

TOM GREEN COUNTY



San Angelo, Texas

OFFICE OF THE County Auditor

October 10, 2019

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, 2018 through March 31, 2019. 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 eleven times during the review period. Three times the amounts exceeded \$1 million, and the greatest shortfall was over \$3.1 million. 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. In the bid paperwork Wells Fargo states that "the account would be fully collateralized per State of Texas requirements". We reviewed your documentation and concur that you are following the proper steps and protocols in notifying Wells Fargo and attempting to maintain appropriate collateral on the accounts. We recommend advancing this issue to higher management at the depository, and if it still persists further, inquiring with the County Attorney to determine if Wells Fargo is failing to fulfill their contractual agreement.

We also reviewed your compliance with the County's updated investment policy. The reporting section now mirrors the public funds investment act and as such, there are fewer requirements for both pooled and individual investments. The investment policy requires your investment

report to include, for each individual investment, the ending market value, ending book value, by the type of asset and fund type invested. Also, it must state the maturity date and the fund used to acquire the investment. The Quarterly Investment Reports presented included statements from Texas Bank and Wells Fargo. These bank statements don't provide the fund type or the fund used to acquire the investment. The Munis summary Account Trial Balance (ATB) report included with the Quarterly Investment Reports sums by fund and not by investment, making it difficult for readers to ascertain the values by asset type. Additionally the County's books, and by extension the trial balance, are reported on a modified accrual basis. This means that there are differences in timing of transactions and interest posting. So, the book values on the trial balance do not tie to the pooled or individual investment amounts presented elsewhere in the report. 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 Government Code 2256.023. When we discussed these investment items with you, we presented you with a couple of sample reports (pooled and individual) which fulfill the Investment Policy's reporting requirements. We recommend reviewing the sample reports and incorporating them into your Investment Report. You do not have to use our proposed format, any other format that meets the requirements will be sufficient.

We next reviewed accrued leave balances for County employees, including comp time calculations, holiday, sick and vacation accruals for the time period. Our findings in these areas are summarized below:

Comp time: "Scheduler" issues generated by the software resulted in unearned comp time for two employees during the review period, resulting in an overpayment of 27 hours and 2.5 hours on their final checks.

Sick: Errors were found on 22 employees' sick accruals. These included 3 employees receiving 36 hours of sick time accrual their first month of employment, 2 re-hired employees accruing at the incorrect rate, 2 employees missing accruals and a part-time employee with a sick accrual balance.

Vacation: Errors were found on 41 employees' vacation accruals. These included 16 employees' balances exceeding the policy cap, overpaying an employee 6 hours of vacation on his departure, 2 re-hired employees accruing at the incorrect rate, 1 employee missing accruals, and many receiving too many or too few hours.

All: An analysis was made of the law enforcement personnel hours to ensure, after extra paid hours were removed, that 80 hours were worked for the pay period. Errors were found on 7 employee's accruals. These ranged from less than 80 hours worked to comp time earned on holiday time.

A detailed list of these findings was provided to you. We recommend working with TimeClock to determine what triggers the scheduler to automatically create comp time; verifying 80 hours are earned after any extra pay codes are subtracted; and spot checking sick accruals of new employees and reviewing the rules, if necessary.

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, in order to deliver accurate paychecks to the employees. The majority of the errors we found this period during our biweekly payroll review stem from incorrect general ledger line items. This generally happens when a new employee's pay is first entered or when an employee is paid with multiple pay codes. We recommend, especially on docks, verifying all the pay codes (and accompanying line items) have a corresponding dock.

Thank you for your cooperation during the review. 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 Jay Weatherby
District Judge, 340th Judicial District

The Honorable Commissioners Court
Tom Green County