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

July 25, 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 February 28, 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 Department) for the three months ended February 28, 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 financial system.
- Performing an analytical review of transactions by comparing selected information between periods.

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.

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

LegalEase Register Differences

Background

The Department accepts electronically filed documents from title companies through their vendor, PropertyInfo Corporation (PropertyInfo), 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). For each business day, 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.

Issue

Reconciliation procedures between the Frost Bank and E-Star reports were not performed by the Probate 1 cashier on February 28, 2014. 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	Difference (Discussed Below)
2/28/14	Probate 1	\$62.00	\$49.00	\$62.00	\$62.00	\$13.00

The difference was the result of the following error:

A LegalEase transaction was incorrectly listed on the E-Star Report and correctly listed on the Frost Bank Report. However, the proper LegalEase amount was transferred to the County depository.

The error was discovered by the Department's Financial Accounting section which required them to perform additional reconciliation procedures in February 2014 to include the correct LegalEase amount on their monthly report.

We reported similar reconciling differences in the previous three quarterly reports dated July 26, 2013, January 31, 2014 and April 11, 2014.

Recommendation

The Department should reinforce the importance of reconciliation procedures to all cashiers and the supervisor should monitor all cashiers to prevent this error from occurring. The Department should also continue to ensure LegalEase reports from Frost Bank and PropertyInfo 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.

Management Response

The cashiers of the Probate Courts department have been reminded of the importance of following day end reconciliation procedures. The Directors of that department have been reminded of their responsibility to monitor the activities of the cashiers.

ISSUES AND RECOMMENDATIONS

Auditor Forwarding Credit Card Refund Documentation

Background

The Department is required to submit their monthly refund report to the County Auditor's Office Revenue Accounting Department (Revenue Accounting) by the end 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.

According to Harris County Accounting Procedure F.1-3-3, *Processing Credit Card Refunds*, the Auditor's Office emails notification that the credit card refunds have been processed and forwards a copy of the credit card refund receipts to the originating County department.

Issue

Credit card receipt documentation was not forwarded by Accounts Payable to the Department in a timely manner. When the County Auditor's Office Compliance Audit Department (Compliance Audit) notified Accounts Payable of these delays, Accounts Payable provided the remaining December 2013, January and February 2014 Civil and Probate documentation. The table below reflects time periods where Accounts Payable delayed sending the receipt documentation to the Department.

Month of Business	Section	Date Credit Card Refund Documentation Sent to Revenue Accounting	Date Compliance Audit Notified Accounts Payable	Date Accounts Payable Sent Credit Card Receipts to Department
December 2013	Civil	12/20/13 thru 12/30/13	2/5/14	2/6/14
December 2013	Probate	12/1/13 thru 12/30/13	2/5/14	2/6/14
January 2014	Civil & Probate	1/29/14 thru 1/31/14	2/26/14	2/28/14
February 2014	Civil & Probate	2/19/14 thru 2/28/14	3/25/14	3/26/14

Recommendation

Accounts Payable Management should ensure all credit card refund receipt documentation is forwarded to the Department in accordance with the County's Accounting Procedure.

Management Response

Accounts Payable staff have been trained and monitoring activities have been implemented to ensure communication with departments will be conducted in a timely manner. In the near future tasks related to processing credit card refunds performed by Revenue Accounting will be transferred to Accounts Payable. It is anticipated that this transition will result in efficiencies and further enhancements in monitoring the workflow.