



COLLIN COUNTY

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Date: August 26, 2009
To: Judge John Payton, Justice of the Peace - Precinct 3, Place 2
From: Donald W. Cozad, County Auditor 
Subject: Fourth Quarter FY08 and First Quarter FY09 Audit Results - Final

An entrance conference was conducted on May 22, 2009 to start an examination of the books and records for the fourth quarter of FY08 and first quarter of FY09. The audit objectives were to confirm cash receipts were promptly accounted for, accurately recorded, safeguarded and disbursed properly.

The time period reviewed was July 1, 2008 through December 31, 2008. The audit procedures included a review of receipts, deposits, disbursements and bank statements; bank reconciliations; and fixed assets.

During the review, we identified certain practices and procedures that we believe could be enhanced to strengthen internal controls and increase efficiencies. The review was not intended to be a comprehensive examination of every procedure or activity. Accordingly, the findings and recommendations presented in this report should not be considered as all-inclusive of areas where improvements may be needed.

The JP 3-2 office personnel were extremely helpful and courteous in assisting with the quarterly review. An exit conference was held with you on June 24, 2009.

Please feel free to contact us with any questions or desired assistance.

Bank Reconciliation

Findings:

The General Account and Escrow Account were examined and cash balances were verified. Each account was reconciled to the bank statement and checkbook. An escrow ledger was maintained to verify liabilities. The following exceptions were found in the bank reconciliation:

1. A deposit in transit documented in the General Account for August 2008 should be \$4,421 and not \$4,321. The deposit on August 29, 2008 was documented as \$1,127 in the bank reconciliation and \$1,227 per the bank statement. The adjusted reconciled balance for August 2008 should be \$1060.44 and not \$960.44.
2. The General Account and Escrow Account were not reconciled to AS400 check register. The following differences in the General Account between book balance and AS400 balance were not reconciled:

Month	Book Balance	AS400 Balance	Difference
July 2008	\$1,173.68	\$0.00	\$1,173.68
August 2008	\$ 960.44	\$0.00	\$ 960.44
September 2008	\$1,142.30	\$0.00	\$1,142.30
October 2008	\$ 920.99	\$0.00	\$ 920.99
November 2008	\$1,045.21	\$6.00	\$1,039.21
December 2008	(\$ 13.59)	\$0.00	(\$ 13.59)

Recommendations:

The following recommendations should be implemented to strengthen internal control:

1. Amounts documented on the bank reconciliation should be verified with the corresponding bank statement.
2. General and Escrow Accounts should be reconciled to AS400 check register.

Response:

These were identified during a software transition period; we have found a solution and will apply them to the Odyssey side.

Report Verification

Finding:

The monthly reports of all the accounts were reviewed and found the beginning balance of the escrow account check register was different from the ending balance of the previous month. The error occurred as follows:

Month	Beginning balance	Ending balance	Differences in Beginning balances
October 2008		\$72,104.58	
November 2008	\$73,520.72	\$64,390.72	\$1,416.14
December 2008	\$62,974.58		(\$1,416.14)

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December 2008	\$62,974.58	\$79,705.58	(\$1,416.14)

Recommendation:

The AS400 check register should be reviewed and reconciled to the bank statement. The ending balance of the check register should be the beginning balance in the following month. Differences in the balances should be documented and the reason for the difference explained.

Response:

These were identified during a software transition period; we have found a solution and will apply them to the Odyssey side.