

AUDITOR'S REPORT

HARRIS COUNTY DISTRICT CLERK'S OFFICE THREE MONTHS ENDED NOVEMBER 30, 2018



March 15, 2019

**Michael Post, C.P.A., M.B.A.
Harris County Auditor**

Leslie Wilks Garcia, C.P.A., C.F.E.
First Assistant County Auditor



1001 Preston, Suite 800
Houston, Texas 77002-1817
(832) 927-4600

Fax (713) 755-8932
Help Line (832) 927-4558

MICHAEL POST, C.P.A., M.B.A.
HARRIS COUNTY AUDITOR

March 15, 2019

Marilyn Burgess
Harris County District Clerk
201 Caroline, Suite 420
Houston, Texas 77002

RE: Procedures applicable to the monthly collection reports submitted by the Harris County District Clerk's Office for the three months ended November 30, 2018

Although you were not the office holder during the period of our procedures, we are addressing the Auditor's Report to you as the current office holder.

As required by Local Government Code (LGC) §115.002 (a) and (b), the Compliance Audit Department examined the monthly collection reports submitted by the Harris County District Clerk's Office (Office) for the three months ended November 30, 2018.

We performed procedures to determine whether:

- The monthly collection reports were submitted timely and the amounts reported were properly deposited in the County's depository.
- The numerical sequencing of computer generated and manual receipts was accounted for.
- Selectively tested receipts were properly recorded in the County's Financial Records (IFAS).

The enclosed Auditor's Report presents issues identified during our procedures and recommendations developed in conjunction with your staff.

We appreciate the time and attention provided by you and your staff during our procedures.

Sincerely,

A handwritten signature in blue ink that reads "Michael Post".

Michael Post
County Auditor

cc: District Judges

TABLE OF CONTENTS

OVERVIEW3

RESULTS3

ISSUES AND RECOMMENDATIONS4

Reporting Collections.....4

Timeliness of Deposits5

OVERVIEW

The objective of this engagement was to perform procedures in accordance with LGC §115.002 (a) and (b) which state, “(a) The county auditor shall carefully examine and report on all reports that are about the collection of money for the county and that are required to be made to the commissioners court. (b) At least once each quarter, the county auditor shall check the books and shall examine in detail the reports of the county tax assessor-collector, the county treasurer, and all other officers. The auditor shall verify the footings and the correctness of those books and reports.”

RESULTS

Based upon the procedures performed in accordance with LGC §115.002 (a) and (b), the Office complied with the County’s policies and procedures for the following items:

- The numerical sequencing of computer generated and manual receipts was accounted for.
- Selectively tested receipts were properly recorded in IFAS.

However, our procedures identified the following opportunities for improvement:

- In accordance with LGC §114.001, *General Requirements Applicable to Reports*, the Office should submit their monthly reports timely, within five days after the last day of each month.
- In accordance with the County’s Accounting Procedure A.1, *Cash Handling Guidelines*, deposits should be made on or before the next regular business day after the date on which the money is received. If this deadline cannot be met, the officer or person must deposit the money, without exception, on or before the fifth business day after the day on which the money is received.

These matters are discussed in more detail within the Issues and Recommendations section of this report.

ISSUES AND RECOMMENDATIONS

Reporting Collections

Background

In accordance with LGC §114.001, *General Requirements Applicable to Reports*, monthly collection reports must be filed within five days after the last day of each month.

Issue

The Office does not have adequate controls in place to ensure that monthly collection reports are submitted timely, within five days after the last day of each month. The collection reports for the months of September, October, and November 2018 were submitted ten to eighteen days after the last day of the prior month.

Failure to submit monthly collection reports timely, within five days after the last day of each month, is not in compliance with LGC §114.001, *General Requirements Applicable to Reports*, and could cause delays in recording financial activity in IFAS.

Recommendation

The District Clerk's Office should strengthen their internal controls to help ensure monthly collection reports are submitted timely, within five days after the last day of each month, in accordance with LGC §114.001, *General Requirements Applicable to Reports*.

Management Response

I realize this requirement is fixed in the Texas Local Government Code and we will make every effort to comply. Even in the circumstance when it only gives us 2 days to do so. As of January 1, there was a change in the Supervisor, Manager and Chief Deputy in this area. The new personnel did not know of this 5-day requirement until the release of this audit. Procedures have been put in place to make sure the report is filed timely going forward. Each of these 3 managers will have the deadline posted on their calendars. However, if the 1st is on a Saturday and Monday is a holiday, the requirement only gives us 2 business days to get the report submitted.

ISSUES AND RECOMMENDATIONS

Timeliness of Deposits

Background

Pursuant to the County's Accounting Procedure A.1, *Cash Handling Guidelines*, "a county officer or other person who receives money shall deposit the money with the county treasurer on or before the next regular business day after the date on which the money is received. If this deadline cannot be met, the officer or person must deposit the money, without exception, on or before the fifth business day after the day on which the money is received."

Issue

Office personnel failed to consistently reconcile daily deposit slips to Cadence Bank on the next business day after the date the deposit slips were received. As a result, 36 checks receipted on September 17, 2018, totaling \$5,576, were not deposited timely, on or before the fifth business day after the date received. The checks were not accepted by the deposit scanner during the deposit process, however, they were properly secured in a safe. The Compliance Auditor had to alert the Office that the checks had not been deposited. The checks were subsequently deposited on October 30, 2018, 31 business days after the date the checks were received.

The lengthy delay in depositing the checks is not in compliance with the County's Accounting Procedure A.1, *Cash Handling Guidelines*. In addition, the Office's failure of not depositing the checks until after being notified by the Compliance Auditor, on two separate occasions, indicates a weakness in the Office's internal controls.

Collections that are not deposited with the County's depository timely increase the risk of misappropriation of collections.

Recommendation

The District Clerk's Office should evaluate the controls currently in place regarding the deposit of collections. The current internal controls regarding the timeliness of deposits should be either revised or reinforced with Office personnel to help ensure compliance with the County's Accounting Procedure A.1, *Cash Handling Guidelines*.

ISSUES AND RECOMMENDATIONS

Timeliness of Deposits (continued)

Management Response

The same new Management team is responsible for this procedure as well. This was a one-time issue with the following circumstances. At the time of this incident, the procedure was to scan the checks to the bank. All departments were having issues with the checks not scanning properly and it is my understanding that as a result the countywide procedure was changed to having the checks picked up and taken to the bank vs. scanning them. At the time of this incident, the email confirmation was going to a former employee's email and no one had changed that notification or was monitoring the confirmation emails. The audit was the first realization the checks had not been successfully deposited. No new steps have been put in place to rectify this issue as this is no longer the procedure. Currently, checks are picked up by a carrier and delivered to the bank.

We have put into place a procedure for 3 different employees, one being the supervisor, to receive a confirmation email of all deposits and are comparing that to our signed log of all picked up checks and cash. The line level employee will initial off on each deposit as she verifies it has been confirmed by the bank. The supervisor will review and sign off on the log weekly.