

Mike Post, C.P.A.
Chief Assistant County Auditor
Accounting Division

Mark Ledman, CISA, M.P.A.
Chief Assistant County Auditor
Audit Division



1001 Preston, Suite 800
Houston, Texas 77002-1817
(713) 755-6505

FAX (713) 755-8932
Help Line (713) 755-HELP

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

May 9, 2014

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 November 30, 2013.

SCOPE

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 Department) for the three months ended November 30, 2013.

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.

RESULTS

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. Less significant issues and recommendations have been verbally communicated to your staff.

CASH RECEIPT INTERFACE ERRORS

The Department’s cash receipt interface batches posted to the County’s financial system are reviewed to determine that amounts are recorded accurately. The following table reflects differences between the County’s financial system and the October 2013 grand recap.

<u>Month</u>	<u>Fee Category</u>	<u>County’s Financial System</u>	<u>Grand Recap</u>	<u>Difference</u>
October 2013	Tax Escrow	\$18,157.74	\$18,357.74	-\$200.00
October 2013	Refunds	\$305,920.90	\$305,720.90	\$200.00
Net				\$0.00

This discrepancy is the result of the following issue:

The Department made an adjustment to Refunds and Tax Escrow on the October 15, 2013 receipt journal that was not included on an interface file during the month of October 2013. The Department discovered a system error on a Refund transaction during month end reconciliation, corrected the refund error and transmitted the electronic refund file on November 21, 2013. The Department correctly recapped the necessary corrections in the County’s financial system the next day.

In the future, the Department should continue to enforce established procedures for Department personnel to ensure that the necessary corrections are accurately reflected in the County’s financial system in a timely manner and that such corrections will not adversely affect any month end reports.

CREDIT CARD TRANSACTIONS

The Department uses credit card terminals to process some credit card transactions. The following transactions were generated on the credit card terminal for an amount greater than what was owed, resulting in a refund to be recorded in the Cost Bill system:

Case Number	System Transaction Date	Section	Clerk ID	System Receipt Number	System Balance Owed	Credit Card Receipt Amount	Credit Card Overcharge
1915258	11/13/13	Criminal	JUFHQ	4552490	\$929.00	\$1,329.00	\$400.00
1848623	11/21/13	Criminal	JUL4K	4556194	\$299.00	\$301.00	\$2.00

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Although the Department discovered and corrected these errors prior to our monthly procedures, they were required to perform additional procedures so that the County Auditor's Office Revenue Accounting Department (Revenue Accounting) could refund the overcharges.

In the future, the Department should ensure that the credit card is not charged for more than the amount owed in the system, thereby eliminating unnecessary refunds at month end.

DEPARTMENT DEPOSIT SLIP PREPARATION

On October 10, 2013, the Department deposited the correct amount of collections but did not include the proper amount on deposit slip 5505903176. However, the bank properly recorded the correct total of \$29,124.05.

In the future, the Department should ensure that the deposit slip is prepared for the proper amount.

CONVICTION VS OFFENSE DATE

Prior to June 14, 2013, upon conviction, a criminal defendant could only be charged those court costs that were attached to the offense at the time it was committed. Effective June 14, 2013, Texas Government Code §51.608 was amended to require the district, county and statutory courts to collect court costs based on the date the defendant is convicted of the offense.

After further review, concerns were raised about the possibility that upon conviction, a defendant could be assessed a higher court cost at the time the offense was committed and §51.608 may violate the federal and state constitutional prohibitions on ex post facto laws. On July 9, 2013, the State Comptroller's Office requested an Attorney General Opinion to clarify this concern. On January 2, 2014, the Attorney General Opinion was issued that confirms that §51.608 does not violate the ex post facto laws of the United States or Texas Constitution.

After being informed on January 7, 2014 that the Attorney General Opinion had been issued, the Department informed us that programming modifications to the Cost Bill system were being implemented.

Management informed us that the programming modifications were implemented on April 23, 2014.

CRIMINAL COLLECTIONS RECEIPT ISSUES

The following receipt errors resulted in an overstated amount being posted in the Cost Bill system during the three months ended November 30, 2013.

Case Number	Receipt Error	Clerk ID
1890150	<p>In July 2013, the Department was notified of a \$54 returned item from a stopped money order payment. In accordance with Harris County Accounting Procedure F.1-2-2, <i>Deposits via Armored Carrier or Field Location</i>, returned item collections are recorded on a separate deposit slip and deposited separately from the day's Cost Bill collections. However when the Department received the \$54 returned item payment and the \$30 returned item fee in August 2013, the cashier erroneously posted the payment and fee against the defendant's balance due in the Cost Bill system. On October 24, 2013, the Department collected the \$30 returned item fee; however, the fee was paid by credit card and was erroneously commingled in the day's credit card collections. To balance the day, the Department performed additional reconciliation procedures to exclude the credit card payment from the day's collections.</p>	JUFHQ
1903654	<p>In November 2013, an error message "Shortage Amount Not Allocated" prevented the cashier from posting a Cost Bill payment. To resolve this error, the Department voided the prior month payment and unacknowledged the Cost Bill assessment. However, the clerk did not perform a required step during the acknowledgement process which caused the void to be omitted from the Cost Bill payment history. After the Cost Bill programmers performed additional steps to include the void, the cashier properly reposted the prior month payment. However on November 19, 2013, the cashier erroneously posted the Cost Bill payment for a higher amount causing a difference during end of day balancing. As part of Departmental procedures stating that cash shortages are to be replenished, the cashier contributed personal funds to the November 22, 2013 cash deposit; thereby, resolving the difference.</p>	JUL4K

Although the Department discovered and corrected these errors prior to our monthly procedures, they were required to perform additional procedures to correct the errors.

In the future, the Department should ensure that:

- The amount to be receipted in the Cost Bill system agrees with the amount received from the customer before issuing a Cost Bill receipt.
- A Returned Item sectional procedure is established incorporating the steps from Harris County Accounting Procedure C.1, *Returned Items*.

- The payment of the \$30 returned item fee is a cash or money order collection so this fee can be recorded on a separate deposit slip and can be reported separately from the day's collections.
- The cause and resolution to the Shortage Amount error message be pursued with the Cost Bill programmers.

AUDITOR PROCESSING OF DEPARTMENT REFUNDS

As part of their monthly refund procedures, the Department submits an electronic file to the Information Technology Center (ITC) and sends email notification that the file has been submitted to ITC and Revenue Accounting by the conclusion of the following month. In addition, the Department sends Portable Document Formats (PDFs) of the monthly refund reports to Revenue Accounting. Subsequently, Revenue Accounting receives notification from ITC stating the refund file's batch name and confirmation the batch has been uploaded to the County's financial system. As discussed in Harris County Accounting Procedure F.20, *District Clerk Over-Collections*, refunds must be processed within 30 days from the date Revenue Accounting receives the completed documentation.

The following represent the date the refund documentation was submitted to Revenue Accounting compared to the date the refunds were processed.

Departmental Refund Section	Month of Business	Date Department Sent Refund Documentation	Date Refunds Processed in County's Financial System
Civil	July 2013	8/22/13	11/21/13

On August 16, 2013, the Department discovered errors on several Refund transactions after the monthly Refund Report had been electronically transmitted on August 15, 2013. This resulted in erroneous amounts reported on the July 2013 Refund Report and Grand Recap. The Department corrected the errors in their system, regenerated the monthly Refund Report and resubmitted the electronic file on August 22, 2013. In addition and on August 22, 2013, the Department submitted PDFs of the monthly refund reports to Revenue Accounting.

On September 11, 2013, Revenue Accounting could not access the refund file and complete the refund process due to system errors. Approximately two months later and on November 20, 2013, the Department asked Revenue Accounting about a customer's July 2013 refund. At that point, Revenue Accounting communicated with ITC until the issue was resolved. As a result, Revenue Accounting processed the refund file on November 21, 2013.

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In the future, Revenue Accounting should ensure that:

- Refunds are processed in accordance with the County's Accounting Procedure.
- Issues concerning the monthly refund file are promptly resolved with the Department and ITC.

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