

TOM GREEN COUNTY



San Angelo, Texas

OFFICE OF THE County Auditor

September 28, 2018

The Honorable Dianna Spieker
Tom Green County Treasurer
112 W. Beauregard Avenue
San Angelo, Texas 76903

Dear Ms. Spieker,

We have completed our review of your office's financial records for the period of October 1, 2017 through March 31, 2018. Included in the review were internal controls, revenues, accounts payable to include quarterly payments to the state, cash and near cash balances, securities, bank reconciliations, collateralization, payroll, 941 payroll tax reports, TCDRS deposits, docks, paid time off accruals, outstanding debt, unclaimed property, investment reports, interest earned, and your continuing education hours.

There were areas we examined with only a few minor findings, which we have communicated to you separately. We presented you a quarterly audit status report measuring the status of each of the areas reviewed. The areas of greatest concern are presented in this letter.

We found that the County's bank accounts at Wells Fargo were under-collateralized on January 18, 2018 by \$1,986,216.19. Under collateralization historically occurs between late December and mid to late January when the bulk of the County's tax revenue is received. When the County's funds are not fully collateralized, there is a risk of loss in the event of bank default, and the County is not in compliance with the Public Funds Collateral Act. We recommend you attempt to forecast ahead for this six week period next year and increase the collateralization level at the bank in an effort to avoid under-collateralization.

We also performed a more in depth review of your compliance with the County's investment policy, which is modeled after and closely follows the public funds investment act. The investment policy requires specific information to be reported, depending on if a particular investment is pooled or individual.

Pooled investments should have a beginning market value, additions and changes to the market value, ending market value, and fully accrued interest for the reporting period. A summary

statement should also be presented in accordance with Generally Accepted Accounting Principles (GAAP). None of the pooled investment reports included in your monthly report (Texas Class, TexPool, or TexPool Prime) contain beginning market information or additions and/or changes to the market value. Furthermore, the ending market value is at the aggregate level for the whole pool, and as such Tom Green County holdings cannot be specifically ascertained. Only the interest appears properly reported.

The requirements for individual investments are more extensive. The investment policy requires the beginning and ending market values, beginning and ending book values, the type of asset, the fund type and the maturity date. The Texas Bank statement included in your report does not provide the beginning market nor the beginning book values. The fund type or type of assets isn't reflected on the statement, either. In addition, the statement balance doesn't tie to the book balances in your report. The portfolio holdings statement through Wells Fargo does not provide the beginning market nor the beginning book values. Also the fund type is not reflected. The amount does tie to the book balance in your report, if you know which figures to sum.

We highly recommend that you prepare and submit to the Tom Green County Commissioners' Court a written report of all investment transactions in compliance with the detailed requirements listed in section IV. A. of the Investment Policy. When we discussed these investment items with you, you informed us that you did not have the time or staff to properly comply with the requirements. We would recommend that you determine the staffing requirements necessary to accomplish these tasks, and present those needs to the Commissioners Court as soon as possible.

Next we reviewed accrued leave balances for County employees, including comp time calculations, holiday, sick and vacation accruals for the time period. There were numerous findings, which included inactive employees who still had balances on the books in all of the categories of leave. There were also incorrect rates used to accrue time for re-hired and transfer employees, and their leave caps were not updated for the correct anniversary date. We found two employees who were shorted 15 hours each in comp time, and another employee showing her time accrued as sick instead of comp. Thirty employees were accruing vacation and sick time at an incorrect rate due to either transfer or conversion from part time status to full time. Nine of these employees owe Tom Green County benefit hours. Upon separation, one of these employees was paid out 50 hours of unearned vacation time as a result of these errors. We also found one "ghost" employee in Timeclock, with no record of the employee name or number in Munis records. The employee had sick and vacation time accrued. We do note that many of these items were addressed and corrected during the Timeclock upgrade subsequent to our review. We hope that the new system will automate several of the processes to accrue leave. But, regardless we recommend that you review accrued leave regularly. In particular, a regular internal review of employees who transfer to/from CSCD or convert from part time to full time (or vice versa) would have identified most of the errors that we found.

In our review of your bank reconciliations of County accounts, we noted that your monthly report to Commissioners Court continued to state that the bank accounts had been reconciled. Yet we found accounts that either had not been reconciled or were not completed at the time you filed your report. We know that you took issue with the wording of this finding from the prior review. To be clear, we are not implying that you haven't worked on the reconciliations at all, in fact we can see that you worked on them during those times and we do appreciate the effort. When we say it was not reconciled, we mean that it does not balance and therefore is not reconciled.

Reconciling the bank accounts in a timely manner is crucial to the proper accounting of funds, and ensures that the balances in the account reflect the legitimate financial activity of the County for that month. Local Government Code requires bank accounts to be reconciled by the Treasurer, and we recommend as a long standing practice, that they be reconciled by the end of the subsequent month. This improved in the month of March 2018 (the last month covered in this review), and with the reconciliations balanced as of that time, future months should be easier to complete.

In addition to the testing in this review, the Auditor's office reviews every payroll prior to disbursement. The payroll findings are reported to you at the time of the payroll, so corrections can be made and correct paychecks can be delivered to the employees. There were numerous payroll errors during the time period that tend to recur in subsequent payrolls. This has improved in recent payrolls, but still remains an issue. It is crucial to ensure that corrections are made in both the current payroll and the employee job salary program within Munis. Additionally on two separate occasions, payroll checks were printed using the number sequence for the operating account instead of the payroll account. We recommend double checking the bank account, and the check sequence, prior to issuing any checks from the payroll bank account.

This concludes our review of your financial records for the October 2017 to March 2018 timeframe. If you have any questions or concerns, feel free to contact my office.

Very cordially,



Nathan Craddock
County Auditor



Gayle E. Cheek, CPA, CGMA
1st Assistant County Auditor

Cc: The Honorable Barbara Walther
District Judge, 51st Judicial District

The Honorable Commissioners Court
Tom Green County