

AUDITOR'S REPORT

HARRIS COUNTY CLERK THREE MONTHS ENDED MAY 31, 2014



November 14, 2014

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Harris County Auditor**

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

November 14, 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 May 31, 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 May 31, 2014.

The procedures performed included:

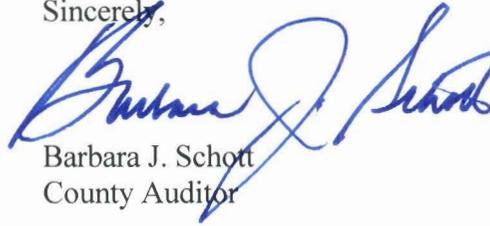
- Evaluating whether amounts reported on the monthly collection reports were properly deposited in the County's depository and/or settled via credit card.
- Accounting for the numerical sequencing of computer generated and manual receipts.
- Evaluating whether amounts were properly recorded in the County's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

The following issues and recommendations as stated on page 4 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.

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 Differences

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 cashiering 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

Reconciliation procedures between Frost Bank and E-Star Reports were not performed by a cashier. Based on reports from Frost Bank, E-Star and the County Depository, the following totals represent the daily amounts owed and paid to the Office and the difference in those amounts.

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)
3/5/14	RP1	\$3,597.00	\$2,717.00	\$2,717.00	\$3,597.00	\$880.00

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 during month-end reconciliation. However, it 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 March 2014 to include the correct amount on their monthly report.

We reported similar reconciling differences in the previous three quarterly reports dated January 31, 2014, April 11, 2014 and July 25, 2014.

Recommendation

Office Management should reinforce the importance of reconciliation procedures to all cashiers and document the meeting. The supervisor should review and sign the reconciliation to identify the error when it occurs. This will ensure potential differences are recognized before month-end and resolved before they adversely impact IFAS.

Management Response

A meeting will be held with the Real Property Department cashiers to emphasize the importance of following the daily reconciliation procedures. A meeting will be held with the Financial Department clerks regarding the importance of the daily audit of the various department cashier close out reports. We feel the current procedure of having the Financial Department clerks review the close out reports provide the necessary controls to address the issue.