



DALLAS COUNTY COUNTY AUDITOR

Memorandum

To: Honorable John F. Warren
County Clerk

From: Darryl D. Thomas *Darryl D. Thomas*
County Auditor

Subject: Recording - Review for Fiscal Years 2010 thru 2012

Date: Issued: June 5, 2015
Released: July 27, 2015

Scope

A review was performed in accordance with statutory guidelines on the financial records, reports, and internal controls of the County Clerk Recording for fiscal years 2010 thru 2012 with a cash control procedures walkthrough completed in 2012.

Review Procedures

Standard review procedures were followed to test the internal controls for cash, revenue, and other County assets. A random sampling of the total activity was selected for certain steps based on risk, dollar value of transactions, volume of transactions, and noted internal control weaknesses. Testing involved a review of the AiLIS system.

A partial list of the review tests include:

- Performed unannounced cash counts
- Accounted for numerical sequence of manual and computer generated receipts
- Traced amounts recorded on the receipts to the bank deposits
- Reviewed instrument recorded, certified copies, marriage licenses, vital statistics and subscription fees (ROAM) for proper fee assessments and compliance with applicable state laws and Commissioners Court orders
- Examined special fund disbursements to determine if sufficient funds were available and proper payees paid
- Submitted Internal Control Questionnaire (ICQ) and evaluated responses
- Evaluated cash control procedures
- Reviewed LegalEase activity for accurate and timely posting to AiLIS
- Reviewed time and attendance records for compliance with county policies
- Reviewed non-sufficient fund (NSF) activity
- Reviewed County Clerk's Record Management and Preservation fund expenses

FINDINGS

Cash Management

Financial Set-Up/System Controls– A limited review of the AiLIS financial setup for County Clerk Recording users and conversation with Recording staff revealed: computer access to state vital statistics remote system is signed-on at the beginning of the business day by one employee and used by multiple employees throughout the day; bookkeeper and the lead cashier have the authority to void transactions;

final signed copy of the ROAM subscription services contract was not located or provided and existing contract for Recording system expired 4-13-2015.

Responses to the Internal Control Questionnaire (ICQ) completed by County Clerk Recording section assistant manager revealed: employees do not change system passwords periodically and passwords/user IDs are shared to complete required tasks for systems. The safe combination is not changed when a person knowing combination leaves employment or is no longer responsible for cash handling duties.

Receipts – Manual/Computer – A review of 276 located manual receipts, including 14 voided receipts and 20 manual receipts for proper posting to the AiLIS recording system revealed: four manual receipt books on hand were unofficial manual receipt books; all manual receipt books were **not** located; all 14 voided manual receipts without an explanation for voiding; eleven manual receipts are not marked void; one voided manual receipt for \$16 cash is missing the original and duplicate copies; one manual receipt was not posted to AiLIS for three days; one manual receipt does not match the name posted in AiLIS; one manual receipt was not signed by cashier issuing the receipt; one adjustment does not have a name of the person performing the void indicated; computer receipts or receipt numbers are not consistently attached or written on the manual receipt; manual receipt numbers are not posted in the comment field on system receipt in AiLIS

A comparison of computer receipts to deposit dates revealed delays between the AiLIS transaction receipt date and the Oracle DMS deposit date: sixty deposits were delayed five or more business days (thirty-one of the deposit delays exceeded seven business days); 46 of the 60 delays occurred during June 2010 when AiLIS was down for first week of June due to the Records building flood; 21 of the 60 deposit delays were associated with LegalEase deposits which exceeded five business days, the longest delay was 24 days.

A sample review of 256 voided computer receipts and 25 voided instruments revealed: two receipt numbers were voided in AiLIS when replacement/duplicate receipts were issued, ROAM instruments were erroneously linked to the voided receipts instead of their replacements; one instrument receipt number was voided, but the document void sheet was not scanned to ROAM; three voided documents do not have a reason or the user name that performed the void; three voided marriage license instrument numbers are not reflected on ROAM. Recording staff advise that a document void page is not scanned to ROAM when a marriage license is voided.

A sample review of 15 audit transaction report adjustments revealed: two (14%) transactions were processed by the same person who made the adjustment (supervisor or back-up bookkeeper), and one (7%) transaction adjustment does not have a comment noted.

Departmental responses to the Internal Control Questionnaire (ICQ) and inquiry of County Clerk Recording staff revealed: manual receipts numbers are not entered into the system when entering the system receipt; and voided computer receipts are not marked “void” along with an explanation for voiding.

Risks identified during walkthrough of department’s cash handling processes revealed: Recording section does not utilize a bank lockbox and checks are not logged that are received through the U. S. mail (R02); and bookkeeper, supervisor, assistant manager and manager can adjust a receipt amount instead of voiding the entire transaction (R05).

Vital Statistics and Marriage Licenses – A sample review of 227 Remote Birth Certificate applications during fiscal years 2010 thru 2012 revealed: ten (4.4%) certificate numbers were not noted in AiLIS; two instances where the names listed on the Remote State report once were receipted for two copies; four (1.8%) instances where a receipt was not located for the names listed; one payment was not receipted to correct fee codes in AiLIS; three (1.3%) instances where the names listed on the Remote Report multiple times, but receipted to system once; one name on the Remote Report, but was receipted as county birth;

certificate numbers were not consistently entered on the AiLIS receipts; and applicant names were not consistently entered on the AiLIS receipts.

A sample review of 40 Twogether License applications during fiscal years 2010 thru 2012 revealed: four (10%) documents recorded as MARRAPP should be Twogether and seven (17.5%) Twogether certificate numbers were not noted in AiLIS, five omitted certificates were verified using Twogether website; two certificates supporting the reduced fees were not located.

Disbursements–Special and Trust Fund – A sample review of 25 special fund 501 disbursements during fiscal years 2010 thru 2012 revealed: three (12%) non-refund checks were not posted to AiLIS due to the limited disbursement functionality (these publication and state access fee disbursements were tracked manually) and one check dated check was not cancelled in AiLIS.

Records Management and Preservation Fund- A review of 17 payments from the Records Management and Preservation escrow fund revealed 12 payments were not directly related to specific records preservation or automation.

RECOMMENDATIONS

Cash Management

Financial Set-Up/System Controls – Passwords should be secured and not shared with resets required no less than every 60 days with minimum password lengths/strengths in accordance with information technology security standards. All rights and roles should be periodically reviewed to ensure users have only the rights necessary to perform their core job functions. The safe combination should be changed when employees who know the combination are terminated.

Receipting / Depositing – Only official county receipts should be used. Receipts should be retained in a secure location in accordance with records retention statutes or until audit is complete whichever is later. All monies received should be promptly receipted and deposited timely in accordance with V.T.C.A., L.G.C. § 113.022. All receipts should be logged, accurately completed, and maintained in order to affirm responsibility, enhance cash control, and prevent assertion that monies were paid and refund due. Once receipted, funds should be retained in a specified, secure place until the deposit is made. Funds received should be receipted with a computer generated receipt or a manual receipt if the AiLIS system is “down”. Once AiLIS is operational, any money receipted on manual receipts should be posted in full. In order to readily verify that the posting has been made, the original computer generated receipt number should be attached or noted to the triplicate copy of the manual receipt (which is retained in numeric sequence) while the duplicate manual receipt is attached to the daily summary report. The manual receipt number should be noted in the comment field of the computer receipt in AiLIS.

Receipts should never be altered, but properly voided and affixed with a reason for the void (including recording an explanation in the AiLIS system); with retention of all voided copies in accordance with Records Retention requirements. All voids should be reviewed daily by supervisory personnel at least one level above employee that voided the payment. Supervisory personnel should periodically review exception reports and transaction logs (especially with respect to receipt deletions, lowered amounts, and payment type changes) to ensure that the explanation for the change is documented and reasonable.

Policy and procedures manual should be developed for cash handling responsibilities (including manual receipts). Documentation should incorporate compensating controls such as dual sign-off on voids, receipt corrections, supervisory review, testing, and validation. Closeout and balancing procedures should include deposit of checks the next business day after receipt. Management should periodically review system reports and daily work for accuracy and staff compliance to established policies and procedures. Posting errors should be corrected on a timely basis. Recording personnel should make such corrections to the fullest extent possible so that the revenues are accurately posted.

Vital Statistics and Marriage Licenses – Posting errors should be corrected on a timely basis. Recording personnel should make such corrections fullest extent possible so that the revenues are accurately posted. Posting certificate numbers in the comment field in AiLIS should be made such that both good internal control and audit trails are maintained. Review by Vital Statistics manager on a periodic basis to determine compliance with established procedures. Require each employee use their own log-on ID for accessing the Bureau of Vital Statistics records.

Disbursements – Special and Trust Fund – All checks issued, canceled, and/or stale dated should be posted accurately and timely to the AiLIS system. Initiate vendor inquiries to expand AiLIS disbursement functionality. Supervisory personnel should review disbursements for appropriate postings to AiLIS. A management plan including reconciling GL and bank account should be developed and implemented.

Records Management and Preservation Fund - Local Government Code, Sec 118.0216; the fee may only be used for specific records management and preservation, including for automation purposes. All expenditures from the records management and preservation account shall comply with Subchapter C, Chapter 262.

CURRENT FINDINGS/OBSERVATION AND RECOMMENDATIONS

Findings template numbered 12.CC.03.01 thru 12.CC.03.05 and 12.CC.03.07 are attached.

SUMMARY

The report is intended for the information and use of the department. While internal controls and financial reports were reviewed, all matters of a material weakness may not have been identified. 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.

Highest areas of risk which need to be addressed include: accurate posting to AiLIS; retaining receipts including voided receipts in accordance with Records Retention requirements; using only official manual receipts; and timely depositing of Recording funds.

Emphasis on outlined procedures should provide for improved departmental processes. Consideration of all issues and weaknesses should be incorporated by the Clerk as a self-assessment tool. Adherence to and follow-through with the recommendations should strengthen internal control and compliance with Dallas County policies and procedures.



Finding Number: 12.CC.03.01
Date: July 31, 2013
Audit: County Clerk Recording Review
Auditor(s) Assigned: NH

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| Finding: | <p>Financial related to Setup/System Controls</p> <p>A limited review of the AiLIS System financial setup for County Clerk Recording users access during fiscal years 2010 thru 2012 revealed:</p> <ul style="list-style-type: none"> - Computer access to state vital statistics remote system is signed-on at the beginning of the business day by one employee. The same login ID is used by multiple employees throughout the day. As a result the user responsible for specific state vitals queries is not fixed. - The bookkeeper and the lead cashier have the authority to void transactions. <p>System Contract</p> <ul style="list-style-type: none"> - During implementation of ROAM subscription services in December 2012, County Clerk staff provided a draft contract for services. No final contract was located or provided. - The contract for Recording, Indexing and Imaging System Services approved on court order 2009-0681 dated 4-14-2009 expired 4-13-2015. Due to bankruptcy and acquisition of original vendor, liability for the balance of the existing contract was assumed by a new vendor on court order 2015-0241 dated 11-13-2014. No additional related action was identified on Commissioners Court briefings. <p>Departmental responses to the Internal Control Questionnaire (ICQ) and inquiry of County Clerk Recording staff revealed:</p> <ul style="list-style-type: none"> - Employees do not change system passwords periodically - Passwords/user IDs are shared to complete required tasks for systems - Safe combination is not changed whenever person knowing combination leaves employment or is no longer responsible for cash handling duties |
| Workpaper Reference: (or other method by which finding was identified) | Workpaper 1A.1-2, 1B.1, 1D and 5C Responses to Internal Control Questionnaire (Recording) Discussions with County Clerk Recording staff Review of existing contract |
| Condition: (Describe the current condition) | <p>Recording and Vitals section supervisors/manager create new user accounts and assign/change existing rights as needed in the AiLIS system. Terminated users' passwords are changed by management when terminated.</p> <p>Some users were granted rights in excess of core job functions.</p> |
| Criteria: (Describe the optimal condition) | <p>General accounting standards require that information processing controls are continually updated and monitored to help ensure that transactions completed through computerized applications are valid, authorized, complete, and accurate.</p> <p>Management judgment in designing, implementing and conducting internal control, and in assessing its effectiveness is emphasized in the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. Internal control requires that five core components be present: Control Environment; Risk Assessment; Control Activities, Information and Communication; and Monitoring Activities. COSO standard for internal control include adequate segregation of duties (separation of duties for personnel authorized to receipt payments and update assessments) so no one user has two or more business processes that could result in compromise of the integrity of the process or allow</p> |



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| | <p>that person to commit fraud.</p> <p>Automated systems include a review of access controls against an authorization matrix that defines "least privilege" access levels and authority for an individual's role to their job function / responsibilities. Control objectives include:</p> <ul style="list-style-type: none"> • Management reviews user access lists, periodically, to assess expected/necessary levels of control-access are valid. • Terminated users are removed timely (access disabled) by comparing weekly Termination report from HR to user access lists to affirm only authorized individuals have system access. • System functionality/setup (and departmental policy) includes mandatory password changes, periodically, at least every 60 days, with minimum eight character length including alpha, numeric, and special characters/symbols. <p>Controls are developed for terminating employees with department safe access that include updating the safe combination.</p> <p>Final signed contracts detailing services to be provided and terms are fully executed before implementing new services.</p> | | | | |
| Cause: (Describe the cause of the condition if possible) | <p>Management does not enforce proper password security over state vitals system</p> <p>Application limitations</p> <p>Application setup</p> | | | | |
| Effect: (Describe or quantify any adverse effects) | <p>Posting errors (accidental or intended)</p> <p>Inability to fix accountability for financial transactions</p> | | | | |
| Recommendation: (Describe corrective action) | <ul style="list-style-type: none"> • Passwords should be secured and not shared with resets required no less than every 60 days with minimum password lengths/strength in accordance with information technology security standards. • All rights and roles should be periodically reviewed to ensure users have only the rights necessary to perform their core job functions. A proper segregation of duties reduces the risk of misappropriated funds. • The name entered on the change request to add user to AiLIS should be the name used for payroll (in Kronos and the Oracle Payroll systems). • Pursue a new contract for Recording, Indexing and Imaging System Services that incorporates all required services and expands existing functionality including end user reports. • Change the safe combination when staff knowledgeable of the combination is terminated. | | | | |
| Responsible Department or Organization: | County Clerk Recording | | | | |
| Management's Response: | <input type="checkbox"/> Agree | <input type="checkbox"/> Disagree | Respondent: | Anita Saul-Turner, Financial Administrator | Date: 7/17/2015 |



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| Comments: | <ul style="list-style-type: none">• BVS Password (Vitals): Each user is issued their own login/password from the state. BVS is a lookup system restricted to employees. While the system has a timeout feature one employee may be able to access the system if a previous user has finished using it without logging off. However access to the financial system, AiLis is restricted by login/password as assigned to each user. Vital records may only be logged into AiLis by the authorized user and rights and roles in AiLis are restricted to individuals based upon job responsibility.• Safe access (Records and Vitals): The safe combination cannot be changed at the management level. However the safe is kept in a lockable office in an area physically restricted to employees only. During non-working hours the Division doors are also locked. Only management and the bookkeeper have keys to the Division doors and those are turned over upon termination or end of employment.• Contract: A final contract with Granicus for the AiLis operating system has been recently approved by Commissioner's Court. |
| Disposition: | <input checked="" type="checkbox"/> Audit Report <input type="checkbox"/> Oral Comment <input type="checkbox"/> Deleted From Consideration |



Finding Number: 12.CC.03.02
Date: July 31, 2013
Audit: County Clerk Recording Review FY2010
Auditor(s) Assigned: NH

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| Finding: | Manual Receipts <ul style="list-style-type: none"> Four manual receipt books on hand were <u>unofficial</u> manual receipt books. Two unofficial receipt books contained the same receipt sequence. Reportedly, the non-county books were obtained during 2010 Records Building basement flood. All manual receipt books were not located. Additional review was limited to receipts on hand including 276 manual receipts, 14 voided receipts and 20 manual receipts for proper posting to the AiLIS recording system during fiscal year 2010 through 2012 revealed: <ul style="list-style-type: none"> Fourteen manual receipts did not have an explanation noted for the void. Eleven manual receipts were not marked void. One voided manual receipt for \$16 cash is missing the original and duplicate copies. One manual receipt was posted to AiLIS three days after the manual receipt date. One manual receipt payer does not match the name posted on the associated AiLIS receipt. Also, the computer receipt includes \$8 cash not on the manual receipt. One manual receipt was not signed by cashier issuing the receipt. Computer receipts generated when system became available was not consistently attached or number documented on the manual receipt. Manual receipt number was not posted in the comment field on the associated AiLIS system receipt. Status confirmed in department's responses to the Internal Control Questionnaire (ICQ) and inquiry of County Clerk Recording staff. |
| Workpaper Reference: (or other method by which finding was identified) | Workpapers: 4A.1-2, 4A.3, 4A.4 Conversation with County Clerk Recording Assistant Manager & Manager Responses to Internal Control Questionnaire (Recording) |
| Condition: (Describe the current condition) | When the AiLIS Recording system is not operational, manual receipts (three part form) are issued by recording staff. When not in use, the manual receipt books are secured in the bookkeeper's desk. The original manual receipt is issued to the customer. Once AiLIS is functional again, the manual receipt payments are entered into AiLIS and one computer receipt is generated. The computer receipts are not consistently attached to the duplicate (pink) and triplicate (yellow) manual receipt copies in the receipt book. The Vital and Recording sections each use designated manual receipt books when needed. At the end of the day, the manual receipt books are given to the bookkeeper. |
| Criteria: (Describe the optimal condition) | Management judgment in designing, implementing and conducting internal control, and in assessing its effectiveness is emphasized in the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. Internal control requires that five core components be present: Control Environment; Risk Assessment; Control Activities, Information and Communication; and Monitoring Activities. Specific cash controls related to the receipting process include: <ul style="list-style-type: none"> Official Dallas County Receipts are written for all money received. This includes any return checks or associated fees, whether received in person or through the mail. No money is accepted without immediately issuing an official county receipt. Manual receipts are written only during system downtime reflecting the appropriate service provided, payer, check number and amount paid (associated document number is not available until system is available). Once the system is restored, the payments are |



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| | <p>posted to the system and the manual receipt number is entered into the comment field. One copy of the manual receipt is attached to the computer receipt.</p> <ul style="list-style-type: none"> • All manual receipts are accounted for and properly used, include supervisory review, kept in numeric order, have the corresponding computer receipt attached, and are posted and deposited daily, and timely in accordance with V.T.C.A., L.G.C. § 113.022. • Manual receipts are stored in a secure location and used in sequential order. The supervisor periodically reviews manual receipt books to ensure all issued manual receipts have corresponding valid computer receipt numbers noted. <p>Accounting and system control procedures require daily reconciliation and balancing of collected funds, including supervisory review.</p> <p>Written procedures are established for all the responsibilities of County Clerk's Recording personnel in order to strengthen the office's internal control and improve efficiency. These procedures and practice are periodically reviewed by the appropriate supervisory staff for good internal control purposes.</p> | | | | |
| Cause: (Describe the cause of the condition if possible) | Recommended accounting procedures for manual receipts not consistently followed. | | | | |
| Effect: (Describe or quantify any adverse effects) | Prevents potential assertion that monies were paid and refunds due. | | | | |
| Recommendation: (Describe corrective action) | <ul style="list-style-type: none"> • Money should not be accepted by personnel without immediately issuing an <u>official county receipt</u>. Receipts should be retained in secure location in accordance with records retention statutes or until audit is complete whichever is later. • Funds received by personnel should be receipted with a computer generated receipt or a manual receipt if the AiLIS system is "down". Once AiLIS is operational, any money receipted on manual receipts should be posted in full. In order to readily verify that the posting has been made, the original computer generated receipt number should be attached or noted to the triplicate copy of the manual receipt (which is retained in numeric sequence) while the duplicate manual receipt is attached to the daily summary report. • The manual receipt number should be noted in an available field (such as the comment field) of the AiLIS computer receipt. • Receipts should not be altered, but properly voided and affixed with a reason for the void with retention of all voided copies. • Written procedures for the receipting function, including manual receipts handling during downtime, should be reviewed at least annually and updated as needed. | | | | |
| Responsible Department or Organization: | County Clerk Recording | | | | |
| Management's Response: | <input type="checkbox"/> Agree | <input type="checkbox"/> Disagree | Respondent: | Anita Saul-Turner, Financial Administrator | Date: 7/17/2015 |



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| Comments: | <p>Manual receipts (Records and Vitals): At the time of the audit non-official receipts may have been in use during an emergency period where the building had been flooded and access to normal operating tools were unavailable. However, official manual receipts have been on hand for the past several years since then and receipt books are currently stored in a secure location. Receipts are not altered and are voided as needed. Since the building flood, the system has not been down for any extended amounts of time however, Division process will be documented to include a manual scenario if the system is expected to be down in an emergency situation to ensure procedures are in place to have manual receipts completed correctly and on a timely basis.</p> | | |
| Disposition: | <input checked="" type="checkbox"/> Audit Report | <input type="checkbox"/> Oral Comment | <input type="checkbox"/> Deleted From Consideration |



Finding Number: 12.CC.03.03
Date: July 31, 2013
Audit: County Clerk Recording Review
Auditor(s) Assigned: NH

Finding:**Computer Receipts & Closeout/Deposit & Cash Counts**

Comparison of AiLIS computer receipt date and associated Oracle DMS 98 approval date, sample review 256 voided computer receipts, a sample review of 25 voided instruments and 15 audit transaction report adjustments during fiscal years 2010 thru 2012 revealed:

Computer Receipts/Deposits

Daily reconciliation of receipted transactions revealed 60 delays of five or more business days between receipt date and Oracle DMS 98 deposit approval date:

- Forty-six deposit delays occurred during June 2010 (AiLIS was down for the first week of June due to the Records building flood.)
- Thirty-one deposit delays exceeded seven business days.
- Twenty-one deposit delays were associated with LegalEase deposits which exceeded five business days (15 were in June 2010), the longest was 24 days (four June deposits were delayed 20 or more days).

Cash Counts

- Cash counts performed on 7/9/13 revealed one cash drawer was \$1 short

Voided Computer Receipts

Sample review of 256 voided computer receipts revealed:

- Two computer receipt numbers were voided in AiLIS when the replacement/duplicate receipts were issued. The ROAM instruments recorded were erroneously linked to the voided receipts instead of their replacements.
- One computer receipt number is voided, but the document void sheet was not scanned to ROAM.

Voided Instrument

Sample review of 25 voided instruments revealed:

- Three voided instruments do not have a reason or user name associated with the void.
- Three voided marriage license instrument numbers did not have void document sheets scanned to ROAM. Recording staff advise that a document void page is not scanned to ROAM for a voided marriage license.

Adjustments

Sample review of 15 audit transaction report adjustments revealed:

- Two adjustments were made by the same person who processed the payment
- One adjustment does not have a comment noted
- One adjustment was created using a generic username rather than a specific user

Departmental responses to the Internal Control Questionnaire (ICQ) and inquiry of County Clerk Recording staff revealed:

- Voided computer receipts are not marked "void" and documented with a reason for voiding
- Safe combination is not changed when a person who knows the combination leaves



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| | <p>employment with the county clerk or is no longer responsible for cash handling duties</p> <ul style="list-style-type: none"> - The bookkeeper and the lead cashier have the authority to void transactions. <p>Risks identified during walkthrough of department's cash handling processes revealed:</p> <ul style="list-style-type: none"> - Recording section does not utilize a bank lockbox and checks received through the U.S. mail are not logged (R02). - Access to the safe containing the daily receipts is not under dual control (R03). - Bookkeeper, supervisor, assistant manager and manager can adjust a receipt amount instead of voiding the entire transaction (R05). |
| Workpaper Reference: (or other method by which finding was identified) | <p>Workpapers 2-3A, 4B.1, 4B2, 4B.3, 4B.4, 6D AiLIS Daily Transaction report AiLIS Audit Transaction report Walkthrough 7/3/13 with County Clerk Recording Assistant Manager and Vitals Manager Responses to Internal Control Questionnaire (Recording)</p> |
| Condition: (Describe the current condition) | <p>Recording/Vital staff record property records, legal documents, birth certificates, death certificates, and marriage license. The customer approaches the counter to record documents or obtain copies. The clerk reviews documents to ensure legally compliant and signed by a notary. Once verified, the clerk informs the customer the amount due for requested services. The fees are automatically posted to each fee code in the AiLIS system. If cash, the cashier counts the money in front of the customer to verify amount given. The checks and money orders are sent through the check endorser machine. The endorser consists of: Dallas County Clerk, Recording Department, receipt number, amount, account number and "For Deposit Only." One computer receipt is generated; the computer receipt and any change due are given to the customer. Receipt numbers are automatically generated in AiLIS. At the end of business, each cashier closes their drawer and balances the day's funds to the Daily Summary report. The bookkeeper reconciles and enters amounts into Oracle DMS account template then prints the deposit 98 form. Management verifies all totals. Once verified, the funds are sealed in separate tamper proof bags. The bookkeeper walks the deposits to the Treasurer's office.</p> |
| Criteria: (Describe the optimal condition) | <p>Management judgment in designing, implementing and conducting internal control, and in assessing its effectiveness is emphasized in the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. Internal control requires that five core components be present: Control Environment; Risk Assessment; Control Activities, Information and Communication; and Monitoring Activities. Specific controls related to receipt control procedures require that:</p> <ul style="list-style-type: none"> • All monies received are promptly receipted and deposited properly, and timely in accordance with V.T.C.A., L.G.C. § 113.022. • All receipts are accounted for and properly used in order to affix responsibility, enhance cash control, and prevent assertion that monies were paid and refund due. • Receipts are not altered, but properly voided and affixed with a reason for the void (including explanation recorded to computer system) with retention of all voided copies. All voids are reviewed daily by supervisory personnel at least one level above employee that voided the payment. • Supervisory personnel periodically review exception reports and transaction logs (especially with respect to receipt deletions, lowered amounts, and payment type changes) to ensure that the explanation for the change is documented and reasonable. • Employees receipting money verify that money tendered is accurately receipted prior to providing computer receipts to the customer. |



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| | <ul style="list-style-type: none"> Assigned duties for cash control are adequately separated. Separate cashier stations are maintained by the cashiers receipting payments and funds are balanced prior to combining with other receipted funds. Receipts are issued for the amount of funds tendered, and all funds received are deposited. <p>Accounting and system control procedures require daily reconciliation and balancing of collected funds, including supervisory review.</p> <p>Written procedures are established for all the responsibilities of County Clerk Recording's financial personnel in order to strengthen the section's internal control and improve efficiency. These procedures and practice are periodically reviewed by the appropriate supervisory staff for good internal control purposes.</p> |
| Cause: (Describe the cause of the condition if possible) | <p>Inconsistent management oversight and/or training for receipting process</p> <p>Incomplete controls over the receipting process</p> |
| Effect: (Describe or quantify any adverse effects) | <p>Prevents potential assertion that monies were paid and refunds due and/or misappropriation of funds</p> <p>Delay in recognizing revenue</p> |
| Recommendation: (Describe corrective action) | <ul style="list-style-type: none"> Computer receipts should not be altered, but properly voided and affixed with a reason for the void. Voids should require supervisory approval. No user should void their own issued receipt with voided receipts reviewed and initialed by a supervisor at the next level up. All copies of voided receipts should be retained (the latter of Records Retention requirements or audit completion date). Replacement receipt numbers should be referenced whenever relevant. At the end of the business day, the system control totals should compared to the funds on hand. Corrections should be made such that both good internal control and audit trails are maintained. Receipt and deposit totals should be verified by a supervisor with verification evidenced by signature or initial on control documents which are retained in accordance with Records Retention guidelines. All payments should be receipted and deposited in accordance with V.T.C.A., L.G.C. § 113.022. Closeout and balancing procedures should include deposit the next business day after receipt. Policy and procedures manual should be developed for cash handling responsibilities including manual receipts. Documentation should incorporate compensating controls such as dual sign-off on voids, receipt corrections, supervisory review, testing, and validation. Management should periodically review system reports and daily work for accuracy and staff compliance to established policies and procedures. Voided marriage license instruments should be documented in ROAM with the void page including user and reason, consistent with other voided instrument processing. <p>Other control recommendations include:</p> <ul style="list-style-type: none"> All funds in the mail or drop box should be independently logged and compared to activity recorded to the AiLIS system by a supervisor. A dual control process (more than one staff member to open) over opening the safe should be considered. Written supervisory approval required prior to processing adjustments to AiLIS. The Audit Transaction Report should be reviewed by management to ensure the accuracy, appropriateness, timeliness and deposit of adjustments. Management should evidence |



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| | their review or approval. | | | | |
| Responsible Department or Organization: | County Clerk Recording | | | | |
| Management's Response: | <input type="checkbox"/> Agree | <input type="checkbox"/> Disagree | Respondent: | Anita Saul-Turner, Financial Administrator | Date: 7/17/2015 |
| Comments: | <ul style="list-style-type: none"> • Void receipts. Clerks do not have void rights. Only management and the lead cashier can perform voids. Voids are approved by a one-up authorization, maintained numerically and have a reason code entered in the system as required by AiLis. At the end of the day the tills are balanced and payments are receipted and deposited. • Voided marriage license instruments are noted in AiLis. Management would void the instrument and include the reason. • A dual control process over opening the safe is already in place. • Audit's recommendation of using a bank lockbox is not feasible. However the Divisions agree that a mail log for checks received through the mail could be used to alleviate cash handling risk and to ensure good internal controls are in place and is in the process of establishing log procedures. | | | | |
| Disposition: | <input checked="" type="checkbox"/> Audit Report <input type="checkbox"/> Oral Comment <input type="checkbox"/> Deleted From Consideration | | | | |



Finding Number: 12.CC.03.04
Date: August 1, 2013
Audit: County Clerk Recording Audit FY 2010- 2012
Auditor(s) Assigned: NH

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| Finding: | <p>Birth Certificates</p> <p>A sample review of 227 Remote Birth Certificate applications during fiscal year 2010 thru 2012 revealed:</p> <ul style="list-style-type: none"> • Ten (4.4%) certificate numbers were not noted in AiLIS. • Two instances where the names listed on the Remote State report once were receipted for two copies. • Four (1.8%) instances where the names listed on the Remote State report, but the associated AiLIS receipt was not located in AiLIS. • One payment was not receipted to correct fee codes in AiLIS. • Three (1%) instances where the names were listed on the Remote Report multiple times, but only receipted to AiLIS system for one copy. • One name listed on the Remote Report was receipted as county birth; as a result state access fee was not captured. • Certificate numbers were not consistently entered on the AiLIS receipts. • Applicant names were not consistently entered on the AiLIS receipts. • Employees use same login to access BVS system. <p>Twogether Marriage License</p> <p>A sample review of 40 Twogether License applications during fiscal year 2010 thru 2012 revealed:</p> <ul style="list-style-type: none"> • Four (10%) documents recorded as MARRAPP should be Twogether. • Seven (17.5%) Twogether certificate numbers are not noted in the associated AiLIS record. Five certificates were verified using the Twogether website. Two certificates supporting the reduced fees were not located. |
| Workpaper Reference: (or other method by which finding was identified) | <p>Workpapers 8B.2, 8B.3, 8C.1, 8D.1, 8D.2</p> |
| Condition: (Describe the current condition) | <p>The Vitals staff process birth certificates, death certificates, and marriage license applications. The customer completes a birth certificate or death certificate application before approaching the counter. When the customer is called to the counter, the clerk reviews the application and verifies customer, with required identification, has a qualified relationship to the person named on application. If not themselves qualified, a customer must provide copy of identification and written, signed request from a qualified person. The clerk accesses AiLIS to search the applicant name. If the applicant was not born in Dallas County, the clerk accesses the state's Bureau of Vital Statistics (BVS) remote system to search the name. Once the applicant birth records are found, the information is printed on special numbered security paper. The clerk informs the customer the amount due and security paper number is noted on the AiLIS receipt.</p> <p>The applicants access AiLIS ROAM system online or at the Vitals section to complete the marriage license application. Applicants must also respond to four questions. On completion a confirmation number is given which must be provided in person to the Vitals staff. When the customer is called to the counter, the clerk reviews the application and verifies completed application is supported by the required, unmutilated documents provided by applicants. Applicants presenting a Twogether pre-martial education certificate qualify for a reduced marriage license fee. The Twogether certificate number is posted in the online application in the comment field. The clerk also selects license type in a pull down box. Once verified, the</p> |



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| | <p>marriage license is printed and clerk administers an oath affirming responses and applicants sign. The clerk informs the customer the amount due.</p> <p>When the fee is collected, the clerk enters the type of service provided and the amount collected. The fees are automatically distributed into each fee code. If cash, the cashier counts the money in front of the customer to verify amount given. The money orders are sent through the check endorser machine. The endorsement includes: Dallas County Clerk, Recording Department, account number, receipt number, amount and "For Deposit Only." One computer receipt is generated; the computer receipt and any change due are given to the customer. Receipt numbers are automatically generated in AiLIS. At the end of day, each cashier closes their drawer and balances the day's funds to the Daily Summary report. The bookkeeper reconciles and enters amounts into Oracle DMS account template and prints the deposit 98. Management verifies all totals. Once verified, the funds are sealed in separate tamper proof bags. The bookkeeper walks the deposits to the Treasurer's office.</p> |
| <p>Criteria: (Describe the optimal condition)</p> | <p>Management judgment in designing, implementing and conducting internal control, and in assessing its effectiveness is emphasized in the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. Internal control requires that five core components be present: Control Environment; Risk Assessment; Control Activities, Information and Communication; and Monitoring Activities. Internal control regarding Vitals process require that:</p> <ul style="list-style-type: none"> • Accounting and system control procedures require daily reconciliation and balancing of collected funds, including supervisory review. • Receipts are not be altered, but properly voided and affixed with a reason for the void. • Employees receipting money verify that money tendered is accurately receipted prior to providing computer receipts to the customer. • System security is enforced by requiring each employee enter their own unique user id and password to access the state's Bureau of Vital Statistics remote system. <p>According to V.T.C.A., Health and Safety Code § 191.0045, (d) A local registrar or county clerk who issues a certified copy of a birth or death certificate shall charge the same fees as charged by the bureau of vital statistics</p> <p>(i) A fee under this section shall be collected by the registrar or county clerk on the issuance of a vital statistics record, including a record issued through a Remote Birth Access site.</p> <p>According to Texas Administrative code, Rule §181.24, (a) abused birth record.</p> <ol style="list-style-type: none"> (1) Any birth record that has had 10 certifications issued since the original date of filing shall be considered as an abuse record. Such a notation shall be made on the birth record. (2) Local registrars shall notify the Bureau of any abused record. Request for additional certifications shall be made to the bureau. (3) When the state registrar receives a request for an abused birth record, he/she shall refuse to issue any additional certifications until the registrant, minor registrant's parent who is not excluded by law, or registrant's guardian has satisfactorily explained the reason for the additional request(s). <p>All voided certificates are accounted for and marked "void" in order to affix responsibility, enhance cash control and prevent potential assertion that monies were paid and refund due. Notification of voided certificates related to records accessed through Remote Birth Access site are reported to BVS for proper credit to the customer's life time issuance count and adjustment to monthly billing statement.</p> |



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| | <p>According to Texas Administrative Code, Rule § 181.28, (e) Record retention. A record of the date issued, document number, name and address and form of identification to whom issued shall be made and maintained for a period of three years from the date issued. The application form, with the document number inserted, used to apply for a record will fulfill this requirement.</p> <p>According to Texas Administrative code, Rule §181.25:</p> <ul style="list-style-type: none"> (a) The bureau shall furnish application forms for a marriage license to each county clerk in the format as prescribed by the State Registrar. (b) The application form shall contain at a minimum the items and information prescribed in the Texas Family code, §2.004. (c) When reproduced locally by the county clerk, the form shall be identical in content, format, and size as prescribed by the bureau. <p>According to the Texas state Library and Archives Commission, Local Schedule CC, (Third Editions), Retention schedule for records of county clerks, the retention period for CC1325-23 Marriage License Applications is as long as administratively valuable. County clerks are not required to retain copies of marriage licenses applications after forwarding the application to the Texas Vital Statistics Office of the Texas Department of State Health Services.</p> | | | |
| Cause: (Describe the cause of the condition if possible) | <p>Clerical error Information not consistently entered on AiLIS Proper procedures not followed</p> | | | |
| Effect: (Describe or quantify any adverse effects) | <p>Prevents potential assertion that monies were paid. Responsibility undeterminable when shared access codes are used due to multiple employees using the same code</p> | | | |
| Recommendation: (Describe corrective action) | <ul style="list-style-type: none"> • All computer receipts should be accounted for, in order to affix responsibility, enhance cash control and prevent potential assertion that monies were paid and refund due. • Posting errors should be corrected on a timely basis. Recording staff should make such corrections to the fullest extent possible so that the revenues are accurately posted. • Posting certificate numbers in the comment field in AiLIS should be made such that both good internal control and audit trails are maintained. • Review by Vital Statistics manager on a periodic basis to determine compliance with established procedures. • Require each employee enter their unique user id and password to access the Bureau of Vital Statistics' system. | | | |
| Responsible Department or Organization: | County Clerk Recording | | | |
| Management's Response: | <input type="checkbox"/> Agree | <input type="checkbox"/> Disagree | Respondent: | Anita Saul-Turner, Financial Administrator |
| Comments: | | | Date: | 7/17/2015 |
| | <ul style="list-style-type: none"> • Computer receipts are currently accounted for. Posting errors are corrected on a timely basis. Regarding marriage and birth instruments the Vitals Division has a second person comparing system information to internal log books to find entry incompatibilities. Any errors or missing information incidences are referred back to the Division for correction. • BVS is a lookup system restricted to employees. However access to the financial system, AiLis is restricted by login/password as assigned to each user. Vital records may only be logged into AiLis by the authorized user. • Twogether marriage certificates are currently under additional control. The lead clerk pulls copies of the Twogether certificates, and ensures the certificates validity using the Twogether website. | | | |



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| | <ul style="list-style-type: none">In the Vitals Division certificate numbers are currently posted in the comment field in AiLis to ensure good internal control and audit trails are maintained. | | |
| Disposition: | <input checked="checked" type="checkbox"/> Audit Report | <input type="checkbox"/> Oral Comment | <input type="checkbox"/> Deleted From Consideration |



Finding Number: 12.CC.03.05
Date: August 2, 2013
Audit: County Clerk Recording Review
Auditor(s) Assigned: NH

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| Finding: | Special Fund A sample review of 25 Special Fund 501 disbursements issued during fiscal years 2010 thru 2012 revealed: <ul style="list-style-type: none"> • Three out of 25 checks were not posted to AiLIS. These non-refund disbursements included publication and state birth access fees. Reportedly, existing AiLIS functionality does not track non-refund disbursements. • One check stale dated check was not cancelled in AiLIS. |
| Workpaper Reference: (or other method by which finding was identified) | Workpapers 11 AiLIS Daily Transaction report |
| Condition: (Describe the current condition) | Fund 501 (Special Fund) Disbursement: Recording section deposits into Fund 501 for overpayments (more than \$10), publication fees, credit card chargebacks and state birth access fees. Authorized staff prepares and saves an excel special fund disbursement file. The file is reviewed for General Ledger funds availability and approved for processing by the Auditor's office. The County Treasurer's office sends a confirmation file to the department for approval prior to printing the special fund checks. If approved, the checks are printed via Oracle Accounts Payable. Fund 501 checks (except for State birth access fees and publication fees) are manually posted to the AiLIS system. |
| Criteria: (Describe the optimal condition) | Management judgment in designing, implementing and conducting internal control, and in assessing its effectiveness is emphasized in the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. Internal control requires that five core components be present: Control Environment; Risk Assessment; Control Activities, Information and Communication; and Monitoring Activities. Specific cash controls related to special/trust fund control procedures, banking safeguards and accounting recognition require that: <ul style="list-style-type: none"> • All special fund checks are accounted for, issued to the proper payee for the correct amount in a timely manner, and reference the relevant case information. • All special fund disbursements and cancellations are timely and accurately posted to the AiLIS system. • Automated process is developed where possible to limit manual/duplicate data entry. • Special Fund balances are reviewed on a periodic basis and disbursements made to the appropriate parties in a timely manner. |
| Cause: (Describe the cause of the condition if possible) | Clerical error Incomplete management oversight Non-integrated financial systems |
| Effect: (Describe or quantify any adverse effects) | Incomplete disbursement information reflected on AiLIS Financial records are not accurately stated Potential for duplicate payments |
| Recommendation: (Describe corrective action) | <ul style="list-style-type: none"> • Segregation of responsibilities should be established as relates to receipting, depositing, and disbursing and control procedures should include: <ul style="list-style-type: none"> ◦ All checks issued, canceled, or stale dated posted accurately and timely to the AiLIS system to maintain accurate financial balances. ◦ Verification of available funds prior to processing disbursement requests. ◦ Supervisor review of disbursement postings and other disbursement activity. |



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| | o Compare/ reconcile bank and system differences and correct all posting errors • Return checks with incorrect information, stop payment checks, and stale dated checks should be voided in the AiLIS system and the General ledger before issuing a new check. • Pursue vendor remedy to allow AiLIS system posting of non-refund amounts disbursements which were deposited to special fund. A management plan including reconciling GL and bank account should be developed and implemented. | | | | |
| Responsible Department or Organization: | County Clerk | | | | |
| Management's Response: | <input type="checkbox"/> Agree | <input type="checkbox"/> Disagree | Respondent: | Anita Saul-Turner, Financial Administrator | Date: 7/17/2015 |
| Comments: | 501 Special Funds disbursements are currently entered into AiLis. Manual process is used for stale dated, voided and cancelled checks as there is no functionality in AiLis to manage those functions. | | | | |
| Disposition: | <input checked="" type="checkbox"/> Audit Report | <input type="checkbox"/> Oral Comment | <input type="checkbox"/> Deleted From Consideration | | |



Finding Number: 12.CC.03.07
Date: August 2, 2013
Audit: County Clerk Recording Review
Auditor(s) Assigned: NH

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| Finding: | Records Management and Preservation Review of Records Management and Preservation fund expenditures for two months included 17 payments. Review of Oracle and briefing details available for these 17 payments revealed 12 were not directly related to "specific records preservation or automation:" <ul style="list-style-type: none"> • Six payments were for travel/conference expenses including hotel costs • One payment was for two months lease of a mail system • Three payments were for building improvements including carpet • Two payments were for furniture purchases/installation (cubicles, chairs) |
| Workpaper Reference: (or other method by which finding was identified) | Workpapers 13.2 Records Management and Preservation Fund Reviewed requests for payment/reimbursement and invoices paid through the Records Management and Preservation escrow fund (project 94009) |
| Condition: (Describe the current condition) | <p>The Recording section collected a \$5 Records Management and Preservation fee (until 1-1-2014 when the fee increased to \$10). The fee is included in the standard recording fee for all documents recorded and marriage license issuance fee.</p> <p>In accordance with statutes, Records Management and Preservation fees are also collected by County Clerk staff when civil cases are filed and assessed on conviction of a criminal offense.</p> <p>The fees are deposited into an escrow account designated for records preservation or automation. Collected funds were used for travel/conference expenses (including hotel costs), building improvements, equipment lease, temp agency data entry clerk costs and computer/furniture purchases. Commissioners Court approved the expenditures.</p> |
| Criteria: (Describe the optimal condition) | <p>Local Government Code, Sec. 118.0216. RECORDS MANAGEMENT AND PRESERVATION. (a) The fee for "Records Management and Preservation" under Section 118.011 is for the records management and preservation services performed by the county clerk after the filing and recording of a document in the records of the office of the clerk.</p> <p>(b) The fee must be paid at the time of the filing of the document.</p> <p>(c) The fee shall be deposited in a separate records management and preservation account in the general fund of the county.</p> <p>(d) The fee may be used only to provide funds for specific records management and preservation, including for automation purposes.</p> <p>(e) All expenditures from the records management and preservation account shall comply with Subchapter C, Chapter 262.</p> <p>Local Government Code, Art. 102.005. FEES TO CLERKS.</p> <p>(f) A defendant convicted of an offense in a county court, a county court at law, or a district court shall pay a fee of \$25 for records management and preservation services performed by the county as required by Chapter 203, Local Government Code. The fee shall be collected and distributed by the clerk of the court to the county treasurer, or to an official who discharges the duties commonly delegated to the county treasurer, for deposit as follows:</p> <p>(1) \$22.50 to the county records management and preservation fund for records management and preservation, including automation, in various county offices; and</p> <p>(2) \$2.50 to the records management and preservation fund of the clerk of the court for records management and preservation services performed by the clerk of the court.</p> |



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| | <p>(g) A fee deposited in accordance with Subsection (f) may be used only to provide funds for specific records management and preservation, including for automation purposes, on approval by the commissioners court of a budget as provided by Chapter 111, Local Government Code.</p> <p>(h) An expenditure from a records management and preservation fund must comply with Subchapter C, Chapter 262, Local Government Code.</p> <p>Local Government Code, Sec. 203.003. DUTIES OF COMMISSIONERS COURT. The commissioners court of each county shall:</p> <p>(5) establish a county clerk records management and preservation fund for fees subject to Section 118.0216 and approve in advance any expenditures from the fund; and</p> <p>(6) establish a records management and preservation fund for the records management and preservation fees authorized under Sections 118.052, 118.0546, and 118.0645, Section 51.317, Government Code, and Article 102.005(d), Code of Criminal Procedure, and approve in advance any expenditures from the fund, which may be spent only for records management preservation or automation purposes in the county.</p> | | | |
| Cause: (Describe the cause of the condition if possible) | Incomplete Management oversight Statutes are not consistently followed | | | |
| Effect: (Describe or quantify any adverse effects) | Record Management and Preservation account is not properly used for the intended purpose | | | |
| Recommendation: (Describe corrective action) | Records Management fees should be used <u>only</u> for records preservation or automation purposes in the county. Briefings for Records Management escrow usage should clearly state relevant purpose. | | | |
| Responsible Department or Organization: | County Clerk | | | |
| Management's Response: | <input type="checkbox"/> Agree | <input type="checkbox"/> Disagree | Respondent: | Anita Saul-Turner, Financial Administrator |
| Comments: | <p>Date: 7/17/2015</p> <p>Disbursements from the Records Management and Preservation Escrow account are not made at the Division level they must be authorized by the Elected Official. Funds disbursed from the Records Management and Preservation Escrow account including the payments noted for improvements etc. are coded based upon an approval process, determined by the Elected Official and briefed before Commissioner's Court. Disbursements are approved by the Elected Official, the County Treasurer and the County Auditor.</p> | | | |
| Disposition: | <input checked="" type="checkbox"/> Audit Report <input type="checkbox"/> Oral Comment <input type="checkbox"/> Deleted From Consideration | | | |