

AUDITOR'S REPORT

HARRIS COUNTY DISTRICT CLERK THREE MONTHS ENDED NOVEMBER 30, 2014



August 21, 2015

**Barbara J. Schott, C.P.A.
Harris County Auditor**

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

Mark Ledman, C.P.A., 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

August 21, 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 November 30, 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 November 30, 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

TABLE OF CONTENTS

ISSUES AND RECOMMENDATIONS4

Credit Card Refund4

Incorrect Bond Refund5

Criminal Collections Deposit Slip Preparation6

ISSUES AND RECOMMENDATIONS

Credit Card Refund

Background

As discussed in Harris County Accounting Procedure F.1-3-1, *Acceptance of Credit Card Payments*, (Procedure F.1-3-1), departments should not process refunds. All refunds must be processed through the County Auditor's Office. If a mistake is detected on the same day as the original transaction and before the batch is transmitted, it can be corrected by voiding the full amount of the transaction through the credit card terminal.

Issue

In September and October 2014, the Office procedure for voiding incorrect transactions through the credit card terminal was not followed. Instead of voiding the incorrect transactions and entering the correct amount through the terminal, the cashiers refunded the amounts back to the customers' credit card accounts before the batch was transmitted. As a result, the Office bypassed the void process allowed when the department discovers a mistake and performed the refund process authorized for use only by the County Auditor's Office.

The following chart provides the detailed information for this issue.

Receipt Date	Register Number	Amount Recorded on Credit Card Terminal	Correct Amount that should have been recorded on Credit Card Terminal	Cashier Refunded Amount through Credit Card Terminal
9/29/ 14	7	\$39.00	\$10.00	\$29.00
10/7/14	62	\$88.00	\$0.00	\$88.00

Recommendation

Office management should ensure that all clerks are properly trained on credit card procedures and document the meeting. Clerks should be familiar with Procedure F.1-3-1 which prohibits departments from processing refunds and addresses voiding same day errors.

Management Response

Our office immediately notified section management of respective cashiers regarding both refunds shown, reaffirming standing procedures, including Procedure F.1-3-1. Our office also reached out to Amegy Bank in confirming new credit card terminal functionality and discussed sought preventative measures. However, Amegy is no longer able to prohibit new functionality on said terminals, and we must rely on proper training and compliance of all cashiers instead.

ISSUES AND RECOMMENDATIONS

Incorrect Bond Refund

Background

Harris County Accounting Procedure A.17-5, *Cash Bond Refund Process*, states any cash funds deposited under Code of Criminal Procedures, Article 17.02 shall be received by the officer receiving the funds. In addition and on order of the court, the funds shall be refunded after the defendant complies with the conditions of the bond. However when the defendant does not comply with the bond conditions and does not appear in court, the bond is forfeited.

Issue

On June 19, 2014, a defendant placed \$1,000.00 on deposit for a bond. In August 2014, a \$1,000.00 "Order for Turnover Relief" and a \$1,000.00 "Order to Refund Cash Deposit", containing the same cash bond deposit documentation, were issued by the court to refund \$2,000.00 when only \$1,000.00 was on deposit. The Office forwarded two sets of disbursement documentation to the Auditor's Office.

As a result, two refunds were processed when there was only one \$1,000.00 deposit. The Office bypassed the checks and balances established to determine the eligibility of each cash bond refund.

Subsequently, the Office performed additional reconciliation procedures to reverse the September 3, 2014 transaction and return the funds to the County depository.

Recommendation

The Office should ensure that all clerks are properly trained and re-emphasize the importance of following the cash bond refund process in accordance with Procedure A.17-5.

Management Response

On August 21, 2014, our office received a Turnover Order from the District Attorney's Office which was signed by the court directing these funds be turned over to the District Clerk's Office for payment on a default judgment. On August 26, 2014, staff was directed to present to the judge a Supplemental Order directing that the funds be made payable directly to the defendant. Because the Turnover Order had already been processed, payment had been issued resulting in an overpayment. While this was a unique situation, it has been re-emphasized to staff to follow all procedures, including Procedure A.17-5.

ISSUES AND RECOMMENDATIONS

Criminal Collections 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
October 2014	5505903437	\$10,000.50	\$11,000.50	\$1,000.00	Calculation Error	10/20/14

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 and bank deposit slip for accuracy and evidence the review with their signature.

Management Response

Training sessions have been conducted within the section on how to complete the daily deposit slip with accurate information. Our management team has re-emphasized the importance of ensuring that the amount recorded on the deposit slip is the correct amount and that it coincides with the amount being deposited. We have implemented an additional step where management is reviewing the daily closeout documents and bank deposit slip for accuracy by verifying the totals once the deposit is complete. At the time this error occurred, all deposit slip information and daily closeout documents were being sent over to our Accounting Department. Although the Accounting Department received the deposit slip the day of the error, Criminal Collections was not informed of the error until the next day. Once Criminal Collections was notified the Criminal Collections Supervisor notified the Treasurer's Office and the Auditor's Office of the error.