not related to courthouse security functions should not be posted to this fund. This includes salaries, benefits, and taxes for employee time spent in training.

Tracking and support for training hours

When security personnel that are compensated from this fund obtain training, they are to utilize the "Training" time code in SAP on their timesheets. During FY15, security personnel posted 1,078.5 hours to the training time code. We reviewed the available supporting documentation for these training hours and were able to verify that 875 hours were allowable Courthouse Security Fund expenses. No support was available for the remaining 203.5 hours.

Recommendations

TCSO should obtain detailed supporting documentation for all training hours and costs incurred by security personnel. This support should be reviewed to determine if the attendant costs are allowable Courthouse Security Fund expenditures. Costs related to disallowed training, including applicable salaries, benefits, and taxes, should be recouped into the Courthouse Security Fund from the appropriate General Fund cost center(s).

Management Response

As stated in our management response to Item #1, we are currently exploring options for this fund with the Planning and Budget Office (PBO), including moving all of the employees currently compensated using the Courthouse Security fund to the General Fund. This would resolve the training issue noted above.