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BARBARA J. SCHOTT, C.P.A.
HARRIS COUNTY AUDITOR

April 11, 2014

Mr. Stan Stanart
Harris County Clerk
201 Caroline, Suite 460
Houston, Texas 77002

RE: Procedures applicable to the monthly collection reports submitted by the County Clerk's Office for the three months ended November 30, 2013.

SCOPE

As required by Local Government Code Chapter 115, the Compliance Audit Department examined the monthly collection reports submitted by the County Clerk's Office (the Department) for the three months ended November 30, 2013.

The procedures performed included:

- Evaluating whether amounts reported on the monthly collection reports were properly deposited in the County's depository and/or settled via credit card.
- Accounting for the numerical sequencing of computer generated and manual receipts.
- Evaluating whether amounts were properly recorded in the County's financial system.
- Performing an analytical review of transactions by comparing selected information between periods.

RESULTS

The following results present the significant issues identified during our procedures, recommendations developed in conjunction with your staff, and any actions you have taken to implement the recommendations. Less significant issues and recommendations have been verbally communicated to your staff.

CYBERSOURCE CREDIT CARD OVERCHARGES

The Department's receipting system is designed such that when a customer pays with a credit card, the transaction is processed both in the Department's receipting system (Cash Management) and in the Department's credit card system (Cybersource). For several years, the Department has been experiencing problems due to the receipting system "locking up" when processing credit card transactions. This causes customers to be charged higher amounts in Cybersource than what was processed in Cash Management. This also hinders the Treasurer's Office's ability to produce Treasurer's Acknowledgements.

For many years, the Department implemented numerous manual reconciliation procedures for Department personnel to perform when the system "locks up" to identify duplicate charges. This process should reduce the likelihood of a customer's credit card being charged a higher amount.

However, the procedures are not consistently performed. As a result, the following sections closed the month with Cybersource overcharges.

<u>Month</u>	<u>Section</u>	<u>Amount Overcharged</u>
October 2013	Probate RP1	\$2.00 \$22.00
November 2013	Clear Lake North Shepherd	\$14.00 \$29.00
Total		\$67.00

The overcharged amounts were properly included on the October and November 2013 refund reports.

In the future, the Department should continue to enforce established procedures for Department personnel to perform to reduce the likelihood of a customer's credit card being charged a higher amount. To prevent this error from future occurrence, the Department should train cashiers in the reconciliation procedures and supervisors should sign the reconciliation report to ensure this procedure was performed before the end of the day.

LEGALEASE REGISTER DIFFERENCES

The Department accepts electronically filed documents from title companies through their vendor, Property Info Corp (Property Info), formerly known as Landata. On a daily basis, the Department determines the validity of all filings based on legal requirements. If the document

meets the criteria, the Department electronically stamps the file and generates a receipt transaction on the Department's register and records it in the Department's E-Star cashiering system (E-Star). On a daily basis, the Department interfaces totals from E-Star to the County's financial system.

Title companies can use the LegalEase system which is managed by Frost Bank. The Department obtains a daily report from Frost Bank (Frost Bank Report) that reflects the LegalEase amounts that Frost Bank plans to send to the County. The Department then receives the payment.

For the three months ended November 30, 2013, we compared each day's LegalEase payment amount to the LegalEase total recorded on the register. Based on reports from Frost Bank, E-Star and the Treasurer's Office, the following LegalEase totals represent the daily amounts owed and paid to the Department and the differences in those amounts.

Business Date	LegalEase Register	Amount per Frost Bank Report	Amount per E-Star Report	Correct Amount Determined by the Department and Reported in the County's Financial System	Amount Received at County Depository	Differences (Discussed Below)
9/17/13	RP2	\$149.00	\$151.00	\$149.00	\$149.00	\$2.00 (A)
11/4/13	RP1	\$360.00	\$332.00	\$332.00	\$360.00	\$28.00 (B)

The differences were the result of the following errors:

- (A) On September 17, 2013, a \$2.00 LegalEase transaction was incorrectly listed on the E-Star Report and correctly listed as a voided transaction on the Frost Bank Report. However, the proper LegalEase amount was transferred to the County depository.
- (B) On November 4, 2013, the title company incorrectly included two \$28.00 Legalese amounts on the Frost Bank Report and incorrectly included the \$28.00 twice in the amounts transferred to the County depository.

The differences occurred because the RP1 and RP2 cashiers did not perform reconciliation procedures between the Frost Bank and E-Star reports before closing the register at the end of the day. The errors were discovered by the Department's Financial Accounting section which required them to perform additional reconciliation procedures in September and November 2013 to include the Legalese overpayment on their monthly reports.

The Department should continue to ensure LegalEase reports from Frost Bank and Property Info reflect correct amounts on a daily basis so that potential differences are recognized before month-end and resolved before they adversely impact the County's financial system. The Department should provide additional training to the cashiers and supervisors should continue to monitor cashiers to prevent this error from future occurrence.

AUDITOR PROCESSING OF DEPARTMENT REFUNDS

The Department is required to submit their monthly refund report to the County Auditor's Office Revenue Accounting Department (Revenue Accounting) by the conclusion of the following month. Revenue Accounting reviews and approves the refund information, divides the refund report into batches and forwards all refund batches to the County Auditor's Office Accounts Payable Department (Accounts Payable) for final processing.

The following information represents the date the refund documentation was submitted to Revenue Accounting compared to the date the refunds were processed by Accounts Payable.

Month of Business	Date Refund Documentation Sent to Revenue Accounting	Refund Section	Date Refunds Processed by Accounts Payable in the County's Financial System
August 2013	9/30/13	Civil Probate	12/6/13 12/9/13
September 2013	10/30/13	Civil Probate	12/3/13, 12/11/13, 12/16/13 12/16/13

For August 2013, the Department discovered that refund checks were not generated for all the Civil and Probate refund amounts totaling \$1,391.38 and notified Revenue Accounting on December 2, 2013. Revenue Accounting management informed us the refund report was mixed with the monthly audit documentation. To prevent future occurrences, Revenue Accounting management requested that the refund report be separated from the other audit documentation.

For September 2013, Revenue Accounting properly forwarded the refund batches to Accounts Payable. However, the Department discovered that refund checks were not generated for 78 refund amounts totaling \$1,142.00 that were listed on the last eight pages of the Civil refund report and the first five pages of the Probate refund report and notified Revenue Accounting on December 2, 2013. Accounts Payable management informed us that they implemented a new process to prevent delays in the future. They also stated that daily work flow processes were reviewed and procedures were implemented to increase accuracy and timeliness in processing all claims and to increase overall productivity within the Department by requiring personnel to maintain an organized work space.

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In addition and on December 27, 2013, the Department informed Revenue Accounting of an October 2013 Probate refund report error. After researching, Revenue Accounting confirmed the Department correctly and separately listed a \$2.00 and \$1.00 refund for two different customers. However, Revenue Accounting discovered Accounts Payable incorrectly linked the two refunds together using the same PEID number causing a \$3.00 refund to be issued to one customer and no check to the other. As a result, Accounts Payable was able to perform alternative procedures in the County's financial system to reverse the overpayment and correctly issue the proper refund amount to each customer. Although the refund amounts were small, the possibility existed for an irretrievable refund of a significant amount. Accounts Payable management informed us that additional review has been implemented to minimize errors and to ensure the correct amount is issued to the correct payee during the refund process.

In the future, so the Department can update their records in a timely manner, Revenue Accounting should ensure all the refund batches are forwarded to Accounts Payable and Accounts Payable should ensure all batches are processed in a complete, accurate and timely manner.

We appreciate the time and attention provided by you and your staff during our procedures.

Sincerely,



Barbara J. Schott
County Auditor

cc: District Judges
County Judge Ed Emmett
Commissioners:
R. Jack Cagle
El Franco Lee
Jack Morman
Steve Radack
Devon Anderson
Vince Ryan
William J. Jackson