

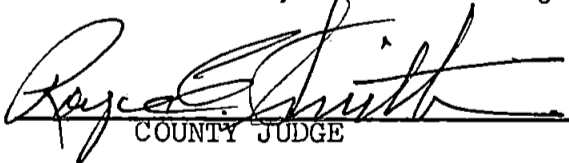
THE STATE OF TEXAS
COUNTY OF SABINE

On this the 7th day of July, 1983, the Honorable Commissioners Court met in Special Session with the following members present, to-wit:

Royce C. Smith	County Judge
R. E. Smith	Commissioner, Precinct No. 1
Billy Joe McGee	Commissioner, Precinct No. 2
Eldridge Ellison	Commissioner, Precinct No. 3
Chester D. Cox, Sr.	Commissioner, Precinct No. 4
Minnie Gooch	Clerk of the Court

Glenda Hiers and Gary Johnson, with the firm of Alexander and Rogers Certified Public Accountants appeared before the court, to discuss implementing the bookkeeping system of various offices toward being audited at the end of the year. Also present at the meeting were county officials, Marie White, Tax Assessor-Collector and deputy Opal Lee and Ollie Faye Sparks, County Treasurer. After discussion ;and questions Commissioner Chester D. Cox, Sr. made a motion that the recommendations made by Alexander and Rogers be received by the Court and implemented by the Auditing Firm of Alexander and Rogers, excluding the numbering system set out in the Standard Financial Management System. Commissioner Billy Joe McGee made a second to this motion and motion carried. Recommendations are marked "Exhibit A" and attached to minutes of this date.

There being no further business, the court adjourned.


COUNTY JUDGE


COMMISSIONER, PRECINCT NO. 1


COMMISSIONER, PRECINCT NO. 2


COMMISSIONER, PRECINCT NO. 3


COMMISSIONER, PRECINCT NO. 4


CLERK OF THE COURT

See Exhibit



ALEXANDER & ROGERS, INC.
CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION

WILBUR E. ALEXANDER, C. P. A.
KENNETH D. ROGERS, C. P. A.
TED A. LANKFORD, C. P. A.
J. LAMAR CLARK, C. P. A.
GLENDA J. HIERS, C. P. A.
MONTE C. PIPES, C. P. A.

Honorable Judge Royce Smith and
County Commissioners
Sabine County, Texas
Hemphill, Texas

We have made a study of the County's internal accounting controls and procedures so that we can make suggestions on ways to improve overall operating efficiency, enhance internal controls, and provide timely and effective reports to the Commissioners. Our study related to systems design and did not constitute an audit of any financial statements prepared by the County nor was it designed for the purpose of expressing an opinion on internal accounting control.

The management of the County is responsible for establishing and maintaining a system of internal accounting control. 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 a 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.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may 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 the procedures may deteriorate.

As a result of our study and evaluation of internal accounting controls and procedures, we feel that implementation of the following comments would be helpful in improving operating efficiency and providing timely and accurate reports to management. These comments are intended for the use of management and should not be used for any other purpose.

COUNTY TAX ASSESSOR-COLLECTOR

Daily Cash Reports

The recording of daily transactions is a key ingredient to any accounting system. If transactions for one day are totalled and proven reliable, then the monthly totals of these daily amounts would be simple to prepare. These monthly totals are the amounts that should be on the reports to the Commissioners.

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MEMBER OF AMERICAN INSTITUTE OF
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1329 N. UNIVERSITY DR.
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Exhibit A

60-A

Daily Cash Reports - Continued

To maintain reliable daily totals and make report preparation as easy as possible, we feel several suggestions are in order:

1. Add a column on both sides of the "amount" column of the daily cash report. The column on the left should be a carry forward balance from the previous day and the column on the right should be the month-to-date total. In this manner, the last day of the month would contain the entire month's activity in the column on the right.
2. Add a line for the County's penalty and interest, and a line for Hospital collections.
3. Use the proper columns on redemption receipts for recording tax and penalty and interest. This will produce separate totals for tax and penalty and interest.
4. Do not renumber the redemption receipts or the supplemental receipts, because the numbers already printed on these receipts are adequate for control purposes. This will save some staff time and simplify recordkeeping.
5. Prepare a daily list of checks received for payments and attach it to the daily cash report. This list should include the name, receipt number, date, bank, check number, and amount. The checks should be endorsed "for deposit only" immediately and deposited with that day's cash collections. Leaving checks around the office is a totally uncontrolled situation and can only generate more problems. Making a list of checks will provide for quicker deposits, even if the receipts cannot be posted in a reasonable time.
6. Group tax receipts by date collected. This will provide a means of tracing daily deposits to the underlying documents. It will also allow the preparation of the detailed monthly report before month end. Thus, the report could be started on during the month rather than having to leave it until the month is over.

Timely and Informative Reports

Reports of fiscal activity give the Commissioners a reasonable basis on which to rate the performance of collections, plan for future activity, and coordinate fiscal efforts for the entire County. We feel the reports to the Commissioners presently used are both inadequate and untimely. To correct this, we have designed an example (see Exhibit 1) of a monthly report that could be used. This report is designed to show cash activity for a month and relate this to the beginning and ending cash balances.

Sabine County, Texas
June 23, 1983
Page 3

Timely and Informative Reports - Continued

This report can be prepared from the transaction journals recommended below and should provide a comprehensive overview of tax office activity.

Cash Receipts and Disbursements Journals

Due to the large amount of cash transactions in the tax office, we feel a journal should be kept for both cash receipts and disbursements. These journals will provide a workable means for accumulating daily information on a monthly basis so that reports can be easily prepared.

We have enclosed, as Exhibit 2 and 3, an example of a page of these journals. The separation of the auto and ad valorem activities is not essential, but usually helpful when comparing reports to cash activity. The column totals will provide all the information needed to complete a monthly report to the Commissioners. Therefore, a monthly report will only involve copying a few numbers in an overall format and will not require any substantial time from the staff.

Turnover of Cash

Quick turnover of cash from tax office collections would result in increased interest income for the County. We suggest that 90% of collections on the County's ad valorem tax for the week be given to the County Treasurer on the following Monday. Then the maximum time delay would be only one week for the majority of collections. Such a system is used by several counties and keeps the turnover of cash at a rapid pace.

Timely Bank Reconciliations

During our review, we noted that the last bank statement to be reconciled to the checkbook balance was in March, 1983. This is an important control because it points out errors in recording cash transactions in a timely manner. We suggest the bank reconciliation be performed as soon as possible, keeping in mind its importance to overall cash controls.

Cash Register

A cash register provides excellent controls over cash handling because it records on an internal tape each transaction that is entered. However, we hesitate to recommend the purchase of one at this time because we do not feel there will be sufficient benefits to be gained from its use.

Cash Register - Continued

The use of a cash register will not speed up monthly reports to the Commissioners; however, it can help prevent undetected cash thefts because it has its own internal cash record (the internal tape). The decision to purchase a register should depend on whether the volume of cash transactions warrants the cost of the register.

Cumulative Delinquent Tax Roll

On July 1 all unpaid current taxes become delinquent. Maintaining records for these is both difficult and time consuming. In addition, issuance of a tax certificate requires the review of at least nine delinquent tax rolls.

To facilitate operations during the year and to monitor total unpaid delinquent taxes, we suggest a cumulative delinquent tax roll be prepared. As a result, only one book would be needed to perform a search for delinquent taxes over a year old.

The preparation of a cumulative delinquent tax roll takes a good deal of time, but can be done in the slower summer months. We feel it is worthwhile not only because the Texas Property Tax Code requires it (Section 33.03), but also it will give the Commissioners some idea of the magnitude of delinquent taxes for all years.

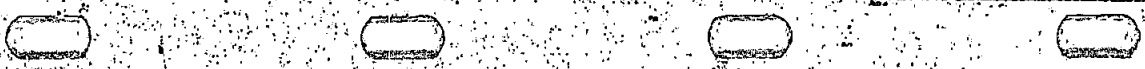
Tax Assessor-Collector Bond

Our review of official bonds disclosed that the Tax Assessor's bond for \$5,217 is inadequate. The Texas Property Tax Code, Section 6.28(c), requires a bond for 10% of the current tax roll, the bond not exceeding \$100,000. The tax roll for Sabine County at October 1, 1982 was approximately \$335,000 which means the bond should be for at least \$33,500.

Tax Roll Changes

Changes and adjustments to a taxpayer's assessments or exemptions should be adequately documented and posted to a separate journal. At present, changes are handled through the Sabine County Appraisal District which is correct; however, the documentation supporting these changes is inadequate. The Chief Appraiser scratches out the original amount and writes in the new amount on the taxpayer's original statement. This statement is usually not signed, does not give the reason for the change, and is not kept by the County.

Section 25.25 of the Texas Property Tax Code clearly states in paragraph (d) that "the Chief Appraiser shall certify each change made ... to the assessor for each unit affected".



Sabine County, Texas
June 23, 1983
Page 5

Tax Roll Changes - Continued

Enclosed as Exhibit 4 is a sample change authorization form used at another Appraisal District. Normally, the County's copy is attached to the County's tax receipt and the control number is recorded on the tax roll and the adjustments journal. We feel the Commissioners should persuade the Chief Appraiser to supply these forms as the law requires.

Depository

The cash balance of the tax office was found to be sufficient to warrant a collateral pledge from the depository. FDIC covers the amount on deposit up to \$100,000, but the excess is not covered unless the bank pledges its own assets for this purpose.

COUNTY AND DISTRICT CLERK

Cash Disbursements

During our study of internal control procedures we found that segregation of duties for cash disbursements could be improved. Presently, the County Clerk and three deputies can write disbursement checks and three of these four can sign them. The person responsible for handling the transaction then mails the checks. We suggest that one person be responsible for reviewing all disbursements and signing checks. This should be someone other than the person who prepares the monthly bank reconciliations. The checks could then be recorded and mailed by someone who does not sign checks. These procedures would insure that all disbursements are properly authorized and would improve the segregation of duties.

We also recommend that the cash disbursements and receipts journals show monthly totals which should agree to the totals in the subsidiary ledgers such as the "fines and fees" books. In addition, a reconciliation should be prepared in the cash disbursements journal each month showing the beginning cash balance, total receipts, total disbursements, and the ending cash balance. The ending cash balance should agree to the monthly bank reconciliation. A good example of this type of reconciliation can be found in the County Treasurer's ledger book.

Separate Bank Accounts

From our inquiries we learned that the County Clerk deposits fees received, cash bonds received, and probate deposits into the same bank account. We recommend that three separate bank accounts be set up to handle the three types of receipts. The County Clerk's account should only be used for fines and fees actually earned. In order to set up these accounts, the County Clerk must determine the deposits and bonds included in cash at the date of the transfer. This can be accomplished by the County Clerk determining the fines and fees earned in a given month and subtracting this amount from the cash balance. The remainder would be attributable to deposits and bonds. An allocation could then be made by referring to the subsidiary ledgers listing deposits and bonds. All refund checks for cash bonds or probate deposits should be written from the "Cash Bond Trust Account" or the "Probate Deposit Trust Account".

We recommend that the County Clerk's office record bonds and deposits in a ledger separate from the "fines and fees" book indicating the payee, the docket number, the amount of the bond or deposit, and the fees actually earned. The difference between the deposit and the amount earned would be shown as an account receivable or a refund. Periodically the ledger should be reviewed for old payments receivable so that appropriate action can then be taken by the County Clerk or the Judge to facilitate collection.

Presently, the District Clerk deposits all civil and divorce deposits into the same account with fees and child support payments. We recommend that a separate bank account be established for all civil and divorce deposits and refund checks.

Deposits should be recorded in a separate ledger book in a manner similar to that mentioned for the recording of deposits for the County Clerk. Monthly totals should be shown and a reconciliation prepared showing the beginning cash balance, total monthly receipts, total monthly refunds paid, and the ending cash balance. The ending cash balance should agree to the cash balance shown on the monthly bank reconciliation for the "Deposit Account".

To provide control over receipts, we suggest that all checks received by the County Clerk and District Clerk be stamped with a restrictive endorsement at the time of receipt, rather than when the bank deposit is made.

Sabine County, Texas.
June 23, 1983
Page 7

COUNTY TREASURER

Chart of Accounts

From our inquiries we learned that the County has no formal chart of accounts. We recommend that the County adopt a formal chart of accounts as recommended by the "Standard Financial Management System for Texas Counties" and incorporate these accounts into the yearly budget. As receipts and expenditures occur throughout the year they can be classified by account number in the Treasurer's ledger, making it easier to post receipts and disbursements to the budgetary worksheets.

Reporting

The County Clerk presently prepares a quarterly report to be submitted to the Commissioner's Court showing the cash balance last quarter, receipts, disbursements, and ending cash balance for all funds. This report is signed by the County Treasurer. However, there are no reports prepared which compare actual amounts spent to date in each cost category to budgeted amounts. This kind of reporting is necessary to properly control expenditures. We recommend that a report showing "receipts and disbursements for the current period", "receipts and disbursements to date", "budgeted amounts", and "balance remaining" be issued for all funds at least quarterly to the Commissioner's Court. This would allow the Commissioners to take timely action to prevent budget overruns and to locate problem areas.

The "Standard Financial Management System for Texas Counties" requires counties to issue annual financial statements. It is our understanding that the County does not presently do this. We recommend that the County issue annual financial statements as outlined in the "Standard Financial Management System for Texas Counties".

Source Documentation for Cash Disbursements

Under the County's present system, original invoices are not submitted to the County Treasurer with the checks given to her for her signature. We suggest that the County Clerk's office include the original invoices with the checks so that the County Treasurer can compare the invoice against the check amount. This procedure would provide an additional control over disbursements and would make account classification much easier for the County Treasurer.

Control Over Checks

During our investigation it came to our attention that control over checks could be improved. Two checks are currently written for revenue sharing expenditures, one by the County Clerk drawn on the general bank account, and another by the County Treasurer drawn on the revenue sharing bank account. The check written by the County Clerk is stapled to the original invoice and stored in the County Treasurer's office. These checks are negotiable instruments and are not defaced or mutilated. If they were to somehow come loose, they could be sent through the bank and charged against the County's general account. We recommend that the County Clerk not issue a check drawn on the general account for revenue sharing expenditures. The invoice, approved by the Judge and Commissioner's Court, can go directly to the County Treasurer or, if the County prefers, a voucher system can be used. We also suggest that the County Treasurer account for all check numbers as part of her monthly bank reconciliation procedures to insure proper control over checks.

SHERIFF

Personal Property Ledger

To strengthen controls over the holding of an individual's personal property, we recommend that the Sheriff's office keep a personal property ledger. After all the information has been entered on the processing card, the officer would record the personal property received on the ledger. When personal property is removed from the Sheriff's office, the officer would record the transfer.

Recording Disbursement to County Clerk

During our study, we noticed that disbursements to the County Clerk are not recorded in the cash disbursements journal. We recommend that the Sheriff's office record all disbursements in the cash disbursements journal to document this transaction.

JUSTICES OF THE PEACE

Our review of these officials revealed that funds are not required to be turned over to the County on a regular basis. We suggest that such requirements relating to fund transfers and reporting be established by the Commissioner's Court.

Sabine County, Texas
June 23, 1983
Page 9

GENERAL

Reporting by Officials

From our review, we noted much confusion as to when reports to Commissioners are wanted and what types of reports are needed. We suggest the Commissioners establish a definite date that reports are due and specify what the reports are to contain. This will establish a concrete rule by which all County officials should abide.

Adequacy of Personnel

Based on our review of the various offices, it appears that the present staffing of these offices is adequate.

Annual Independent Audit

Since the County does not employ an official to hold the position of County Auditor, we recommend that the County engage our firm to perform an audit of the financial statements on an annual basis.

We want to thank all County officials for their courtesy and cooperation extended to us during this engagement. We also appreciate this opportunity to serve you and will be happy to discuss these comments at your convenience.

Sincerely,

Glenda J. Hiers

Glenda J. Hiers, CPA
ALEXANDER & ROGERS, INC.

GJH:kp

SABINE COUNTY
RECAP OF RECEIPTS AND DISBURSEMENTS
FOR THE MONTH OF _____

EXHIBIT I

Beginning cash balance \$ _____

	COUNTY	HOSPITAL	OTHER	TOTALS
Collections:				
Ad Valorem Tax:				
Current	_____	_____	_____	_____
Supplemental	_____	_____	_____	_____
Delinquent	_____	_____	_____	_____
Penalty and interest	_____	_____	_____	_____
Total ad valorem tax	=====	=====	=====	=====
Auto registration	_____	_____	_____	_____
Auto sales tax	_____	_____	_____	_____
Auto title	_____	_____	_____	_____
Other collections	_____	_____	_____	_____
Total collections	_____	_____	_____	_____

	COUNTY	HOSPITAL	STATE	OTHER	TOTALS
Disbursements of Collections Listed Above:					
Ad valorem tax (advances)	_____	_____	_____	_____	_____
Auto registration, sales tax, and title	_____	_____	_____	_____	_____
Fees of office	_____	_____	_____	_____	_____
Other	_____	_____	_____	_____	_____
Total disbursements	=====	=====	=====	=====	=====

Amount remaining to be paid for this month's activity \$ _____

	BEGINNING BALANCE	RECEIPTS	PAYMENTS	ENDING BALANCE
Summary of Cash Activity:				
County:				
Ad valorem tax	_____	_____	_____	_____
Fees of office	_____	_____	_____	_____
Auto registration, sales tax, and title	_____	_____	_____	_____
Other	_____	_____	_____	_____
Hospital	_____	_____	_____	_____
State	_____	_____	_____	_____
Other	_____	_____	_____	_____
Totals	=====	=====	=====	=====

\$

SABINE COUNTY
 RECAP OF RECEIPTS AND DISBURSEMENTS
 FOR THE MONTH OF _____

EXHIBIT 1

Beginning cash balance

\$ _____

	<u>COUNTY</u>	<u>HOSPITAL</u>	<u>OTHER</u>	<u>TOTALS</u>
Collections:				
Ad Valorem Tax:				
Current	_____	_____	_____	_____
Supplemental	_____	_____	_____	_____
Delinquent	_____	_____	_____	_____
Penalty and interest	_____	_____	_____	_____
Total ad valorem tax	=====	=====	=====	=====
Auto registration	_____	_____	_____	_____
Auto sales tax	_____	_____	_____	_____
Auto title	_____	_____	_____	_____
Other collections	_____	_____	_____	_____
Total collections	_____	_____	_____	_____

	<u>COUNTY</u>	<u>HOSPITAL</u>	<u>STATE</u>	<u>OTHER</u>	<u>TOTALS</u>
Disbursements of Collections Listed Above:					
Ad valorem tax (advances)	_____	_____	_____	_____	_____
Auto registration, sales tax, and title	_____	_____	_____	_____	_____
Fees of office	_____	_____	_____	_____	_____
Other	_____	_____	_____	_____	_____
Total disbursements	=====	=====	=====	=====	===== ()

Amount remaining to be paid for this month's activity \$ _____

	<u>BEGINNING BALANCE</u>	<u>RECEIPTS</u>	<u>PAYMENTS</u>	<u>ENDING BALANCE</u>
Summary of Cash Activity:				
County:				
Ad valorem tax	_____	_____	_____	_____
Fees of office	_____	_____	_____	_____
Auto registration, sales tax, and title	_____	_____	_____	_____
Other	_____	_____	_____	_____
Hospital	_____	_____	_____	_____
State	_____	_____	_____	_____
Other	_____	_____	_____	_____
Totals	=====	=====	=====	=====

Cash in bank, end of month \$ _____

Current county tax collections to date \$ _____

Percentage of current tax roll collected _____ %

Date	CASH	AD VALOREM TAXES RECEIPTS										AUTO RECEIPTS			OTHER RECEIPTS	
	Deposit Amt.	COUNTY			HOSPITAL			TAX		Auto	Sales	Mill-	Description	Ant.		
		Current	Supplemental	Delinquent	P & I	Current	Supp. & Del.	P & I	Certificates	Registration	Tax	Titles	Ours			
1																
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60-2

CHANGE AUTHORIZATION

No. 2

Notify Districts: _____
_____ Year _____

Account Number _____

Name _____

Address _____

City/State _____

VOID

Change Value From _____ To _____

Reason _____

Appraisal Dist.	Authorization	Date	Requesting District	Date

Current county _____
percentage of current tax roll collected _____%