

The background of the slide features a close-up, slightly blurred image of a wooden pencil with a sharpened lead tip, resting on a sheet of graph paper. A ruler is also visible, partially overlapping the pencil and the graph paper. The overall color palette is warm, with shades of brown, tan, and blue.

# SURETY BONDS

## AUDITING BAIL BOND SURETIES

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On the Road Area Training  
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# Why Audit Bail Bond Sureties?

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**Bail Bond Sureties should be at the top of the annual audit plan**

- ❑ Inherently High Risk - High volume of financial transactions take place 24hrs a day
- ❑ Oversight is Lax - Different types of bondsman have different requirements
- ❑ Liability - Bond Forfeitures can have a large negative financial impact on the County

# Authority of the Auditor to Audit Bail Bond Sureties

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- ❑ Gaining Access to Records and Personnel Needed to Conduct the Audit
- ❑ Communicate with the Board or Sheriff prior to the Review
- ❑ Offer Reasonable Solutions to Audit Opposition
  - ❑ LGC §115.001 –Records (any office)
  - ❑ LGC §115.002 –Books and Reports (any office)
  - ❑ LGC §115.003 – County Treasurer
  - ❑ LGC §115.0035 – Sheriff (Funds Collected)
  - ❑ LGC §115.901 – Sheriff (accounts & Records)

# Planning the Audit

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## Set Milestones for Auditors

- Planning
- Pre-Fieldwork
- Fieldwork
- Draft Report

# Planning the Audit

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## Pre-Fieldwork

- ❑ Research the office Environment - Policies and Procedures
- ❑ Review Prior Audit Reports and Correspondence
- ❑ Update -Statutes, Regulations, AG Opinions
- ❑ Understand Business Objectives to develop:
  - ❑ Good Internal Control Questionnaires
  - ❑ Narratives, Flow Charts, Org Charts
- ❑ Planning Memo

# Planning the Audit

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## Bail Bond Board County

- ❑ If your population > 110,000, mandatory to establish a board.
- ❑ Chapter 1704 Occupants Code

## Criminal Code County

- ❑ Population < 110,000 a board may still be created
- ❑ Chapter 17 Code of Criminal Procedure

# Identifying Bail Bond Surety Types

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## Corporate Bail Bond Surety

- Large Corporation with employee's (Agents)
- Financially backs its Agents
- Is insured

## Bail Bond Surety

- Mom and Pop locally owned and operated
- Self Insured by pledging assets (Security)
- Limited bonding

## Attorney Bail Bond Surety

- Small Law Firms
- Self Insured by showing sufficient Financial Responsibility
- No licensing required

# Scope & Audit Program

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- ❑ Set the Scope
- ❑ Developing the Audit Program
  - ❑ Objectives
  - ❑ Risks
  - ❑ Controls



# Audit Program Objectives

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## General Audit Objectives

- ❑ Audit everything within the scope identified in the risk assessment
- ❑ Be effective by focusing on high-risk areas
- ❑ Be efficient by documenting processes and issues for current and future use
- ❑ Be considerate of the client

# Audit Program Objectives

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Specific Audit Objectives: Provide Reasonable Assurance that the Bail Bond Board (or Sheriff)

- ❑ Implemented Recommendations from the most recent audit
- ❑ Operates within its Authority
- ❑ Protects assets under its care whether county or third party
- ❑ Protects and Maintains Complete and Accurate Records
- ❑ Institutes Adequate Internal Controls
- ❑ Separates Incompatible Duties
- ❑ Trains personnel

# Audit Procedures Overview for Bail Bond Counties

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- ❑ Interview and Document
- ❑ *Preliminary Evaluation of Internal Controls*
- ❑ *Test the following: (Bail Bond Board Counties §1704)*
  - ❑ *Statutory Compliance*
  - ❑ *Notifications*
  - ❑ *Enforcement (Suspending and Revoking a License)*
  - ❑ *Receipts*
  - ❑ *Disbursements*
  - ❑ *Licensing*
  - ❑ *Security*
  - ❑ *Final Judgments*

# Audit Procedures Overview for Non-Bail Bond Board Counties

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- ❑ Interview and Document
- ❑ *Preliminary Evaluation of Internal Controls*
- ❑ *Test the following:*
  - ❑ *Statutory Compliance (Code of Criminal Procedure Art.17)*
  - ❑ *Requisites of a Bail Bond*
  - ❑ *Authorized Bail Bond Surety*
  - ❑ *Disqualified Sureties*
  - ❑ *Security*
  - ❑ *Final Judgments*

# Testing Security

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## **Security § 1704.160**

Did the applicant establish acceptable security

- ❑ in the amount of \$50,000.
- ❑ deposit with the county treasurer a cashier's check, certificate of deposit, or cash in the amount stated on the application but not less than \$50,000.
- ❑ verify the board filed each deed of trust in the records of each county in which the property is located.

**Select a statistical sample of bail bond sureties that have secured property as collateral.**

- ❑ Verify if the property is deeded in, a trust to the County on file for each parcel.
- ❑ To verify if the total for all properties combined is maintaining a minimum appraised value of \$50,000: Verify the value of the property by reviewing the value listed in the County Appraisal System.
- ❑ To verify if all properties taxes are fully paid and clear of tax liens: Request data from your tax office

# Testing Security

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- ❑ Account for all certificates of deposit, cash (if not deposited), money orders, or cashiers checks
- ❑ Review financial instruments for styling language
- ❑ Send out independent verification letters to financial institutions to verify funds
  - ❑ Compare the responses to the amounts recorded by the Board
- ❑ Identify and categorize the financial instruments by corporate surety's, bondsmen, and attorneys

# Testing Bail Bond Limits

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## **BAIL BOND LIMIT; ADDITIONAL SECURITY-§1704.203**

### **For licenses originally issued before September 1, 1999**

- ❑ 10 times the value of the security deposited and
- ❑ 10 times the value of property executed

### **For licenses originally issued after September 1, 1999**

- ❑ < two years or has had a license suspended or revoked
  - ❑ 10 times the value of the security deposited and
  - ❑ 5 times the value of property held in trust
- ❑ two years and < four years
  - ❑ 10 times the value of the security deposited and
  - ❑ 6 times the value of property held in trust
- ❑ > six years
  - ❑ 10 times the value of the security deposited and
  - ❑ 10 times the value of property executed

# Testing Bail Bond Limits

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## **BAIL BOND LIMIT; ADDITIONAL SECURITY-§1704.203**

- ❑ Review bonds written for each Corporation, Bail Bondsmen, and attorneys to determine if they are within their writing limits
- ❑ No license holder may execute a bail bond if the amount of the license holder's current total liability on judgments nisi in that county equals or exceeds twice the amount of security deposited or executed.
- ❑ A license holder, at any time, may increase the limits depositing or executing additional security.



# Bail Bond Board Findings

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## LICENSING

- ❑ Six out of fifteen original and renewal applications did not include one or more required attachments prior to approving the license.

## ENFORCEMENT

### Posting a Current Licensed Bail Bond Surety List

- ❑ The Administrator has not issued a current list to the local officials responsible for the detention of prisoners in the County.
- ❑ The Administrator has not updated the website

### Suspensions and Revocations

- ❑ The Administrator did issue suspensions notifications and the Board did not suspend licenses for three bondsmen who met the criteria for immediate suspension.

## BONDING CAPACITY

### Issuance of Bonds in Excess of Authority - System Controls

- ❑ System does not provide a report when a bondsman's collateral drops below the required amount.
- ❑ System may allow entry of bonds exceeding bonding capacity.
- ❑ System does not prevent the acceptance of new bonds from suspended bondsmen.
- ❑ Bonds maybe issued by a suspended bondsman.

# Bail Bond Board Findings

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## PROTECTION OF SECURITY

### Security Requirements

- ❑ Three bail bond companies filed only copies instead of original certificates of deposit (CDs) in the name of the County, with the County Treasurer.
- ❑ One of the CDs on file was not automatically renewable.
- ❑ Total security deposited for one company was less than the required \$50,000.
- ❑ Mutual funds offered by a bondsman do not qualify as security.

### Deeds of Trust

- ❑ The Bail Bond Board did not ensure that applicants filed eight deeds of trust with the Bexar County Clerk's Office.

# Bail Bond Board Findings

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## PROTECTION OF SECURITY

### Real Property Valuation

- ❑ A comparison of the value of property listed in the Bond Tracking System with the value recorded by the Bexar County Appraisal District revealed discrepancies.

### Property Liens and Encumbrances

- ❑ Records at the Bexar County Clerk's Office show \$39,244 in real estate liens recorded against 14 properties held as collateral for two bondsmen.
- ❑ Thirteen of the 14 properties had liens at the time the Board approved the related applications.
- ❑ The Bond Tracking System needs to have the name of out of county property listed because the account number listed is not always valid.
- ❑ The receipt number in the system is computer generated and does not match the receipt number issued for the collateral that is posted.

# Bail Bond Board Findings

## **INTERNAL CONTROL ISSUES**

### **Incompatible Duties assigned to the Bail Bond Administrator**

- ❑ The Administrator receives payments, writes receipts, makes deposits, maintains records, and updates the Bond Tracking System.

## **DEPOSIT ISSUES**

### **Receipt Process**

- ❑ Pre-numbered receipts are not issued when collecting application fees and security.

### **Deposits not Timely**

- ❑ Application fees were not deposited by the next business day or at the latest, the seventh business day.
- ❑ Application fees were not deposited until after the Bail Bond Board voted on the approval of the application.

# Bail Bond Board Findings

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## **OTHER MANAGEMENT ISSUES**

### **Policies and Procedures Manual**

- ❑ The Bail Bond Administrator does not have a policies and procedures manual to process the issuance or suspension of licenses.
- ❑ There are no written revenue collection procedures to provide guidance for processing, accounting, reconciling, and deposit procedures.

### **Board Order on Application**

- ❑ The Board does not issue written notices to applicants on the Board's decision on the application.

# My Contact Info

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Thank you and God Bless!