

AUDITOR'S REPORT

HARRIS COUNTY DISTRICT CLERK THREE MONTHS ENDED MAY 31, 2014



May 8, 2015

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

May 8, 2015

Mr. Chris Daniel
Harris County District Clerk
201 Caroline, Suite 420
Houston, Texas 77002

RE: Procedures applicable to the monthly collection reports submitted by the District 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 District 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 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. Chris Daniel
Harris County District 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

Cash Receipt Interface Error

Background

The Office: (1) issues receipts from their internal receipting system, (2) creates a daily cash receipt interface file which contains totals by payment type and revenue amounts and (3) distributes (posts) the file to IFAS. This immediately records the daily totals in the General Ledger. During month end balancing, the Office reconciles the IFAS amounts to each fee category amount on their monthly collection report to ensure all amounts have been properly recorded. In accordance to their internal procedure, the Office waits several days before interfacing the last business day's collection amounts so that all changes, updates and adjustments including weekends are properly reflected in IFAS.

Issue

In March 2014, the Office reconciliation procedures were not followed. As a result, the IFAS reports and the Office monthly collection report amounts did not agree. The difference is summarized in the following table.

Month	Fee Category	Amounts Recorded in IFAS	Amounts per Monthly Collection Report	Difference (Discussed Below)
March 2014	AG Refund	\$71.46	\$91.26	-\$19.80
March 2014	District Clerk	\$493,779.30	\$493,759.50	\$19.80
Net				\$0.00

The difference was the result of the following error:

The Office made an adjustment to the AG Refund and District Clerk fee categories on Saturday, March 15, 2014 that was not included on Monday, March 17, 2014's interface file. We informed the Office on April 14, 2014 and the Office correctly posted the necessary corrections in IFAS on April 16, 2014.

Recommendation

Office management should have discussions with staff to increase awareness of the importance of recording the proper amounts in IFAS. The supervisor should implement procedures to review the changes and adjustments including weekends. In addition, the supervisor should review and initial the last day of the month's interface batch to ensure all amounts are accurate before posting the file in IFAS. This will ensure potential differences are recognized before month-end and resolved before they negatively impact IFAS.

Management Response

Each month in preparation for our audit, accounting performs a manual comparison between CATS and IFAS totals. This process may not have been in place when this issue occurred with the adjustment being performed on the weekend because of staffing deficiencies. Performing the manual comparison should help to identify differences prior to the audit. We will request programming to be put in place that would systematically inform us of any adjustments processed on weekends/holidays.

ISSUES AND RECOMMENDATIONS

Criminal Collections Incorrect Receipt Allocations

Background

In accordance with Local Government Code §115.002(b), the County Auditor shall examine in detail the reports of the officers and shall verify the correctness of the reports.

As part of the defendant's court ordered requirement to pay fine and courts costs, the Office accepts payments in person, through the Western Union Quick Collect system or through the mail. Payments are posted in the Cost Bill system and as a result, the defendant receives a system receipt as proof of payment.

Issue

The following receipt issues caused the Office to manually include a refund on their monthly collection reports for the three months ended May 31, 2014.

1. On March 18, 2014, the court granted a Motion for New Trial and ordered the March 5, 2014 "paid in full" fine and court costs payment of \$1,414.00 on case number 1929413 to be refunded. Because the Office had no established procedure on the disposition of amounts previously and correctly paid and the Cost Bill system had no mechanism in place to record refunds electronically, the Office's only alternative was to void the payment. Because the case was paid in full, system limitations prevented the Office from recording the court ordered refund as part of the case's history in the Cost Bill system.
2. On April 8, 2014, the Western Union check printer did not advance and printed two amounts and two different case numbers on one check: \$168.00, case 1389870 and \$79.00, case 1930788. Even though the check amount was not clear, the clerk posted \$79.00 to case number 1930788 and no amount was posted to case number 1389870. At day end, the closeout clerk counted the check as \$168.00 and the clerk posted an additional \$89.00 to case number 1930788 in order to balance. On the same day, the clerk correctly posted a separate \$168.00 to case 1389870.

Later in the month, the Office received notification from the Western Union Office requesting a refund for a \$168.00 duplicate payment. After researching, Western Union provided a new \$79.00 check to resolve the commingled check error and the Office posted the payment in the Cost Bill system on April 25, 2014. In addition, the Office voided the April 8, 2014 \$79.00 and \$89.00 receipts on case number 1930788 and adjusted the amounts to the Refund category in order to process the duplicate payment request.

3. On May 30, 2014, the balance owed on case number 1904496 was \$182.00. However, the clerk processed a \$183.00 credit card transaction on the credit card terminal and issued the Cost Bill receipt for the same amount resulting in a \$1.00 refund in the Cost Bill system. This error was not discovered before the clerk issued the credit card terminal receipt to the defendant or at end of day balancing.

4. On December 13, 2013, the clerk posted the full payment without first posting the \$25.00 time payment credit in the Cost Bill system on case 1907033. This would have resulted in the \$25.00 overpayment being properly included on their monthly refund report. On May 6, 2014, the clerk discovered the error; however, only \$20.00 of the \$25.00 credit was posted to the case.

In July 2014 after the Auditor informed the Office of the May 2014 error, additional reconciliation procedures were performed to post the proper credit amount in the Cost Bill system and to include the \$5.00 refund on their monthly collection report. As a result, the defendant was delayed in receiving his full refund by seven months.

As a result, the Office was required to perform additional steps and reconciliations in the Cost Bill system to correct transactions, determine proper receipt amounts and determine causes for duplicated amounts. In addition, amounts recorded in IFAS and Cost Bill were misstated until the corrections were performed in the Cost Bill system. Although the Office discovered and partially corrected three of the four errors prior to our monthly review, they were required to perform additional procedures.

Recommendations

The Office should:

1. Develop a procedure or checklist addressing all steps to be followed in the court ordered refund of fine and court costs.
2. Ensure that all Western Union Office supporting documentation is reviewed before recording the payment in the Cost Bill system. Also, payments that include multiple case numbers on one check should be refused and not accepted by the Office.
3. Consider a refresher training course for all clerks handling cash and credit card payments and emphasizing the importance of balancing their daily collections to the Cost Bill receipts.
4. Ensure that a time payment refund is recorded in the Cost Bill system after receiving the defendant's "paid in full" payment within thirty days of the Cost Bill acknowledgment date.

Management Response

1. When a Motion For New Trial is granted and the Order Granting Reimbursement is signed on a case that is paid in full, the current JIMS system limitations will not systematically generate a refund nor does it reflect that a refund was processed. In order to perform a refund on a paid in full case in the current system a manual process has to be followed. That process includes voiding the payment, placing the payment on a manual receipt, and then generating the refund from that manual receipt. The only part that JIMS reflect is the voided payment. JIMS does not reflect that this payment was "refunded."
2. The Collections Department process has changed since this occurred and this type of error should not happen again. Checks are still being received via Quick Collect. If the cashier receives a Western Union Quick Collect Check that looks questionable, they bring the check to the Team Lead or Supervisor for verification. If the check is deemed

to be a “bad” check, the Collections Department refuses the check and the check is not accepted by our office. At that point, an email is sent to Western Union requesting a new check. Once the new check is received, the Team Lead or Supervisor verifies that the check has one money transfer control number, one dollar amount for the written and literal, one account number, and one sender’s name printed on the check. Once a “good” check is received and reviewed the check is then posted to the Cost Bill system.

3. The clerks have received a refresher training course on the handling of cash, credit card, and money order payments. During this training, we discussed double checking the amount due on the payment screen versus the amount inputted on the credit card terminal. The cashiers were also instructed to ensure that these two amounts match and to ensure that a credit card refund will not be generated.
4. During the refresher training course for the cashiers, the time payment fee was also discussed. They were instructed to make sure the \$25.00 time payment fee is applied if the case is “paid in full” within thirty days of the Cost Bill acknowledgement date.