

A Report to the
Chambers
County
Commissioners
Court

County Judge:
Jimmy Sylvia

Commissioners:
Jimmy Gore
Mark Tice
Gary Nelson
Billy Combs



Chambers County Youth Project Show, Ranch Rodeo & Scholarship

2018

Chambers County
Auditor
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Executive Summary

The Chambers County Auditor's Office has completed a financial audit of the Chambers County Youth Project Show (CCYPS), CCYPS Ranch Rodeo, and CCYPS Scholarship. The audit was conducted for the 2018 events.

The overall objective of this audit was:

To assess and evaluate operations and financial procedures of the 2018 Chambers County Youth Project Show, CCYPS Ranch Rodeo and CCYPS Scholarship.

Specific audit objectives were to:

1. Identify any errors in depositing and disbursement of monies.
2. Identify outstanding/unpaid Accounts Receivable for the year end 12/31/2018.
3. Verify buyer invoices.

Background

The purpose of the Chambers County Youth Project Show (CCYPS) is to provide an opportunity for the youth of Chambers County to meet together in the spirit of friendly competition to exhibit and potentially auction livestock and projects for which they are responsible. CCYPS is open to all youth who either reside in and/or attend public or home school in Chambers County and who have not graduated from the 12th grade.

A three percent sales commission is charged to all projects which are sold in the auction or barn sale. These funds are used for general operating expenses for the show. There is an opportunity for the public to sponsor all buckles and special gifts the exhibitors win during CCYPS. All auction exhibitors are required to have a photo taken with each project sold. These photos are presented to the buyer and a \$15.00 fee is deducted from the exhibitor's proceeds. Checks are made available to the exhibitors after all documentation is processed by Chambers County.

CCYPS Scholarship money is collected through R.V. rental space fees, donations, and concession sales. The Scholarship Committee, with assistance from school personnel, choose two Senior students from each of the three schools in the County to receive \$1,500 scholarship funds.

CCYPS Ranch Rodeo consist of paid teams of four individuals that have the potential to participant in six rodeo events. Mutton Bustin' at the Ranch Rodeo is an event for the youth where an entry fee is paid for them to ride a sheep. Calcutta is held in conjunction with Mutton Bustin', it is when spectators donate money for a specific participant to win the event. The winning participant then receives half of the pool of funds and the second half is donated to the Ranch Rodeo. There are four levels of sponsorship available for purchase, they range from \$100 to \$1,000. All proceeds from the Rodeo is then equally distributed to each participating exhibitor who sold a project during CCYPS. Cash was collected during the Ranch Rodeo for team entries, Mutton Bustin', and Calcutta. Each team consist of four

individuals with a total entry fee of \$800. Mutton Bustin' is \$30 for each entry and Calcutta collections vary based on donator discretion.

Documentation:

The following documents were collected and reviewed.

- Bank statements and copies of deposits for the CCYPS/CCYPS Ranch Rodeo general operating bank account and scholarship bank account.
- Transaction ledgers for CCYPS General, CCYPS Scholarships, and CCYPS Ranch Rodeo
- Auction buyer forms, add-on donation forms, and barn sale forms
- Buyer invoices
- Exhibitor statements
- Copies of requests-for-payment for distributions to Exhibitors
- Financial summary reports
- Accounts Receivable/Aging Summary
- CCYPS scrambler donation reports
- CCYPS Sponsorship documentation
- 2 receipt books from Parks Department
- Ranch Rodeo team and sponsorship documentation
- CCYPS/CCYPS Ranch Rodeo expense invoices

Audit Scope and Procedures

The following procedures were used to complete our examination:

- Reconciled auction buyer forms, barn sale paperwork, and add-on donation paperwork to buyer invoices for each buyer.
- Reconciled buyer invoices to bank statement deposits and copies of buyer checks.
- Compared exhibitor statements for every exhibitor who sold a project during CCYPS to buyer invoices.
- Reconciled receipts and bank statements for each event.
- Analyzed sponsorships documentation and payments for CCYPS and CCYPS Ranch Rodeo.
- Compared CCYPS Ranch Rodeo team's documentation to bank deposits and receipts.
- Verified expense invoices for CCYPS and CCYPS Ranch Rodeo.

Findings with Related Recommendations

During the audit, the following observations were noted:

1. Collections, Receipts, and Deposits:
 - a. Not all funds collected received a receipt, but when a receipt was written the receipting procedures were inconsistent. Receipts were skipped, the information on the receipt was incomplete, and Treasurer's Office did not receive a copy when depositing funds.

- b. There were five money bags used during this event. Six people had access to the money bags, two of which were not Parks Department employees. After all the Ranch Rodeo team, Mutton Bustin' and Calcutta fees were received, it was placed into a safe.
- c. While reviewing the receipt books there was \$2,560 in cash collected during Ranch Rodeo that has no documentation of ever being deposited. This amount includes \$2,000 from CCYPS Ranch Rodeo teams and \$560 from Calcutta. There was also a receipt for \$100 check for an R.V spot that has no documentation of ever being deposited into the scholarship account.
- d. A vendor was paid additional funds in cash the day of the event.

Recommendations:

- i. When collecting funds at a central cashier station, receipts should be written in consecutive order and completely filled out. The white copy stays in the book, yellow copy goes to the Treasurer's Office, and the customer receives the pink copy. Each event should be recorded in its own receipt book (Ranch Rodeo, CCYPS, Scholarship).
- ii. Access to money bags should be limited to bonded Chambers County employees who are designated to collect funds.
- iii. When funds are collected, the money should be deposited in accordance to Section 113.022 (a) of the Local Government Code, with a yellow copy of the receipt to the Treasurer's Office.
- iv. Payments to vendors must go through the Accounts Payable process within the County.

2. Lack of Bookkeeping and Documentation:

- a. There are no documentation forms for CCYPS sponsors.
- b. Sponsorship forms for CCYPS Ranch Rodeo sponsors and entry forms for CCYPS Ranch Rodeo teams were not complete. There was not a complete and accurate list for sponsors or CCYPS Ranch Rodeo teams. There also was no record of CCYPS Ranch Rodeo winning teams.
- c. When auction data was entered into FairEntry, the system used for CCYPS, it was not accurate. Which in return, made the payout amounts to the exhibitors and buyer invoices incorrect. Due to buyer invoices being incorrect, multiple buyers were reimbursed from the County for overpayment to resolve this issue.
- d. Funds that were deposited with the Treasurer's Office were recorded into the wrong Incode accounts which made account balances incorrect.
- e. Due to funds not being properly recorded, Ranch Rodeo add-ons to exhibitors were calculated based off of incorrect Incode ending balances. This error lead to overpayments.

Recommendations:

- i. Complete sponsorship and team lists are needed to reconcile bank statements. These forms are needed to confirm the correct amount of funds were collected.

This also prevents the Ranch Rodeo teams who have either not paid or not completed an entry form from participating in the event.

- ii. There should be a process developed within the Parks Department that minimizes the risk of data entry errors into FairEntry. This will ensure that all buyer invoices and payout amounts are accurate. This was a recommendation in the previous CCYPS audit and has yet to be implemented.
- iii. Reimbursements for overpaid invoices should be entered into FairEntry, so their 2019 invoices do not show a credit for the amount that was already reimbursed.
- iv. The Parks Department should verify that all funds are deposited into the correct bank account as well as recorded into the correct Incode account.
- v. All ending balances should be verified before Ranch Rodeo add-ons are calculated and paid out.

3. Inadequate Policies and Guidelines:

- a. CCYPS has a Livestock Rulebook that is updated yearly and only sets forth rules and guidelines pertaining to exhibitors and their project(s). There are inadequate guidelines or policies regarding rules for buyers, auction purchases and payments, and outstanding fund collections.

Recommendation:

- i. CCYPS and CCYPS Ranch Rodeo needs to develop written policies or guidelines pertaining to all of CCYPS and CCYPS Ranch Rodeo operations and financial transactions. These guidelines should set forth policies for buyers regarding purchases and payment for projects, as well as procedures for collection of past due payments. It should also include compliance regulations with the Chambers County purchasing and Accounts Payable process. This was a recommendation in the previous CCYPS audit and has yet to be implemented.

4. Other:

- a. One buyer has not paid (\$300) their auction invoice from 2018. Also, another buyer's FairEntry invoice is currently showing a balance, but payment has been made in full.
- b. One buyer's payment was receipted but was missing auction paperwork, which resulted in an exhibitor not receiving their full pay out and the buyer's payment being reimbursed back to them.

Conclusion

When auditing the 2018 CCYPS, CCYPS Ranch Rodeo and CCYPS Scholarship, documentation, collection, deposit, and data entry errors were brought to our attention. Considering these events are an extension of the County and for the benefit of Chambers County youth, proper processes and controls should be implemented to minimize risk and maximize community investment for the coming years.

There was lack of documentation for all three events ranging from incomplete paperwork to no paperwork at all, missing receipts, and inaccurate lists of teams and sponsorships. There is large room for

error when missing proper documentation. This creates a risk of not being able to reconcile bank statements, collect accurate funds, or verify all money has been received.

When funds were collected there was no consistent procedure or process in place. While reviewing receipt books and reconciling bank statements, we noted \$2,560 in cash from the CCYPS Ranch Rodeo that has no documentation of ever being deposited.

Deposits were made to the Treasurer's Office for each event. There were multiple errors when deposits were recorded into Incode accounts leading to inaccurate account balances. Journal entries are needed to correct these errors. Proper documentation and reconciling accounts by the Parks Department in the future would lower the risk of this occurring again.

Data entry poses a risk due to human error, the possibility of missing/lack of documentation and no consistent process and procedures. Incorrect data entry into FairEntry results in disbursement errors to exhibitors and wrong invoice totals to buyers. When deposits are recorded into Incode incorrectly that effects the ending balances. For CCYPS Ranch Rodeo, incorrect ending balances caused the equally distributed add-ons to auction exhibitors to be incorrect.

Implementing the above recommendations and completing proper documentation will minimize risk during future CCYPS, CCYPS Ranch Rodeo and CCYPS Scholarships. As the audit was not a detailed examination of all transactions, there is a risk that errors or fraud were not detected during the audit. Thus, the Parks Department retains the responsibility for the accuracy and completeness of the financial information

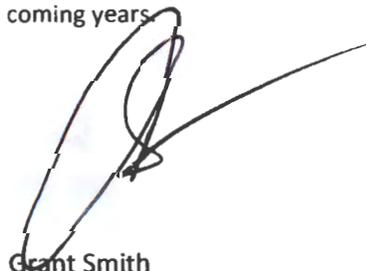
Chambers County Auditors Office and Chambers County Commissioners Court:

The Chambers County Parks Department has reviewed the Youth Project Show and Ranch Rodeo audit findings and written our response below. We hope to have answered any questions, and we take responsibility for mistakes that were made. We have every intention of bettering this department and take your recommendations very seriously. Without you bringing this to our attention we would still be unaware of some of these things and we greatly appreciate you helping us.

Our response is listed below:

- 1a: The office was unclear of the policies and procedures regarding receipt books and failed to comply with turning receipts in. From this point forward a copy will be provided to the treasurer's office.
- 1b: We have made adjustments within our department to:
 - Limit people who have access to money bags to only county employees,
 - Created a form to keep with all cash collections,
 - Currently working on having a couple of parks employees bonded,
 - Have one specific collection site
- 1c: Money was comingled between Ranch Rodeo Team Entry (Cash), Calcutta Collections (Cash), and Ranch Rodeo Gate Collection (Cash). With the adjustments listed above we will improve our process.
- 1d: There was a lack of communication between Ranch Rodeo committee and the office. Office was unaware that there would be a need for entertainment/sound cost which totaled \$600. The entertainment was not going to go forward if we didn't make that payment up front so employees used \$600 of the petty cash to cover the additional funds. (See Attached Marked Example 1)
- 2b: The chairman of the Ranch Rodeo forwarded this information to us just recently and we have that documentation attached.
- 2a-e: Actions have been taken within our department to ensure that we have a better process of documentation, we have reorganized some office duties to ensure the proper supervision of all bookkeeping and documentation.
- 3a: Currently working with the Ranch Rodeo committee to develop written policies and guidelines. The committee cooperation hasn't come without some difficulty however you will see these changes in effect for the 2020 Ranch Rodeo.
- 4a: Still waiting on payment from the buyer (\$300) of their 2018 auction invoice.

We at the Parks department take all youth activities very seriously and have pride in our work. We take all of your recommendations to heart and will do our very best to ensure that we instill better practices when it comes to these things. We have realized that we simply need more employees to help out during these events, we have taken that action already by having more for the 2019 shows. Ranch Rodeo is still a new event and we are still trying to figure out the best process to make it not only beneficial for the youth and county, but as well as a fun event. We feel that it would be beneficial for Ranch Rodeo to have their own account in order to help minimize financial errors and to keep from being comingled with the general fund. We are currently having some parks employees bonded so that we can ensure all cash collections are accounted for. And we have made interoffice changes to ensure better supervision of bookkeeping and documentation. Again, thank you for pointing out our shortcomings, we agree our office made errors and we intend to handle things much more effectively in the coming years.



Grant Smith
Parks Superintendent

Example 1



4/28/18

Band- George Dearbonne

I, George Dearbonne, have received my earnings in the amount of \$1,500.00 for the Chambers County Youth Project Show Ranch Rodeo Kick-Off Dance.

I, George Dearbonne, also received additional cash in the amount of \$600.00 for providing my own sound equipment.

Printed Name: George Dearbonne

Signature: George Dearbonne