



COMMISSIONERS COURT
COMMUNICATION

REFERENCE NUMBER CO#121054

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DATE: 09/22/2015

SUBJECT: **RECEIVE AND FILE THE AUDITOR'S REPORT FOR THE REVIEW OF THE COUNTY CLERK'S CONTROLS OVER RETURNED CHECKS**

***** CONSENT AGENDA *****

COMMISSIONERS COURT ACTION REQUESTED:

It is requested that the Commissioners Court receive and file the Auditor's Report for the review of the County Clerk's controls over returned checks.

BACKGROUND:

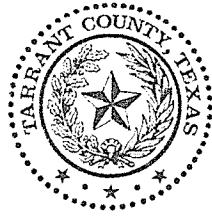
In accordance with Local Government Code, Sec. 115.001, Examination of Records, the Auditor's Office reviewed the County Clerk's returned check process for the six (6) months ending January 31, 2015. The objective of the review was to determine whether controls were adequate to reasonably ensure that returned checks were accurately processed and recorded.

FISCAL IMPACT:

There is no direct fiscal impact associated with this item.

SUBMITTED BY: Auditor's Office

PREPARED BY: S. Renee Tidwell
APPROVED BY:



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TARRANT COUNTY ADMINISTRATION BUILDING - ROOM 506
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September 11, 2015

Mary Louise Garcia, County Clerk
The Honorable District Judges
The Honorable Commissioners Court
Tarrant County, Texas

Re: Auditor's Report – County Clerk's Controls over Returned Checks

SUMMARY

In accordance with Local Government Code, Sec. 115.001, *Examination of Records*, we reviewed the County Clerk's returned check process for the six months ending January 31, 2015. The objective of our review was to determine whether controls were adequate to reasonably ensure that returned checks were accurately processed and recorded. The Auditor's Office initiated this review upon discovery that an employee within the Auditor's Office was receiving cash for the reimbursement of returned checks and processing fees. This individual was not responsible for receiving and depositing cash receipts. Although we found no evidence of malfeasance, procedures within the Auditor's Office were evaluated and corrective action was taken.

As a result of our review, we found controls over returned checks were not adequate. Attached to this report is management's response.

BACKGROUND

The County Clerk records payments collected into the appropriate system, including Odyssey, GRM, Criminal, and the Bond Forfeiture mainframe. Daily receipts are deposited into the County Clerk's bank account or the County's consolidated cash account.

The Business and Commerce Code, Section 3.506(b) allows the County Clerk to charge the issuer of a returned check a maximum processing fee (NSF fee) of \$30. On August 29, 2006, the Tarrant County Commissioners Court approved the County Clerk's request to collect a \$30 NSF fee for each payment returned by the bank as unpaid.

OBSERVATION AND RECOMMENDATION

Controls over returned checks were not adequate.

Background

The JPMorgan Chase Bank charges the County Clerk's unpaid returned checks to the County's consolidated cash bank account. When this occurs, the Auditor's Office records the returned check into SAP as a receivable due the County Clerk's Office. Upon receipt of a returned check notice from the bank, the County Clerk's Office sends a letter to the payer requesting payment for the returned check and a \$30 NSF fee within 10 days after receipt of the letter. The County Clerk maintains an Excel spreadsheet to document and track the status of returned checks. Upon receipt of payment for a returned check, County Clerk staff removes the check payer's name from the Excel spreadsheet.

The County Clerk has documented policies and procedures related to handling of checks returned by the bank.

Observation

We observed that the County Clerk staff did not record unpaid checks returned by the bank into Odyssey. Staff also did not *consistently* collect the \$30 NSF fee approved by Commissioners Court and as required by the County Clerk's documented procedures. The case files in Odyssey show that the fees and/or fines were *paid* since the original payments were not reversed. Therefore, the County Clerk does not record the subsequent receipt of payment for the NSF and fees into Odyssey. Manual receipts are issued to the payers of returned checks and NSF fees.

We also observed that segregation of duties over the returned check process was not adequate. Specifically, one employee documented the returned checks into the Excel spreadsheet, then collected and remitted subsequent payments to the Auditor's Office.

Due to the lack of segregation of duties and since NSF fees were not consistently collected, a significant risk exists whereby NSF fees could be misappropriated.

Recommendation

To strengthen controls over returned checks and NSF fees, the clerk who processes the NSF checks should not collect the subsequent payments. Additionally, management should perform a reconciliation of the manual receipts to verify that all payments were deposited. County Clerk staff should also consistently collect the \$30 NSF fee for all payments returned unpaid as required by documented procedures. Any exceptions to the procedures should be approved and documented by management.

CLOSING REMARKS

We appreciate the cooperation of the County Clerk staff during our review. If you have any questions concerning this report, please do not hesitate to call.

Sincerely,

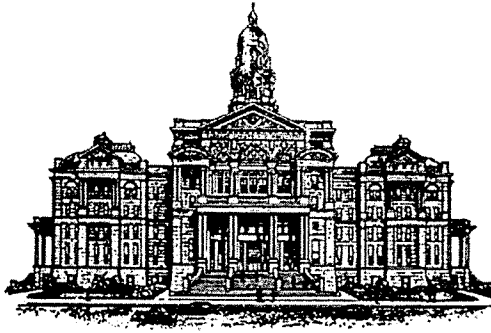


S. Renee Tidwell, CPA
County Auditor

Attachment: Management's response

Distribution: Jeff Nicholson, Chief Deputy

Audit Team: Imad Mouchayleh, Audit Manager
Melissa Askey, Senior Internal Auditor



Mary Louise Garcia
County Clerk

TARRANT COUNTY COURTHOUSE

100 W. WEATHERFORD
Fort Worth Texas 76196-0401

Date: September 14, 2015

From: Mary Louise Garcia, Tarrant County Clerk

To: Renee Tidwell, County Auditor

Reference: Response to Auditor's Report – Controls over Returned Checks

I would like to thank the Auditor's Office for their approach and professionalism in this audit. We take our fiduciary responsibilities very seriously, and appreciate the Auditor's Office partnership to ensure we perform our duties in the best interest of taxpayers.

Observation - Controls over returned checks were not adequate

The duties of processing NSF checks and collecting the money have now been separated. Receipts will be verified that they were deposited and signed off on by management. Every reasonable effort will be made to collect the \$30 NSF fee. Management will sign off on any NSF check that the fee was not collected and the reason why it wasn't collected.

A handwritten signature in black ink that reads "Mary Louise Garcia". The signature is fluid and cursive, with a long horizontal line extending to the right.

Mary Louise Garcia
Tarrant County Clerk