

# **AUDITOR'S REPORT**

## **HARRIS COUNTY CLERK THREE MONTHS ENDED FEBRUARY 28, 2015**



**July 24, 2015**

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

July 24, 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 February 28, 2015

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 February 28, 2015.

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 work performed required our staff to exercise judgment in completing the scope objectives. As the procedures were not a detailed inspection of all transactions, there is a risk that error or fraud was not detected during this engagement. The official therefore, retains the responsibility for the accuracy and completeness of their financial records and ensuring sufficient controls are in place to detect and prevent fraud.

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

### Deposit Slip Preparation

#### Background

Harris County Accounting Procedure F.1-2-2, *Deposits via Armored Carrier or Field Location*, states that if funds received by the bank do not agree with the amount noted on the enclosed deposit slip, the bank issues a debit/credit advice for the difference between the deposit slip amount and the actual total funds received.

#### Issue

The Office deposited the correct amount of collections, but made an error when completing the daily deposit slip. When totaling cash and checks, the amount reflected on the deposit slip was misstated. As a result, the bank issued a deposit correction to reflect the proper amount of the deposit.

The following chart provides detailed information for this issue.

Business Month	Deposit Slip Number	Amount Recorded on Deposit Slip	Actual Amount of Funds Deposited	Difference	Type of Error	Date Bank Correction Issued
December 2014	5155307249	\$6,665.00	\$665.00	\$6,000.00	Over Stated Amount	12/3/14
December 2014	5151905740	\$535.50	\$533.50	\$2.00	Calculation Error	1/7/15

#### Recommendation

Office management should re-emphasize the importance of ensuring that the amount recorded on the deposit slip is the correct amount and that it agrees with the amount being deposited. Office management should also review the daily closeout documents for accuracy and evidence the review with their signature.

#### Management Response

Office management will continue to stress to the department the importance of ensuring that the amount recorded on the deposit slip is the correct amount being deposited. Office management does review the daily closeout documents for accuracy and accepts the risk associated with the procedure in place.

## ISSUES AND RECOMMENDATIONS

### Credit Card Overcharges

#### 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 February 2015, 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	Differences (Discussed Below)
2/19/15	Personal Records	\$23.00	\$0.00	\$0.00	\$23.00
2/19/15	RP1	\$16.00	\$0.00	\$0.00	\$16.00
2/19/15	RP1	\$17.00	\$0.00	\$0.00	\$17.00
2/19/15	RP1	\$27.00	\$0.00	\$0.00	\$27.00

The differences were the result of the following errors:

Several transactions were incorrectly included on the Cybersource Report. However, the transactions were correctly omitted from the E-Star Report.

The errors were identified by the Office's Financial Accounting section the next day and were not identified by the cashiers during the daily closeout procedures. As a result, the Office's Financial Accounting section was required to perform additional reconciliation procedures in February 2015 to include the overcharges 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 impact IFAS.

#### Management Response

Office management will continue to stress the importance of performing reconciliation procedures between the two systems. The supervisor receives verbal conformation that the day end reconciliation is accurate. Our office accepts the risk associated with this procedure.

## 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 February 2015, the Office reconciliation procedure was 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)
2/19/15	RP1	\$408.00	\$204.00	\$204.00	\$408.00	\$204.00

The difference was the result of the following error:

A transaction was incorrectly included twice by the bank on the Frost Bank Report and incorrectly transferred twice to the County depository. However, one transaction was correctly listed 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 February 2015 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 impact IFAS.

#### Management Response

Office management did stress the importance of performing reconciliation procedures between the two systems. The supervisor receives verbal confirmation that the day end reconciliation is accurate.