



## DALLAS COUNTY COUNTY AUDITOR

### Memorandum

To: Honorable John F. Warren  
County Clerk

From: Darryl D. Thomas  
County Auditor

*Darryl D. Thomas*  
*WRW*

Subject: Recording - Review for Fiscal Year 2015

Date: *Issued:* August 21, 2017  
*Released:* September 22, 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 Year 2015 with a cash control procedures walkthrough completed May 12, 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 (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 Legal-Ease activity for accurate and timely posting to AiLIS
- 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: bookkeeper and the lead cashier have the authority to void transactions and make adjustments; three e-Recording memorandum agreements were not signed; and employees do not change system passwords periodically.

Departmental responses to the Internal Control Questionnaire (ICQ) and inquiry of County Clerk Recording staff revealed: The safe combination is not changed when a person who knows the combination leaves employment with the County Clerk or is no longer responsible for cash handling duties; and access to the safe containing the daily receipts is not under dual control.

Receipting/Depositing – A comparison of AiLIS computer receipt dates and associated Oracle DMS 98 approval dates, sample review of 43 voided computer receipts, a sample review of 15 voided instruments, and 15 audit transaction report adjustments during fiscal years revealed: Bills over \$50 were not denoted to the document to which they applied, or receipts on which they are recorded; 574 computer receipt transactions were skipped in sequence; and receipts were not found for two marriage licenses issued. In addition, a total of 102 deposits were delayed four or more business days;

A sample review of 15 audit transaction report adjustments revealed: two (14%) transactions were processed by the same person who made the adjustment; and the AiLIS system allows adjustments on older transactions: There is no timeframe in which the system will disallow adjustments on prior recorded transactions.

Cash Counts– We identified four instances of deposit shortages totaling \$1,427 which were due to the checks being receipted for the numeric amount instead of the legal written amount.

Disbursements–Special and Trust Fund – A sample review of 25 Special Fund 501 disbursements during Fiscal Year 2015 revealed: Two stale dated disbursements were not noted in AiLIS.

Records Management and Preservation Fund- A sample review of 10 expenditures from the Records Management and Preservation escrow fund revealed: Two expenditures did not meet the statutory requirement for use.

NSF Checks– A sample review of 10 cases with receipted payments returned unpaid (non-sufficient funds {NSF}, account closed, etc.) during fiscal year 2015 revealed: Four NSF check payments were not flagged in AiLIS.

## **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. The safe should be placed under dual control.

**Management Response:** *Recording—Passwords are not shared, and we will have to get our vendor to update our system for mandatory password resets. System rights are reviewed when job functions are changed. Vitals—Managers and Supervisors have the rights and roles to make voids.*

Receipting / Depositing –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 affix responsibility, enhance cash control, and prevent assertion that monies were paid and refund due.

Receipts should be 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 the 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.

A 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.

**Management Response: Recording**—*We now have a full supply of official Dallas County receipt books, therefore only these official receipts will be used in the future when the Ailis System is down. These receipt books are kept securely in a safe which only management has the combination. Once Ailis is operational in the event it goes down, any money receipted on manual receipts will be posted in full to the system. Our receipt processing procedures have been updated to reflect the original computer generated receipt number will be attached or noted to the triplicate copy of the manual receipt while the duplicate manual receipt is attached to the daily summary report. In addition, the manual receipt number will be noted in the comment field of the computer receipt in Ailis. No receipts will be altered; they will be properly voided and affixed with a reason for the void by a member of the management team. Our closeout and balancing procedures require that checks be deposited the next business day after they are received. There may be possible delays when we find that there is a problem with a check (i.e. check made payable incorrectly). Additional training will be implemented to improve accuracy and to reduce posting errors.*

**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 to account for stale dated checks. Supervisory personnel should review disbursements for appropriate postings to AiLIS. A management plan including reconciling the General Ledger and bank account should be developed and implemented.

**Management Response:** *No additional response provided from divisions.*

**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 shall comply with Subchapter C, Chapter 262.

**Management Response:** *The use of the funds is determined by the County Clerk and briefed before the Commissioner's Court before any invoices can be paid through Audit/Accounts Payable. The County Clerk's Office strives to conform to 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.*

**NSF Checks** – Once the department is notified by the County Treasurer's Office of an NSF item an NSF flag should be added to the case on AiLIS. The flag should remain until funds are collected. Departmental NSF tracking list should include all relevant information, including applicable document/instrument number. Initiate vendor inquiries to expand AiLIS disbursement functionality to account for NSF checks. Department's NSF list should be reconciled to the County Treasurer's outstanding NSF outstanding list. Management should implement a formalized, coordinated process with County Treasurer's Office for handling NSF items.

**Management Response:** *The Department was not notified so that the system could reflect.*

**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; 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.

CC: Darryl Martin, Commissioner's Court Administrator