



DALLAS COUNTY COUNTY AUDITOR

Memorandum

To: Honorable John F. Warren
County Clerk

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

Subject: Recording - Review for Fiscal Years 2013 thru 2014

Date: Issued: July 12, 2017
Released: September 14, 2017

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 2013 thru 2014 with a cash control procedures walkthrough completed in 2015.

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 on the Rapid Online Access Method (ROAM) system 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 conversations 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 and bookkeeper and the lead cashier have the authority to void

transactions. Three out of six (50%) e-Recording memorandum agreements were not available for review and one e-Recording memorandum agreement was not signed. Departmental responses to the ICQ revealed deposits prepared from cash/checks on hand instead of control totals.

Records Management and Preservation Fund- A sample review of ten expenditures from the Records Management and Preservation escrow fund revealed all expenditures sampled did not meet the statutory requirement for use. Expenditures that did not meet the statute included travel, furniture, and reconfiguring workstations.

Receipting/Depositing – A review of manual receipts, including all voided receipts and a sample of manual receipts for proper posting to the AiLIS recording system revealed: three manual receipt books on hand were unofficial manual receipt books; eight voided manual receipts without an explanation for voiding; eight manual receipts are not marked void; four manual receipts are missing the original and duplicate copies; one manual receipt was not signed by cashier issuing the receipt; one manual receipt entered in AiLIS two days after original issuance; computer receipts or receipt numbers are not consistently attached or written on the manual receipt; and manual receipt numbers are not posted in the comment field on system receipt in AiLIS

Comparison of AiLIS computer receipt dates and associated Oracle DMS 98 approved dates, sample review of voided receipts, and sample review of adjustments revealed: Sixty-one deposit delays which exceeded three or more business days; 2,066 transactions were skipped in sequence; 1,935 transaction in April 2013 and 131 transactions in July 2014; two instrument receipt numbers were voided, but the document void sheet was not scanned to ROAM; two (14%) transactions were processed by the same person who made the adjustment (assistant manager); one adjustment performed by non-supervisor; AiLIS system allows adjustments on older transactions. Also, cash counts performed at the Treasurer office revealed six instances of shortages totaling \$24 due to the checks' legal amounts written for a different amount than the numeric amounts.

Vital Statistics and Marriage Licenses – A sample review of Twogether License applications and Marriage License applications during fiscal years 2013 thru 2014 revealed: two marriage license applications did not have a corresponding AiLIS computer receipt and eleven (13.75%) applicants listed as Twogether recipients were not located on the Twogether website for verification of the reduced fee. AiLIS reflects the document and fee collected as Twogether. Also, Remote Billings Report indicates three birth certificates issued; only one receipted.

Disbursements-Special and Trust Fund – A sample review of Special Fund 501 disbursements during fiscal years 2013 thru 2014 revealed: one stale dated disbursement was not cancelled in AiLIS and one disbursement number is entered incorrectly in AiLIS.

Time and Attendance- A review of employee time and attendance revealed: two employees incorrectly used sick time; one employee's lunch is not deducted from shift in Kronos, and fifteen instances where the department did not sign-off on employee's time.

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.

Management Response: *Vitals—the established process is that every employee is issued their own user name and password. This ensures that everyone's transactions are tracked by their personal log in.*

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

Management Response: *The use of funds is determined by the County Clerk and briefed before the Commissioner's Court before any invoices can be paid through Accounts Payable. The County Clerk's Office strives to conform with statutory restrictions on escrow funds, and maintains that correct procedures are followed and the correct approvals are obtained when it comes to the disbursements noted.*

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. 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 and with retention of all voided copies.

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. Voided marriage license instruments should be documented in ROAM with void page including user and reason, consistent with other voided instrument processing.

Management Response: *Recording—official County receipt books are now being used. The established practice is for management to maintain control of the manual receipts and for a review to take place to ensure the manual receipt is properly recorded in the system.*

Vitals—when the system is down the division will operate using the manual receipt process. Depending on the year of the request the clerks are able to issue records from the microfilm tapes or the State's BVS system. Those transactions are recorded using the official manual receipt booklet.

Management Response: *Recording/Vitals—the delay in the deposit is due to the need to have a correct check amount or cash amount deposited. During the course of the day an error affecting the deposit may occur. The transaction cannot just be voided, so the process is for staff to have these monetary issues corrected before the deposit is made in the Treasurer's Office. Management is currently working with the Accounting and Trust division to intensify cash handling training including the handling of adjustments. This will focus on having proper segregation of duties, rights, and roles and bookkeeper/supervisor/management review of adjustments and voids.*

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.

Management Response: *Management agrees that 11 Twogether recipients had a certificate number indicated by the clerks which could not be located on the Twogether website. This is under the review of the County Clerk to modify the process to ensure that the part of the new process giving Vitals its own bookkeeper position will allow for closer scrutiny of the Twogether certificate acceptance and application into the system. Better documentation and oversight is needed. In addition, the birth certificates were voided as noted on the log books which are kept by the Division.*

Disbursements – Special and Trust Fund – All checks issued, canceled, and/or stale dated should be posted accurately and timely to the AiLIS system. Supervisory personnel should review disbursements postings and other disbursement activity.

Management Response: *Management is evaluating having a second person review the financial information into the AiLIS system to ensure accuracy and completeness.*

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.