



# County Clerk's Office Internal Audit FY 2013

November 19, 2013

Galveston County  
Internal Audit  
Division

Randall Rice CPA  
CITP CISA CIO CBM DABFA CGMA  
County Auditor

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# Executive Summary

## Reliability and Integrity of Information (pages 3-4)

- The Office practices effective and proper separation of duties among the clerks.
- The Office has adequate control over voided receipts. A clerk who records the receipts does not have the ability to void the receipts in Odyssey system. The void functionality is only granted to Management staff.
- Management should consider establishing a control for mail-in payments. A list of the mail-in payments should be prepared, signed, and e-mailed to Bookkeeping to be reconciled to the recorded payments in the Odyssey system.

## Safeguarding of Assets (page 5)

- All cash collected on the day of the surprise cash count was accounted for. Collections are deposited daily by a Sheriff's Deputy.
- The Office can increase physical security of the assets by implementing the following:
  - ❖ Enforce a policy of safeguarding the collections by locking the drawers.
  - ❖ Immediately endorse checks/money orders upon receipting in Odyssey.

## Compliance with Statutes, Policies, and Procedures (pages 6)

- To comply with the Criminal Code Procedure (CCP) §45.51, the Office should create a special expense fee in Odyssey. Remove the County Fine and replace it with the special expense fee in the fee schedule for class C deferred disposition.

# Introduction

The Internal Audit Division conducted an internal audit of the County Clerk's Office, as required by Local Government Code §115.0035. The internal audit covered the period October 1, 2012 through September 30, 2013. The audit was performed from September 16 through November 19, 2013.

The primary objectives of the internal audit were to provide reasonable assurance concerning:

- Reliability and integrity of the information.
- Safeguarding of assets.
- Compliance with laws, regulations, contracts, policies, plans, and procedures.

The scope of the internal audit encompassed the financial records and administrative procedures related to the County Clerk's Office. The internal audit included, but was not limited to, the books, accounts, reports, dockets, and records of the County Clerk's Office.

The internal audit included examining transactions on a test basis, and required exercising judgment in the selection of such tests. As the internal audit was not a detailed examination of all transactions, there is a risk that errors or fraud were not detected during the internal audit. The official therefore retains the responsibility for the accuracy and completeness of the financial information.

Because of certain statutory duties required of the County Auditor, we are not independent with regard to the County Clerk's Office of Galveston County as defined by the AICPA professional standards. However, our internal audit was performed with objectivity and due professional care.

Yun Yap, Internal Auditor III, performed the audit.

# Reliability and Integrity of Information

Reliable information is accurate, timely, complete, and useful. In order to achieve this, controls over record keeping and reporting must be adequate and effective.

## Separation of Duties

One of the most important controls is to have proper separation of duties. No one person should authorize a transaction, record the transaction, and have custody of the assets.

### Misdemeanor Court Division

The Office has instituted procedures to separate the custody of the assets from the recording and authorization functions in the Misdemeanor Division. The Misdemeanor Clerks only record the cases in the court system (Odyssey) and collect miscellaneous payments for other services (such as copies, certified copies, etc). The Court Collections Department and the Sheriff's Office collect the payments of the court costs and fees for the Misdemeanor. Accordingly, they have an effective separation of duties.

### Civil and Probate Court Division

For civil and probate court divisions, the Office has established procedures to allow clerks to record the cases, to assess the court fees, and to collect the payments in the court system (Odyssey). Clerks do not have the ability to adjust the assessments of the court fees and to void the receipts. Management staff performs the adjustments and voids.

Internal Audit verified the accessibility of the clerks' user profile in Odyssey and found the office procedures were functioning effectively.

Accordingly, the Office has a proper separation of duties in place relative to recording and voiding of receipts.

### Mail-In Payments

Office procedures over mail-in payments includes Recording Deputies receipting the mail, sorting it, and distributing the mail to the appropriate divisions.

Internal Audit observed the process of handling the mail.

**Finding:** Controls over the mail-in payment process were absent. The Recording Deputies who processed the incoming mail did not prepare a list of the mail-in payments. There was a lack of verification between deputies during the change-of-custody process. The recordings of the mail-in payments were not verified. The absence of the controls provides an opportunity for theft/fraud.

## **Reliability and Integrity of Information (continued)**

**Recommendation CC-13-01:** To mitigate the possible risk of fraud, Management should consider adopting a control procedure for the mail-in payments. The Recording Deputies prepare an electronic list of the mail-in payments and email it to another deputy to verify the log. Then e-mail the verified list to Bookkeeping to reconcile the list to the recorded payments in Odyssey. A recommended fill in the blank form is included. The Auditor's Office can provide the electronic version of it.

# Safeguarding of Assets

Safeguarding of collections has three basic aspects: 1) physical security, 2) minimal exposure to loss, and 3) management of the collection process.

## Physical Security

Physical security encompasses all methods used to physically secure the assets from loss. Assets not being used should be kept in a locked drawer or safe until they are needed.

Internal Audit observed the physical security of the collections and found one deputy in the Property division did not lock his/her drawer where the collections were kept.

**Recommendation CC-13-02:** To mitigate the risk of loss, Management should adopt and enforce a policy of safeguarding collections by locking the drawers.

## Minimal Exposure to Loss

Daily deposit is one of the best methods of minimizing exposure of collections to loss as well as providing the County with maximum benefit of the collections. The Office has a policy to deposit collections daily.

As part of the audit, we conducted a surprise cash count and found cash collections and change funds were accounted for. Cash collections were deposited daily by a Sheriff's Deputy.

The current office procedures do not require Odyssey users to immediately endorse checks/money orders upon receipting in Odyssey. This is due to the bank not requiring endorsement of checks/money orders. Checks/money orders that are not immediately endorsed provide the opportunity for theft.

**Recommendation CC-13-03:** To mitigate the risk of loss and the risk of theft, Management should require Odyssey users to immediately endorse checks/money orders upon receipting in Odyssey.

# Compliance with Statutes, Policies, and Procedures

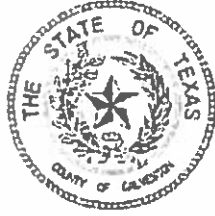
The state and local fees for Criminal, Civil, and Probate were reviewed to ensure they were in compliance with the current statutes.

## Misdemeanor Division

Criminal Code Procedure (CCP) §45.051 states the judge may impose a special expense fee in the amount not to exceed the fine amount when issuing the order of deferral.

**Finding:** On class C deferred adjudication probations, the clerks erroneously assessed the County Fine instead of the special expense fee as stated in the court orders. These errors were due to the special expense fee not being set up or configured in the Odyssey system, causing the clerks to assess the incorrect fees.

**Recommendation CC-13-04:** To comply with the law, Management should create a fee code for special expense fee in Odyssey. Remove the County Fine and replace it with the special expense fee in the fee schedule for class C deferred disposition.



## The County of Galveston

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DWIGHT D. SULLIVAN  
COUNTY CLERK

March 5, 2014

Mr. Randall Rice, CPA  
County Auditor  
722Moody, 4th Floor  
Galveston, Texas 77550

Re: Response to the Audit Report - County Clerk Fees FY 2013 Audit

Dear Mr. Rice,

Thank you for conducting this audit. Ms. Yap was a pleasure to work with and presented an outstanding report. I am providing herein my response to the recommendations in the report.

**Recommendation CC-13-01:** To mitigate the possible risk of fraud, Management should consider adopting a control procedure for the mail-in payments. The Recording Deputies prepare an electronic list of the mail-in payments and email it to another deputy to verify the log. Then e-mail the verified list to Bookkeeping to reconcile the list to the recorded payments in Odyssey. A recommended fill in the blank form is included. The Auditor's Office can provide the electronic version of it.

**Response:** I concur with this recommendation. We are exploring our options to ensure efficiency.

**Recommendation CC-13-02:** To mitigate the risk of loss, Management should adopt and enforce a policy of safeguarding collections by locking the drawers.

**Response:** All collection clerks were advised by email on March 5, 2014 that all drawers should be locked while they are away from their desk.

**Recommendation CC-13-03:** To mitigate the risk of loss and the risk of theft, Management should require Odyssey users to immediately endorse checks/money



orders upon receipting in Odyssey.

**Response:** Last month the Odyssey and Anthem clerks were provided endorsement stamps and have been instructed to endorse their checks/money orders as soon as they receipt them in the systems.

**Recommendation CC-13-04:** To comply with the law, Management should create a fee code for special expense fee in Odyssey. Remove the County Fine and replace it with the special expense fee in the fee schedule for class C deferred disposition.

**Response:** We have requested a new revenue code for the special expense fee. We will modify Odyssey once we have received it.

We thank your staff for taking the time to assist us.

Thank you for ensuring the accountability of our office in financial matters.

Sincerely,

A handwritten signature in black ink that reads "Dwight D. Sullivan". The signature is written in a cursive style with a large initial "D" and "S".

Dwight D. Sullivan,  
County Clerk

cc: Yun Yap  
CC Bookkeeping Staff