



AUDIT REPORT

DALLAS COUNTY

COUNTY CLERK RECORDING - FY 2022

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First Assistant County Auditor

ISSUED: 8/18/2023

RELEASED: NOVEMBER 15, 2023

County Clerk Recording - FY 2022

TABLE OF CONTENTS

MANAGEMENT LETTER	3
EXECUTIVE SUMMARY.....	4
INTRODUCTION	5
DETAILS	6

This report is intended for the information and use of the agency/department. While we have reviewed internal controls and financial reports, this review will not necessarily disclose all matters of a material weakness. It is the responsibility of the department to establish and maintain effective internal control over compliance with the requirements of laws, regulations, and contracts applicable to the department.



DALLAS COUNTY
COUNTY AUDITOR

MANAGEMENT LETTER

Honorable John Warren
County Clerk
Dallas, Texas

Attached is the County Auditor's final report entitled "**County Clerk Recording - FY 2022**" Report. In order to reduce paper usage, a hard copy will not be sent through in-house mail except to the auditee.

In you prefer that released reports be emailed to a different (or additional) recipient, please inform me of the name and the change will be made.

Respectfully,

Wessen B. Stefanos

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First Assistant County Auditor

EXECUTIVE SUMMARY

A review of County Clerk Recording for fiscal year 2022 revealed the significant observations listed below:

Summary of Significant Observations

- Mail log not maintained for mail-in payments.
- Manual receipt numbers were not recorded in the Comment field on the Kofile system receipt.
- Two monthly invoices were under-credited a net total of \$1,124.63.
- Two monthly invoices were over-credited a net total of \$838.63.

Repeat Observations from Previous Audits

- Delays in depositing transactions.

Only those weaknesses which have come to our attention as a result of the audit have been reported. It is the responsibility of the department management to establish and maintain effective internal control over compliance with the requirement of laws, regulations, and contracts applicable to the department.

INTRODUCTION

Dallas County Auditor's Office mission is to provide responsible, progressive leadership by accomplishing the following:

- Comply with applicable laws and regulations
- Safeguard and monitor the assets of the County utilizing sound fiscal policies
- Assess risk and establish and administer adequate internal controls
- Accurately record and report financial transactions of the County
- Ensure accurate and timely processing of amounts due to County employees and vendors
- Set an example of honesty, fairness and professionalism for Dallas County government
- Provide services with integrity
- Work in partnership with all departments to resolve all issues of the County
- Strive to utilize the latest efficient and effective technology in the performance of tasks
- Provide technical support and training in the development, implementation, and maintenance of information systems
- Hold ourselves accountable to the citizens of the County at all times
- Be responsive to the elected officials and department heads of Dallas County

The objectives of this audit are to:

1. Ensure compliance with statutory requirements
2. Evaluate internal controls
3. Verification of accuracy and completeness of reporting
4. Review controls over safeguarding of assets

This audit covered the period of October 1, 2021 through September 30, 2022.

The audit procedures will include interviews with key process owners, observation of transactions processing, data analysis and sample testing of transactions. The main system used will also be reviewed and incorporated as part of the testing of transactions.



DETAILS

Manual Receipts

All monies received should be promptly receipted and deposited consistent with Local Government Code, § 113.022.

Internal control procedures indicate that all manual receipts should be accounted for and properly used, include supervisory review, and be kept in numeric order. All copies of a void receipt should be retained and clearly marked "void" and affixed with a reason for the void. Manual receipts should only be used during system downtime reflecting the appropriate service provided, payer, check number and amount paid. Once the system is restored, payments are to be posted to the system and the manual receipt number entered into the Comment field.

A review of all 22 manual receipts issued during fiscal year 2022 revealed:

- Four manual receipts were skipped in sequence and were not voided.
- One incomplete manual receipt was not voided.
- 17 manual receipt numbers were not recorded in the Comment field of the associated Vanguard system receipt.

Status: Management voided the skipped and incomplete receipts on June 23, 2023, after they were identified by Internal Audit.

A lack of supervisory oversight and written manual receipt procedures has resulted in incomplete financial records and loss of audit trail between manual and computer receipts.

Recommendation

Manual Receipts

Management should:

- Establish written procedures for processing manual receipts.
- Periodically review manual receipt books for completeness and proper posting to Vanguard.

Management Action Plan

- The manual receipt process has been updated, to include entering the manual receipt number in Vanguard once the system has been restored. The manager will also perform a bi-monthly review of the manual receipts to ensure proper documentation.

Auditor's Response

- None



Deposits and Mail Log

All monies received, including mail payments, should be promptly receipted and deposited consistent with Local Government Code, § 113.022.

Internal control procedures related to mail payments indicate that mail logs containing all payment information should be maintained for mail-in to ensure that funds are timely and completely recorded to the system. Segregation of duties between custody and distribution of checks and the receipting of those checks should be maintained.

Discussion with the department's bookkeeper regarding procedures for mail-in payments revealed the department does not maintain a log for payments received via mail.

A review of all transactions deposited during fiscal year 2022 revealed:

- 10 deposit delays exceeding four to five business days after the initial transaction dates.

Inconsistent management oversight over the depositing procedures may result in delayed revenue recognition. The lack of a formal logging process for funds received via mail has resulted in an increased risk of loss or misappropriation of funds.

Recommendation

Deposits and Mail Log

Management should:

- Deposit funds the next business day consistent with Local Government Code § 113.022.
- Periodically review system reports and daily work for accuracy and staff compliance with established policies and procedures.
- Maintain a mail log to ensure all payments received via mail are properly and timely receipted.
- Assign the logging of checks on the mail log to an employee without receipting responsibilities.
- Periodically review the mail log to ensure proper posting to the computer system.

Management Action Plan

- For the mail log process, the Division could contact the vendor to explore the possibility of creating a report for our mailed-in documents via the Vanguard system.

Auditor's Response

- None



Contract Compliance

Court Order 2020-0167 authorizing a service agreement between Dallas County and Kofile Technologies, Inc. states the contractor will invoice Dallas County monthly.

Per internal control procedures:

- Invoices should be verified and approved by a Dallas County authorized representative and subject to routine processing requirements.
- Invoices must include a complete list of all transactions for the invoicing period along with the subtotals and a final summary for the applicable time period.
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A review of 12 monthly billing fees and monthly invoice credits from online public searches for contract compliance and variances revealed:

- Two monthly invoices were under-credited a net total of \$1,124.63.
- Two monthly invoices were over-credited a net total of \$838.63.

A lack of management oversight and review of monthly invoice credits have resulted in variances and an increased risk for financial losses to Dallas County.

Recommendation

Contract Compliance

Management should:

- Review invoices monthly to ensure applied credits from online public searches are accurate.
- Research variances between monthly billing reports and monthly invoice credits.

Management Action Plan

- The plan will be developed once the discrepancy has been evaluated.

Auditor's Response

- None

DALLAS COUNTY



COUNTY AUDITOR

cc: Darryl Martin, Commissioners Court Administrator