

AUDITOR'S REPORT

HARRIS COUNTY CLERK THREE MONTHS ENDED NOVEMBER 30, 2014



May 15, 2015

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

May 15, 2015

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, 2014

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 Office) for the three months ended November 30, 2014.

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 Integrated Financial and Administrative Solution (IFAS) system.
- Performing an analytical review of transactions by comparing selected information between periods.

The enclosed Auditor's Report presents 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.

Mr. Stan Stanart
Harris County Clerk

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

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ISSUES AND RECOMMENDATIONS

Reconciliation Difference

Background

The Office accepts electronically filed documents from title companies. On a daily basis, the Office determines the validity of all filings based on legal requirements. If the documents meet the criteria, the Office electronically stamps the document and generates a receipt transaction on the Office's E-Star cashing system (E-Star). Title companies present a payment card to the Office from a pre-established account at Frost Bank to complete the transaction. During end of day balancing, the Office obtains a report from Frost Bank (Frost Bank Report) and reconciles the E-Star and Frost Bank Reports amounts.

Issue

In November 2014, the Office reconciliation procedures were not followed. As a result, the Frost Bank and E-Star Reports did not agree. The difference is summarized in the following table.

Business Date	Section	Amount per Frost Bank Report	Amount per Office's E-Star Report	Correct Amount Determined by the Office and Reported in IFAS	Amount Received at County Depository	Difference (Discussed Below)
11/18/14	Probate1	\$106.00	\$8.00	\$8.00	\$106.00	\$98.00

The difference was the result of the following error:

A transaction was incorrectly included by the bank on the Frost Bank Report and incorrectly transferred to the County depository. However, the transaction was correctly listed as a void on the E-Star Report.

The error was identified by the Office's Financial Accounting section the next day and was not identified by the cashier during the daily closeout procedures. As a result, the Office's Financial Accounting section was required to perform additional reconciliation procedures in November 2014 to include the overcharge as a refund on their monthly collection report.

Recommendation

Office Management should reinforce to all cashiers the importance of performing reconciliation procedures between the two systems' reports and document the meeting. The supervisor should review and sign off on each day's reconciliation to ensure potential differences are recognized before month-end and resolved before they negatively impact IFAS.

Management Response

The cashier did not compare the daily Frost Bank report to the daily CMS Money Breakdown report during closeout. The Finance Department notified the Department of the error and restated the importance of verifying and comparing the two reports daily. The Probate Court Department Supervisor does verbally confirm with the cashier that all reports have been reviewed and that they balance. Our office accepts the risk associated with this procedure.

ISSUES AND RECOMMENDATIONS

Credit Card Overcharge

Background

On a daily basis, the Office accepts credit card payments and records the transaction in both their internal E-Star cashiering system (E-Star) and in their credit card system (Cybersource). In accordance to their internal procedure, the Office compares amounts from both reports for agreement and investigates and voids any erroneous amounts before end of day balancing.

Issue

In September 2014, the Office reconciliation procedures were not followed. As a result, the Cybersource and E-Star Reports did not agree. The difference is summarized in the following table.

Business Date	Section	Amount per Cybersource Report	Amount per Office's E-Star Report	Correct Amount Determined by the Office and Reported in IFAS	Difference (Discussed Below)
9/22/14	Cypresswood	\$23.00	\$0.00	\$0.00	\$23.00

The difference was the result of the following error:

A transaction was incorrectly included on the Cybersource Report. However, the transaction was correctly listed as a void on the E-Star Report.

The error was identified by the Office's Financial Accounting section the next day and was not identified by the cashier during the daily closeout procedures. As a result, the Office's Financial Accounting section was required to perform additional reconciliation procedures in September 2014 to include the overcharge as a refund on their monthly collection report.

Recommendation

Office management should reinforce to all cashiers the importance of performing reconciliation procedures between the two systems' reports and document the meeting. The supervisor should review and sign off on each day's reconciliation to ensure potential differences are recognized before month-end and resolved before they negatively impact IFAS.

Management Response

The cashier did not compare the daily CyberSource report to the daily CMS Money Breakdown report at closeout. The Finance Department notified the Department of the error and restated the importance of verifying and comparing the two reports daily. The Cypresswood Annex has limited personnel (three employees) and it is the responsibility of the supervisor to balance the cash drawers and review the appropriate reports. If the supervisor is out of the office, one of the other clerks performs these tasks. Our office accepts the risk associated with this procedure.