

**Travis County Auditor's Office
Review of Travis County Sheriff's Office
Off-duty Vehicle Donations
#16-32**

August 4, 2017



TRAVIS COUNTY
AUDITOR'S OFFICE

NICKI RILEY, CPA
COUNTY AUDITOR



TRAVIS COUNTY
700 LAVACA
P.O. BOX 1748
AUSTIN, TX 78767
(512) 854-9125
FAX: (512)854-9164

To: Sally Hernandez
Travis County Sheriff

From: Nicki Riley, CPA
Travis County Auditor

Date: August 4, 2017

Subject: Review of Off-duty Vehicle Donations

Scheduled as part of our statutory requirements, particularly those in Section 115 of the Local Government Code and Article 59 of the Texas Code of Criminal Procedure, the Risk Evaluation and Consulting (REC) Division of the Travis County Auditor's Office has completed a review of Travis County Sheriff's Office (TCSO) off-duty vehicle donations. 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

TCSO enforces laws, protects the life and property of Travis County residents, and provides safe, secure, and humane confinement of inmates. TCSO is comprised of Corrections, Administration, and Law Enforcement Divisions. The Law Enforcement Division provides patrol functions, criminal investigations, and community-oriented services. Law enforcement personnel periodically perform services for outside parties while off duty. These services include security for events and directing traffic at construction sites.

SCOPE OF EXAMINATION

This report details an assessment of the adequacy and effectiveness of the overall system of financial controls in place for TCSO's off-duty vehicle donations during the period October 1, 2015 to December 31, 2016.

EXAMINATION METHODOLOGY

Our work was based on applying sampling procedures to office records and on verbal and written representations from TCSO. 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 material issues and weaknesses in this functional area of TCSO. In regard to the written and verbal representations made by TCSO, 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 & RECOMMENDATIONS

We noted internal control issues related to properly supporting off-duty vehicle events and transactions and making daily deposits of funds collected. We also noted that donations receivable for off-duty vehicle usage were not being properly tracked. Lastly, we noted that the hourly rate charged for off-duty vehicle donations has not been reviewed/updated since August of 2008. Our findings and recommendations are detailed in Attachment A.

OPINION OF INTERNAL CONTROL SYSTEM

Upon factoring in the internal control improvements implemented by TCSO Fiscal since October of 2016, we gave the system of internal controls for this functional area our rating of “Satisfactory, with Findings Noted.” This rating indicates a solid overall system of internal controls is in place for this functional area; however, some material weaknesses were noted. The lack of tracking of open balances due is a particular concern. See Attachment B for an explanation of our grading system for the overall control environment.

EXAMINATION TEAM

David Jungerman, Senior Auditor
Amanda Muehlberg, Staff Auditor

CLOSING

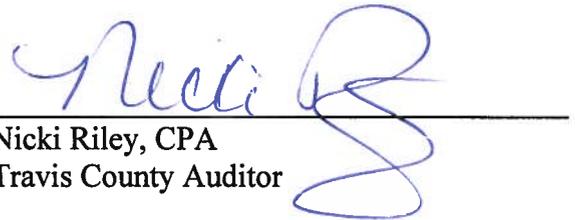
This report is intended solely for the information and use of your office and the Commissioners Court. We greatly appreciate the cooperation and assistance received from the management and staff of the Travis County Sheriff’s Office during these reviews. Please contact us if you have any questions or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



David Jungerman, CIA
Chief Assistant County Auditor I - REC
Division



Patti Smith, CPA
First Assistant County Auditor



Nicki Riley, CPA
Travis County Auditor

REPORT DISTRIBUTION

Lora Livingston, Judge, 261st Judicial District
Brenda Kennedy, Judge, 403rd Judicial District
Sarah Eckhardt, Travis County Judge
Jeff Travillion, Commissioner, Precinct 1
Brigid Shea, Commissioner, Precinct 2
Gerald Daugherty, Commissioner, Precinct 3
Margaret Gomez, Commissioner, Precinct 4
Jessica Rio, County Executive, Planning and Budget Office
Managers, Travis County Auditor's Office
Travis County Executive Managers
Examination File

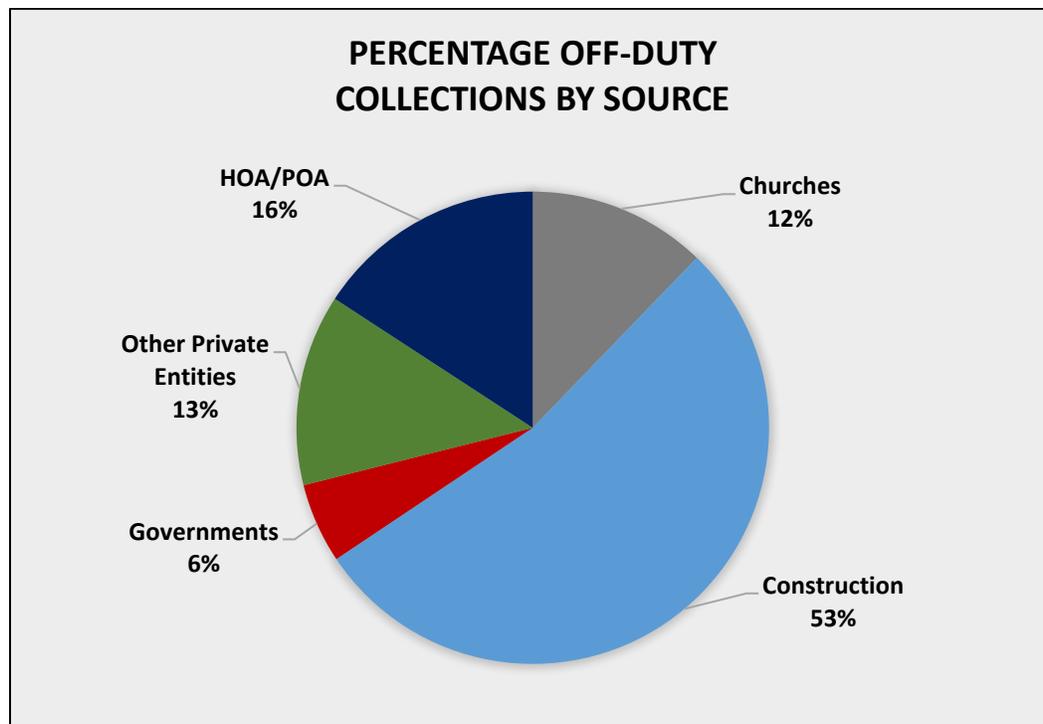
Attachment A

Background

At times, outside third parties require specialized assistance from Law Enforcement Officers (LEOs). For example, churches or road construction contractors may need an LEO to direct traffic, or a large public event may need LEOs for security. When TCSO LEOs provide these services, they typically do so while off duty. When this is the case, that employee enters into a contract with the third party that defines their duties, payment rate, and schedule. TCSO itself is not a party to these contracts.

In many cases, the LEOs need to utilize their County-owned patrol vehicles in order to properly perform these off-duty services for third parties. These vehicles can be particularly helpful for closing lanes of roads and alerting drivers while the LEOs direct traffic. When County vehicles are used in this way, fuel, maintenance, and usage costs are incurred by the County. In order to recoup these costs, the outside third parties also contract with TCSO, agreeing to donate \$20 to the County per hour in which the vehicle is in use or on site.

These donations are typically remitted directly to TCSO. Currently, TCSO Fiscal is responsible for tracking vehicle donations receivable, collecting/receiving these funds, and remitting them to the Treasurer's Office as County revenue. During the period October 1, 2015 to September 30, 2016, TCSO collected \$747,890 in off-duty vehicle donations on 547 payments from outside parties. The following graph details the percentages collected by source type:



Note: "HOA/POA" represents Home and Property Owners' Associations. Some of the funds collected from these entities may be related to construction activities.

Issues Noted

We reviewed 55 (12%) of the 547 payments received during the period; the sampled receipts totaled \$55,991. During this review, we noted the following:

1. Supporting Documentation

Of the 55 payments tested, 51 (93%) were missing the Vehicle Assignment Certification Form which details and documents the off-duty task during which a County vehicle was used. In addition, we were unable to verify that the funds received for any of these 55 payments were deposited by the next working day after receipt, due to incomplete supporting documentation. Specifically, the receipt date for these funds was not logged or documented via a time stamp for these items. However, it appears likely that funds received were not consistently deposited within a day of receipt based on the large disparity between the actual deposit date and the date listed on the check received for many of these items.

In order to maintain a complete audit trail, copies of Vehicle Assignment Certification Forms should be retained for all off-duty events for which a County vehicle is utilized. In addition, the date that funds are received should be documented as a necessary part of the audit trail. Without this information, management and outside parties cannot verify that collections were deposited in a timely manner.

The daily deposit of funds collected into a County bank account improves office controls over cash collections by reducing the amount of funds on hand available for loss or misappropriation. In addition, Section 113.022 of the Texas Local Government Code, "Time for Making Deposits", states the following:

A county officer who receives funds shall deposit the funds with the county treasurer on or before the next regular business day after the date on which the funds are received. If this deadline is not met, the officer must deposit the funds, without exception, on or before the seventh business day after the day on which the funds are received.

2. Accounts Receivable

In regard to tracking balances due for unpaid off-duty vehicle donations, TCSO did not track this receivable information during the 12 months ended September 30, 2016.

Tracking accounts receivable is an important accounting function that allows balances due to be managed, properly recorded in the accounting records, and collected upon. Since this information was not maintained, we were unable to assess how well TCSO collects balances due for vehicle donations or if all services provided were collected upon.

3. Hourly rate for donations

The current \$20 per hour rate for off-duty vehicle donations was approved by Commissioners' Court on August 12, 2008.

To help ensure that vehicle donations properly recoup the costs associated with using the County vehicles for off-duty purposes, the hourly rate for off-duty vehicle donations should be reviewed for reasonableness at least every three to five years.

Current status

Since October of 2016, the accounting function for off-duty vehicle donations has been incorporated into TCSO Fiscal. It appears that funds are now being deposited in a timely manner using a two-person deposit verification procedure. In addition, TCSO Fiscal is in the initial stages of converting from a manual, paper-based system to an automated database to track information related to off-duty vehicle donations, including balances due and Vehicle Assignment Certification Forms.

Recommendations

Given that the hourly rate for donations was last adjusted in 2008, we recommend that it be reviewed and adjusted (if needed) as soon as possible. This review should take into account all vehicle-related costs, as well as costs associated with administering, collecting, tracking, and accounting for vehicle donations.

We also recommend that TCSO Fiscal continue its efforts to automate the off-duty vehicle accounting function, implementing additional internal controls as needed. Improving accounts receivable and supporting documentation tracking is especially important.

Management Responses:

TCSO Finance agrees with both recommendations.

As noted by the Auditor's Office Risk Evaluation and Consulting Group (RECG) in its findings, all off-duty operations were "moved" under the purview of the TCSO Finance section at the end of FY2016.

Shortly after this transition, RECG began a limited-scope review of the off-duty program. Accordingly, TCSO Finance did not alter any operational practices of the off-duty coordinator during this review process, except for instituting basic controls on receipting and depositing county vehicle donation checks (in a timely manner) as was noted in the RECG report. TCSO Finance did not alter any operational aspects of the off-duty program so that the evaluation by the RECG team would not be influenced by any newly implemented programmatic changes.

TCSO Finance concurs with RECG findings that the Sheriff's Office must implement additional internal controls to govern the off-duty program as appropriate. In light of this report, TCSO Finance is in the process of mapping off-duty program workflows and updating operational documents. TCSO Finance will share all program documentation and process maps with RECG staff.

Second, TCSO Finance agrees with the RECG findings that all receivables for off-duty vehicle donations must be recorded as income is earned and that this information should be reported as part of TCSO financial reports incorporated into the county's monthly financial statements and Comprehensive Annual Financial Report (CAFR). Furthermore, TCSO Finance recognizes the importance of regularly

reviewing the age of all vehicle donation accounts receivable and for adjusting the value of this asset if and when receivables become uncollectable. Accordingly, TCSO Finance will explore actions to incorporate these elementary accounting practices into the duties of the off-duty coordinator role in the near future.

TCSO Finance also believes that further segregation of duties will be necessary to eliminate conflicting duties and develop appropriate controls and oversight of the TCSO off-duty program. As such, the need for additional staff cannot be excluded as a possibility in the future.

ATTACHMENT B – INTERNAL CONTROLS RATING KEY

A good internal control system reduces the risk of errors, defalcations, and misappropriations of funds. Weak internal control systems provide an environment in which errors, defalcations, and misappropriations of funds can go undetected. The following details the various grades we assign to internal control systems:

RATING	RATING DESCRIPTION
Satisfactory	Well-established internal controls with no material weaknesses noted.
Satisfactory, with findings noted	A solid overall system of internal controls is in place; however, some material weaknesses were noted.
Inadequate	The existing system of internal controls is materially ineffective.