

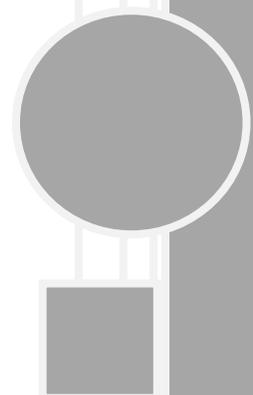


AUDIT REPORT

DALLAS COUNTY

COUNTY CLERK RECORDING AND VITALS FY2016 TO FY2017

Darryl D. Thomas
Dallas County Auditor
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COUNTY CLERK RECORDING AND VITALS FY2016 TO FY2017

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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 and Vitals FY2016 to FY2017**" Report. In order to reduce paper usage, a hard copy will not be sent through in-house mail except to the auditee.

If 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,

A handwritten signature in blue ink that reads "Darryl D. Thomas".

Darryl D. Thomas
County Auditor

EXECUTIVE SUMMARY

A review of County Clerk Recording and Vitals divisions for fiscal years 2016 and 2017 revealed the significant observations listed below:

Summary of Significant Observations

- Transactions totaling \$89,109.01 for business date August 29, 2016 were deposited six days after the initial transaction date.
- System roles do not prevent the same employee from both entering and adjusting a receipt.
- Department did not attach copies of computer receipts to the manual receipts or document computer receipt numbers on the manual receipts.
- Manual receipt numbers were not posted in the comment field on the associated AiLIS system receipt.
- Clerks were sharing Texas Bureau of Vital Statistics log-in credentials.
- Records Management and Preservation escrow fund expenditures totaling \$8,867.90 did not meet the statutory requirement for use.

Repeat Observations from Previous Audits

- Delays in depositing transactions.
- System roles do not prevent the same employee from both entering and adjusting a receipt.
- Variances between funds on hand and system receipt totals.
- Clerks were sharing Texas Bureau of Vital Statistics log-in credentials.
- Records Management and Preservation funds expenditures not meeting statutory requirement for use.

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, 2015 through September 30, 2017.

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

Records Management and Preservation Fund

The County Clerk collects a \$10 Records Management and Preservation fee, which is included in the standard filing fees for all documents, recorded in the Recording and Vitals sections. The fee is deposited into an escrow account. Per Local Government Code (LGC), Sec.118.0216 (d) the fee may only be used to provide funds for specific records management and preservation, including for automation purposes.

A sample review of 10 expenditures from the Records Management and Preservation escrow fund revealed six expenditures totaling \$8,867.90 did not meet the statutory requirement for use, including \$8,193.60 for the purchase of office furniture; \$526.92 for conference travel; and \$147.38 for computer-related equipment. Lack of management oversight and inconsistent adherence to LGC 118.0216 may result in the expending of Dallas County general fund money to reimburse the escrow account for statutorily non-compliant expenditures.

Recommendation

Records Management and Preservation Fund

- Management should establish a process to review all requests for expenditure from the Records Management and Preservation Fund for compliance with the statutes prior to briefing to Commissioners Court.

Management Action Plan

Division management does not have a process for expenditures from the Records Management and Preservation Fund., as approving any expenditures falls outside of the rights and roles of management at the Division level. Expenditures from the Escrow Account fall within the responsibilities of the County Clerk's Executive Administration level that report directly to the Elected Official. The process entails presenting all requests for expenditures before Commissioner's Court. The Division will communicate the Audit finding to the County Clerk's Executive Administration to review and correct as needed.

Auditors Response

None

Birth Certificates & Marriage Licenses

A sample review of birth certificates in fiscal years 2016 and 2017 revealed: two birth certificate searches per the Vitals Remote Certificate Monthly Transaction Report without corresponding payments or postings to the court's internal tracking log as being voided; and 68 out of 137 (49.6%) birth certificate searches on the Bureau of Vital Statistics (BVS) system report were performed under a different user name than the user that issued the AiLIS system receipt. 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. Birth certificates searched multiple times due to clerical or system error may result in a potential loss of \$1.83 per birth certificate search if amounts are not charged to customers. Additionally, employees sharing Bureau of Vital Statistics log-in credentials results in an inability to affix individual accountability for birth certificates searched and issued.

County Clerk Vitals issues three types of marriage licenses; Formal, Informal, and Twogether. Applicants seeking a \$60 discount on marriage license fees will enroll in an 8 hour marriage counseling class. Once the applicants successfully complete the counseling class, a Twogether certificate is issued. According to the Vitals manager, applicants will provide the Twogether certificate when applying for their marriage license, the Clerk's office will verify on the Twogether in Texas website. Once applicants are verified, the reduced fee will be charged.

Tracing a sample of 80 AiLIS receipts issued for marriage licenses receiving the Twogether in Texas reduced fee to the Twogether in Texas website revealed the required premarital counseling could not be confirmed for one receipt issued for the reduced amount. A person who provides a premarital education course shall provide a signed and dated completion certificate to each individual who completes the course. The certificate must include the name of the course, the name of the course provider, and the completion date according to Family Code, Sec. 2.013. Persons receiving the reduced fee for a marriage license must complete a premarital course. Employees receipting money are responsible for verifying that money tendered is accurately receipted prior to providing computer receipts to customers, including researching the Twogether in Texas website for completion of an approved premarital counseling course. Lack of management oversight over employee adherence to the guidelines of the Twogether in Texas program, increases the potential that fund may be misappropriated.

Recommendation

Birth Certificates & Marriage Licenses

Management should:

- Enter the birth certificate numbers in the comment field in AiLIS
- Periodic review employee compliance with established procedures for the issuances of birth certificates and marriage licenses.
- Require that each employee use their own log-on ID for accessing the Bureau of Vital Statistics records.

Management Action Plan

When login issues with the BVS system were brought to management's attention it was corrected immediately.

Auditors Response

None

Manual Receipts

A review of all 22 manual receipts issued during fiscal years 2016 and 2017 revealed: the issuance of an associated AiLIS receipt for one manual receipt could not be confirmed; department did not attach copies of computer receipts to the manual receipts or document computer receipt numbers on the manual receipts; manual receipt numbers are not posted in the comment field on the associated AiLIS system receipt; and seven manual receipts were skipped in sequence and not marked void **Status:** Management voided the skipped receipts after they were identified by Internal Audit.

Internal control procedures indicate all manual receipts should be 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. All copies of a void receipt should be retained 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 (associated document number is not available until system is available). Once the system is restored, the payments are posted to the system and the manual receipt number is entered into the comment field and one copy of the computer receipt is attached to the corresponding manual receipt. A lack of supervisory oversight and written manual receipt procedures has resulted in incomplete financial records and increased the potential that funds could be misappropriated.

Recommendation

Manual Receipts

Management should:

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

Management Action Plan

In the interim period between the occurrence in FY 16-17 and now, the existing Management team has not had to issue manual receipts, however, Management is aware of the required process and it has been written down for reference.

Auditors Response

None

Computer Receipts Adjustments, Voids and Deposits

A review of all transactions deposited during fiscal years 2016 and 2017 revealed transactions totaling \$89,109 for business date August 29, 2016 were deposited six days after the initial transaction date. A sample review of 10 credit card deposits revealed one deposit was submitted two days after the initial credit card settlement date. A sample review of 15 adjustments revealed two (13.3%) adjustments were not performed by the supervisor and two (13.3%) transactions originally receipted by a supervisor/assistant manager were subsequently adjusted by the same employee.

All monies received, including credit card submissions, should be promptly receipted and deposited properly, and timely in accordance with Local Government Code (L.G.C.), § 113.022. Credit card transactions should be receipted the same business day the transaction was successfully processed. Processing of financial transactions should reflect proper segregation of duties. A lack of management oversight of the depositing procedures and incomplete controls over the adjustment process resulted in a delay in revenue recognition and increased the potential for the misappropriation of funds.

Recommendation

Computer Receipts Adjustments, Voids and Deposits

Management should:

- Establish written procedures for processing credit cards.
- Periodically review the point of sale (POS) settlement report and CWR for accuracy, timeliness of processing, and staff compliance to established policies and procedures.
- Determine the feasibility of establishing system roles that prevent non-supervisory personnel from adjusting receipts.
- Establish business processes or system enforced roles that prevents an employee from having the ability to entering and adjusting a receipt.

Management Action Plan

At the time of the audit, Recording and Vitals shared bookkeeping responsibility. Currently, a new position was created and now each Division is able to complete their own deposits on a timely basis.

Auditors Response

None

Cash Counts

During fiscal years 2016 and 2017, cash counts of the County Clerk Vitals and Recording divisions' funds on hand and funds held for deposit at the Treasurer's Office revealed: one Recording deposit was \$4 over the system control total due to a credit card receipting error and cash in two Vitals tills was \$15 over the amount on the system control totals.

All monies received should be promptly receipted and deposited consistent with Local Government Code, § 113.022. Any unidentified overages should be deposited to the overage/shortage account daily. Daily collections and change funds should be recounted by supervisory personnel with review evidenced by initial or signature on deposit forms. Amounts tendered and change to be provided should be counted in the presence of the payer. Receipts should be verified for accuracy of amount, payment type, case number, and payer before issuing to a customer. Lack of management oversight related to employee cash management training combined with delayed identification and correction of clerical errors have resulted in inaccurate financial records, delayed revenue recognition, and customers not receiving change due.

Recommendation

Cash Counts

Management should:

- Establish written procedures for cash handling.
- Train employees on cash handling procedures and periodically observe employees adherence to the established policies.

Management Action Plan

The \$4.00 overage was a clerical error that was corrected immediately once identified by the Recording Division. No action plan is necessary.

Auditors Response

None

E-Recording and System Controls

A review of e-Recording Memorandum Agreement contracts revealed one e-Recording memorandum agreement was not signed by the subscriber/depositor. Best practices indicate that final contract detailing services and terms should be signed prior to implementing new services. If the agreement is not completely processed, there is potential of the agreement not being valid. Oversight or clerical error may result in a loss of revenue due to the County Clerk providing services on an agreement that may not be legally enforceable.

Department responses to the Internal Control Questionnaire (ICQ) identified that employees do not periodically change system passwords. System functionality/setup (and departmental policy) should include mandatory password changes at least every 60 days. Password criteria should include a minimum eight character length including alpha, numeric, and special characters/symbols. The lack of system required password changes poses a potential data security risks; should a password become compromised it may be used to access system information indefinitely.

Recommendation

E-Recording and System Controls

Management should:

- Establish a quality control review to ensure E-Recording memorandum agreements are signed by both subscriber and County Clerk prior to providing services.
- Explore system enhancements to enforce periodic password changes.

Management Action Plan

The unsigned agreement was an oversight. The Recording Division Management has consulted with the business analyst from Granicus to rectify the password discrepancy. Management will establish an annual review to ensure E-Recording memorandum agreements are signed by both subscriber and County clerk prior to

providing services. For the password finding, manually reset each staff member's password every 60-days via Granicus applications.

Auditors Response

cc: Darryl Martin, Commissioners Court Administrator