

**COUNTY OF NUECES, TEXAS**

**MANAGEMENT LETTER**

**SEPTEMBER 30, 2015**

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**ERNEST R. GARZA  
AND COMPANY, P.C.**  
*Certified Public Accountants*

10201 Leopard #A  
Corpus Christi, Texas 78410  
Bus. (361) 241-2452  
Fax No. (361) 242-1525  
Toll Free 1-800-241-1272



6102 Ayers St. #106  
Corpus Christi, Texas 78415  
Bus. (361) 723-0685  
Fax (361) 723-0689

March 28, 2016

The Honorable Judge and Commissioner's Court  
County of Nueces, Texas

We have audited the accompanying financial statements of the County of Nueces, Texas, for the year ending September 30, 2015 of which our report was dated March 28, 2016, thereon. As part of our examination, we made a study and evaluation of the county's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the system of internal accounting control taken as a whole.

The administration of the County of Nueces, Texas, is responsible for establishing and maintaining a system of internal accounting controls. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. 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 disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

In addition, our study and evaluation made for the limited purpose described in the first paragraph, would not disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the County of Nueces, Texas, taken as a whole.

Our study and evaluation disclosed the following conditions that we believe result in more than a relatively low risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements of the County of Nueces, Texas, may occur and not be detected within a timely period.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our examination of the September 30, 2015 accompanying financial statements, and this letter does not affect our report on these financial statements issued March 28, 2016.

**MONTHLY CLOSE-OUT PROCEDURES/OUTSTANDING CHECKS/TIMELY DEPOSITS  
COMPUTERIZED RECEIPTS**

**Finding No. ML2015-01.** As mentioned in the prior audits, various county departments had outstanding checks over one year old, some checks were up to several years old. The following departments had outstanding checks during the year:

	1 year	2 years	4 years
1. County Sheriff: Jail Trust Acct		x	
2. Property Tax: Prop. Tax Acct, Gen. Svc Acct, Motor Vehicle Acct		x	
3. District Clerk: Operating Fee, Registry Trust I, Non Interest Trust, Child Support		x	x

**Recommendation No. ML2015-01.** For accountability purposes, we recommend that all outstanding checks be reviewed and outstanding checks should be voided or reissued according to Nueces County Escheating Policy and/or analyze the appropriate action for those funds.

**Management Response ML2015-01:**

We will continue to work with all departments that have stale dated checks and get them to remit to treasury in a timely manner. We will prioritize departments which have checks that are over three years and now reportable to the state.

**Finding No. ML2015-02.** During our review of the monthly reports, we noted various monthly revenue reports were submitted late to the County Auditor. List as follows:

	1 – 15 days late	16 – 30	over 30
1. County Sheriff, Federal Narcotics – late twice	x	x	
2. County Sheriff, Inmate Trust Account – late three times	x		
3. County Sheriff, Inmate Benefit Account – late once	x		
4. Constable Precinct 5 – late once	x		
5. Justice of the Peace, Precinct 1, Place 2 – late twice	x		
6. Justice of the Peace, Precinct 2, Place 2 – late twice	x		
7. Justice of the Peace, Precinct 3 – late three times	x		
8. Justice of the Peace, Precinct 4 – late six times	x		
9. Justice of the Peace, Precinct 5-1 – late twice	x	x	
10. Justice of the Peace, Precinct 5-2 – late three times	x		
11. District Clerk, Invested Trust Accounts – late three times	x	x	
12. District Clerk, Child Support – late twice	x		
13. District Clerk, Fee Operating Account – late eleven times		x	x

**Recommendation No. ML2015-02.** As mentioned in the prior audit, for internal control and accountability purposes, monthly revenue reports should be submitted on a timely basis.

**Management Response ML2015-02:**

We will continue to keep close communication with the departments to ensure reports are submitted timely. Local Government Code 114.001b requires officials to submit a monthly report within five days after the last day of each month to the auditor’s office. However, the auditor’s office allows a grace period through the 15<sup>th</sup> day of the following month. Monthly reporting status will continue to be reported to the commissioner court.

**Finding No. ML2015-03.** As mentioned in the prior audit, during our expenditure testing, we noted invoices were dated before the date of the purchase orders.

**Recommendation No. ML2015-03.** For accountability and internal control purposes, purchase orders must first be obtained in order to insure sufficient funds are available and expenditures are within budget. Blanket purchase orders should be issued for utility bills and reoccurring expenditures but monitored during the year.

**Management Response ML2015-03:**

We will continue to address this issue annually with the responsible departments. A memorandum will be sent out again to the departments with their instances cited explaining the proper procedures and the county purchasing policy with acquisitions. However, it should be noted that in certain instances it is unfeasible to obtain a purchase order before an invoice is generated. For example, certain departments with the County operate on a 24/7 schedule making it inevitable that purchases may be required over a weekend period whereas the office personnel responsible for generating the purchase are unavailable.

**Finding No. ML2015-04.** As mentioned in the prior audit, during our testing of the Sheriff's office, we noted a lack of internal controls for the reconciling and/or verifying the accuracy of daily/monthly sales. We noted information was periodically provided by the outside vendor, Keefe, or as requested but not on a regular and timely basis to determine the accuracy of the sales and commissions earned.

**Recommendation No. ML2015-04.** For internal controls and accountability purposes, the Commissary should be reconciled on a daily basis. The staff should obtain software that can provide timely information for purchases made and the applicable sales commissions due to the County. The County should not rely on the vendor for this information but have sufficient controls in place to ensure accurate revenues are being recorded. A procedures manual should be developed and a backup plan for staff should be analyzed that provides sufficient internal controls and accountability.

**Management Response ML2015-04:**

The internal audit staff will continue to monitor the daily/weekly/monthly reconciling process to ensure revenues are being accurately recorded.

*Sheriff's Office response:* The Sheriffs Office now receives daily print out of sales from vendor Keefe. The Sheriffs Office will retain daily print out of sales and will reconcile all daily sales totals at month end to determine the accuracy of sales and commissions earned

**Finding No. ML2015-05.** During our audit testing of the County's cash accounts, we noted permits were not used in sequential order when issuing beach parking permits for the Coastal Management Department nor cash bond and warrant receipts with the Sheriff's Department.

**Recommendation No. ML2015-05.** For internal control and accountability purposes, permits should be used in sequential order to ensure proper documentation is maintained, as to whether they were used, missing or voided. Voided receipts should be signed by individual voiding the receipt, and then confirmed and signed off by management.

**Management Response ML2015-05:**

The internal audit staff reviews the beach parking permits on a monthly and annual basis. The permits are sold at two coastal park locations. The permits are issued by the City of Corpus Christi and are also audited by the City at the end of the calendar year. The coastal parks have not had exceptions on these annual audits. The internal audit staff will continue to review all Sheriff Bond receipts to ensure all are accounted for and also monitor voided receipts to ensure they are signed by individual voiding the receipt and signed off by management.

*Sheriff's Office response:* Several departments within the Sheriffs Office have a receipt book and therefore at times the numbers may seem like they are not sequential. We will do what we can to ensure that receipts are used in sequential order and will provide proper documentation as to whether receipts were used, missing, or voided. Voided receipts will be signed by the individual voiding the receipt, and then confirmed and signed off by management.

**Finding No. ML2015-06.** During our audit testing of unrecorded liabilities, we noted 5 purchase orders and/or invoices dated in the fiscal year ended September 30, 2015 that were not recorded in the correct fiscal year.

**Recommendation No. ML2015-06.** For internal controls and accountability purposes, we recommend a strict adherence to the purchase order system, as well as timely submission of all invoices to the internal auditor's office to ensure all expenditures are taken to the correct fiscal year and necessary budget amendments are made on a timely basis.

**Management Response ML2015-06.**

We currently have a purchase order system restriction which disallows the creation of prior year purchase order after October 1 of a current fiscal year. We will continue to remind departments to timely submit purchase order requests for any anticipated expenditures within a certain timeframe. We will also provide additional training to the auditor's office staff to properly review invoices for the service period and/or date goods were received to ensure invoices are recorded in the appropriate period. This will ensure proper reporting for the year-end financial statements.

**Finding No. ML2015-07.** During our audit of employee files, we noted that the number of exemptions on an employee's W-4 did not match the number of exemptions being used on the employee's paychecks to determine the amount of federal tax deducted.

**Recommendation No. ML2015-07.** For accuracy, internal controls, and accountability purposes, we recommend new W-4's be obtained from employees and updated into the payroll system to ensure accuracy.

**Management Response ML2015-07.**

Upon examination of the sample testing, we determined it only affected one employee. We immediately requested a current W-4 from the employee and found that the current information matched our system without exception. A possible reason that the W-4 on file did not match the system may be because the latest W-4 was misfiled. We will take every effort to ensure all documents are properly filed and perform self-audits throughout the year.

**Finding No. ML2015-08.** As mentioned in the prior audit, the County had adopted a Fraud Policy for compliance purposes. It was noted that County-wide that procedures and compliance procedures were not fully established.

**Recommendation No. ML2015-08.** For compliance purposes, the County's various departments should continue with its individual compliance procedures to adhere to the Fraud Policy. It is also recommended the County Auditor's office perform compliance testing of that Policy.

**Management Response ML2015-08:**

Internal Control System Questionnaires were resent to all county departments to be filled out, signed, and returned. We have had an increase in compliance. Continued efforts will be taken to obtain completed questionnaires from all departments.

**Finding No. ML2015-09.** During the audit of grants, we noted that requests for reimbursement of expenditures for the HIDTA Program were submitted to the grantor until July of 2015. No supporting documentation or copies of requests for reimbursement of expenditures submitted to the grantor for the months of August and September of 2015 were on file.

**Recommendation No. ML2015-09.** For internal control and accountability purposes, we recommend that request for reimbursement of expenditures to the grantor be submitted timely and supporting documentation be on file at the County Auditor's Office to ensure that the ledgers properly and accurately reflect balances of grant activities at any given time.

**Management Response ML2015-09:**

We will continue to work the Sheriff's Office to obtain proper documentation to accurately reflect expenditures on the general ledger. We will also verify the possibility to claim August and September 2015 expenditures on another HIDTA grant so that there is no fiscal impact to the County. Currently, this office and other offices in the county request and administer several grants without working with the grants administration. Therefore, we are recommending consolidating the administration of all grants under one centralized division.

*Sheriff's Office response:* No supporting documentation or copies of requests for reimbursement of expenditures submitted to the grantor for the months of August and September of 2015 were on file because no reimbursements were requested for the month of August and September of 2015. We will make sure that request for reimbursement of expenditures to the grantor is submitted timely and supporting documentation will be submitted so that it can be on file at the County Auditor's Office to ensure that the ledgers properly and accurately reflect balances of grant activities at any given time. If no reimbursement is requested in any given month, the Sheriffs Office will submit documentation stating that no reimbursement was requested.

**Finding No. ML2015-10.** During our audit of grants, we noted that the District Clerk's Office was not providing the Grant Supervisor supporting documentation for two (2) Child Support Enforcement grants on a timely basis.

**Recommendation No. ML2015-10.** For internal control and accountability purposes, we recommend that all information regarding grant activities be submitted to the County Auditor's Office on a timely basis in order for the ledgers to properly and accurately reflect balances at any given time.

**Management Response ML2015-10.**

The auditor's staff will continue to work with the District Clerk's Office to ensure that proper documentation is provided for the grant revenues received and make sure reimbursement requests are submitted timely.

**Finding No. ML2015-11.** During the year under audit, the County was audited from the Department of Labor regarding personnel working but not receiving the applicable pay for work performed. It was noted a post audit settlement was obtained by the County. (Sheriff's Office)

**Recommendation No. ML2015-11.** For internal control and accountability purposes, management review of time sheets should be performed on a regular basis for payroll compliance and any adjustments needed should obtain an employee acknowledgement. Management intervention should be enhanced for any continued abuse of unauthorized overtime with proper corrective action.

**Management Response ML2015-11:**

Historically, the Sheriff's Office has been using a timekeeping system separate from the program utilized by the majority of the County's other offices. We are currently working with the Sheriff's Office to convert all employees over to the County's Executime timekeeping system. Executime will provide additional controls and a greater integrity in the timesheet recording process including providing an audit trail for all changes made and approved by employees and management. In addition, Nueces County timekeepers and supervisors attended a mandatory training conducted by the Department of Labor. The Auditor's Office will continue to review timesheets on a regular basis to ensure employees are properly paid until the new timekeeping system is fully implemented.

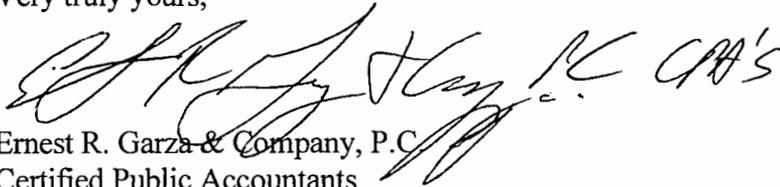
*Sheriff's Office response:* The Sheriff's Office will continue to review time sheets on a regular basis for payroll compliance and any adjustments needed will have employee acknowledgement. Management intervention has been enhanced for any continued abuse of unauthorized overtime with proper corrective action.

As our normal practice following an audit, we are presenting our findings and recommendations to assist management in fulfilling its responsibility to maintain an adequate system of internal accounting controls, your principal safeguard against irregularities.

Although our comments have been reviewed with the County's management, we are pleased to provide further information or discuss any questions you might have regarding the contents of this letter.

We would like to take this opportunity to express our appreciation for the courtesy and cooperation extended to us by the public officials and the employees of the County of Nueces, Texas, during this audit.

Very truly yours,

A handwritten signature in black ink, appearing to read "Ernest R. Garza, CPA's". The signature is written in a cursive style with a large initial "E".

Ernest R. Garza & Company, P.C.  
Certified Public Accountants  
March 28, 2016