



**AUDIT REPORT
OF THE
COUNTY CLERK'S – CASH HANDLING
PROCEDURES**

**FOR THE PERIOD OF JULY 1 2016
THROUGH MARCH 31, 2017**

**Ernest Harvin, CIA
Internal Audit Function
Doña Ana County**

Audit Report of the County Clerk's – Cash Handling Procedures

Table of Contents

EXECUTIVE SUMMARY	3
AUDIT SCOPE	3
OPERATING & INTERNAL CONTROL RISKS	3
DETAIL OF AUDIT FINDINGS	4
FINDINGS & RECOMMENDATIONS	4
MEMORANDUM FROM COUNTY CLERK	18

December 8, 2017

2

Cc: County Clerk
Internal Audit Advisory Committee
Board of County Commissioners

Doña Ana County Internal Audit Function
845 N. Motel Blvd
Las Cruces, N.M. 88007

Chuck McMahon, Interim County Manager
Vincent Pokluda, Assistant County Manager
Scott Krahling, County Clerk
Lynn Ellins, Chief Deputy County Clerk

EXECUTIVE SUMMARY

An internal audit of the County Clerk's cash handling procedures was started by the internal auditor on November 27, 2017, and completed on December 8, 2017. The internal audit included the County Clerk's Office. Functional areas impacted included the Records & Filing section of the Clerk's Office, the Accounting section of the Treasurer's Office, and Finance. The audit period covered the first, second and third quarters of Fiscal Year 2017.

AUDIT SCOPE

The purpose of the audit was to determine if controls associated with the following functions were in place and operating effectively to mitigate risks in the following areas:

- Cashiering
- Billing
- Accounts Receivable
- Accountability of Monies received
- Safeguarding of Monies received
- Segregation of Duties

OPERATING & INTERNAL CONTROL FINDINGS

This report contains eleven (11) risks/findings and sixteen (16) recommendations; nine (9) Low-level risks, two (2) Moderate-level risks, and no (0) High-level risks. This report also includes the auditor's recommendations and comments, and management's responses. Some of the findings and recommendations were promptly reviewed and remedied by management during the course of the audit. This proactive initiative is highly commended.

The internal auditor is appreciative of the cooperation and assistance provided by the County Clerk's Office during the course of the audit. We discussed and resolved other minor observations with management and received excellent cooperation and assistance from the County Clerk's Office during the course of our interviews and testing.

December 8, 2017

3

Cc: County Clerk
Internal Audit Advisory Committee
Board of County Commissioners

Dofia Ana County Internal Audit Function
845 N. Motel Blvd
Las Cruces, N.M. 88007

DETAIL OF AUDIT FINDINGS

Risk ratings are based on professional judgment to assess the extent to which deficiencies could adversely affect the performance of systems and controls of a process. More details about the risk rating in this report can be found by accessing this link:

[Audit Risk Ratings | Doña Ana County, NM \(donaanacounty.org\)](http://donaanacounty.org)

FINDINGS, RECOMMENDATIONS, MANAGEMENT RESPONSES, & AUDITOR COMMENTS

The evidence obtained provides a reasonable basis for the findings and conclusions below, based on audit objectives. As a result of interviews, observations, reviews of New Mexico State Statutes, Standard Operating Procedures (SPOs), and tests performed, the following results were recorded. While management responses are included within this report, the Audit takes no responsibility for the sufficiency of said responses, nor for the effective execution of corrective actions taken or to be taken by management. **NOTE:** Manager Responses below are written in *italics*.

1. **Segregation of Duties I, Moderate.**

Condition: During interviews with the Document Technicians who bill constituents, we learned that the Document Technician who sends out the weekly billing also receives the payments from the constituents. Likewise, the Document Technician who sends out the monthly billing will receive those payments from the billed constituents.

Effect: There is a lack of segregation of duties, which allows for a lack of internal control within these cash-handling procedures. When the functions above are not performed by separate individuals, a significant risk exists that errors and intentional errors (fraud) could go undetected, bringing about a loss of income for the County.

Criteria: Segregation of duties help to significantly reduce the risk of error or fraud within an organization. Herein, proper segregation of duties purport that the billing, receiving and posting of receipts are three separate functions to be conducted by separate individuals.

Cause: The Document Technicians who bill the constituents are the same ones who receive payments for the bills. Herein, one Document Technician sends weekly billings while the other sends monthly billings. These same Document Technicians also record the entries upon receipt of the payments.

Recommendation: We recommend that the person who sends out the billing not be the same person to receive payment for the bill. Although the receiver of payments will record such receipts in a ledger, so long as the Recording and Licensing Lead (a separate person from the biller and the receiver) continues to reconcile billings with receipts, the risk of undetected

December 8, 2017

4

Cc: County Clerk
Internal Audit Advisory Committee
Board of County Commissioners

Doña Ana County Internal Audit Function
845 N. Motel Blvd
Las Cruces, N.M. 88007

errors can be mitigated. Proper segregation of duties will serve as a check by allowing a different person to receive payment, other than the person who sent the bill. This action protects both the individual who is billing, as well as the County's assets.

Management's Response: *We agree with the recommendation put forth, and will implement a procedure that segregates duties to minimize risk in our monthly and weekly billing processes. Each billing process will include two document technicians who will each separately issue the invoice and receipt the payment. The payment will then be confirmed by a lead daily, and finally, the Recording and Filing Supervisor will audit the process on a regular basis. This procedure will be effective prior to or by March 5, 2018.*

In addition, we are currently working with our vendor County Fusion, our internal software system, to incorporate another layer of security that can be tracked electronically. We are inquiring to see if this capability is available, and/or can be developed. Once we gather all the information, including potential cost to the Clerk's office, we can then decide if this is a viable option and include it in our procedures to further mitigate risk.

2. **Segregation of Duties II, Moderate.**

Condition: Observations of duties and interviews with staff revealed the following closing procedures. (1) The Recording and Licensing Lead counts the day's cash intake from each register. (2) The Document Technician then verifies the count. (3) The Recording and Licensing Lead then deposits the money into the safe. The next day, (3A) the Recording and Licensing Lead will take the money to the Treasurer's Office to make a bank deposit, as well as reconcile any reports.

Effect: There is a lack of segregation of duties, which allows for a lack of internal control within these cash-handling procedures. When separate individuals do not perform the functions above, a significant risk exists that errors and intentional errors (fraud) could go undetected, bringing about a loss of income for the County.

Criteria: Segregation of duties helps to significantly reduce the risk of error or fraud within an organization. Herein, proper segregation of duties purports that the counting, verifying and depositing of monies received are three separate functions to be conducted by separate individuals.

Cause: The Recording and Licensing Lead is normally the individual who stays after closing hours to complete the above accounting duties.

Recommendation(s): There are multiple approaches that management may take to address this particular finding. A main objective here is to ensure the separation of functions or

December 8, 2017

5

Cc: County Clerk
Internal Audit Advisory Committee
Board of County Commissioners

Doña Ana County Internal Audit Function
845 N. Motel Blvd
Las Cruces, N.M. 88007

implement an action, which will serve as third-party verification when one person performs multiple functions.

Thus, we recommend that the County Clerk consider the following actions – 1) enlist a third person to reconcile the Treasurer’s receipt received by the Recording and Licensing Lead, to the Treasurer’s Report – Summary, verifying that the totals in the accounting system match those on the deposit receipt; 2) utilize tamper proof bags requiring the signature of two individuals upon making deposits into the safe, or 3) update the accounting system to require that two people are required when making financial adjustments.

Management’s Response: *We agree and will implement a procedure that segregates duties of our daily cash handling procedures to ensure that each time money is being handled, it is verified and documented according to our internal controls. The following duties include balancing the cashier drawers throughout the day, balancing the total monies received daily, entering daily revenue into Banner, taking the daily deposit to the Treasurer’s office, and reconciling the receipts from the Treasurer’s office by verifying the totals on the summary reports. Each of these duties will be assigned to different persons on the Recording & Filing team including document technicians, lead and supervisor. This procedure will be effective prior to or by March 5, 2018.*

3. **Non-Compliance with Policy, Low.**

Condition: Observations of duties and interviews with staff revealed that Cashiers do not always follow SOP when issuing Marriage Licenses. We found that a majority of the Cashiers interviewed and observed do not charge/require the \$25 fee for marriage certificates until the completed application is received from the constituent.

Effect: Standard operating procedures are being circumvented. Procedures are in place as standards set by management for the successful conduct of operations. These procedures may also be used as standards against which performance is evaluated.

Criteria: Per the Clerk’s Cashiering Process and Policy, Cashiers are to “Ask for a government issued picture I.D. and \$25 cash prior to giving the couple an application form.”

Cause: Upon speaking with one of the Cashiers, we learned that constituents may download these applications from online and bring them into the office. In addition, Cashiers now accept various forms of payments other than cash.

Recommendation(s): We recommend that the County Clerk update the current Cashiering Process and Policy to allow Cashiers to properly accept cash or cash equivalents upon receipt of completed applications.

December 8, 2017

6

Cc: County Clerk
Internal Audit Advisory Committee
Board of County Commissioners

Doña Ana County Internal Audit Function
845 N. Motel Blvd
Las Cruces, N.M. 88007

Management's Response: *We agree, in part, with the recommendation set forth. After thoroughly reviewing both the current policy and practices, we decided that the existing policy should be updated to include cash equivalents but that the existing process is correct. Therefore, the best course of action is to update our existing procedures to include cash equivalents and to correct current procedures handled by staff. We have identified that to reduce errors in collecting the \$25 fee for marriage applications, staff should ask for the fee and required document prior to giving the application form. By receiving the fee and required document first, this ensures that the transaction can be properly completed. Once the fee and required document are collected, staff will mark the application form as "payment received", place the payment in their money drawer, and complete the transaction. We will also update our current policy to reflect the procedure when receiving applications on-line, and/or completed applications over-the-counter. These changes will be effective prior to or by February 19, 2018.*

4. **Standard Operation Procedures - Counterfeit Bills. Low.**

Condition: Interviews with staff and a review of current operating procedures indicate that there are no procedures in place to instruct cashiers how to handle counterfeit bills. Herein, while we were able to locate an instruction manual to inform Cashiers how to identify counterfeit bills, only one Cashier attested to having received counterfeit bills recognition training while working with the County. The Cashiers do have pens with which they may test bills for authenticity, however it appears to be left to each Cashier's discretion as to which denomination of bills to test.

Effect: While a counterfeit bill identification manual was located, we found that many Cashiers were not aware of it. When cash handling employees are not able to accurately identify counterfeit bills, acceptance of such bills may cause a liability to the County, as the illegal tender is worthless. In addition, when employees are not aware of proper procedures when encountering counterfeit bills, the County may be allowing the continued circulation of such bills to go unreported within its boundaries.

Criteria: As a result of conversations with (1) a representative from the Citizens Bank of Las Cruces, NM, (2) a Compliance Officer from the Federal Reserve Bank of Dallas, TX, and (3) a Secret Service Agent from the US Secret Service Office in Albuquerque, NM, and also referencing (1) New Mexico State Statute, NMSA 1978 § 6-10-2, Public Money; Cash Books; Daily Balance; Public Record, (2) New Mexico State Statute, NMSA 1978 § 6-10-3, Payment of State Money into Treasury; Suspense Funds and (3) New Mexico Statutes, NMSA 2011 § 30-16-1, Forgery; Chapter 30: Criminal Offenses, Article 16: Larceny, we learned that best practices purport seizing counterfeit bills upon receipt, notifying the authorities, and turning such bills over to local law enforcement or a local bank.

Cause: A lack of annual training by professionals (in banking) allow County Clerk Cashiers to depend upon indicators from the use of the pen issued, if their current knowledge of

December 8, 2017

7

Cc: County Clerk
Internal Audit Advisory Committee
Board of County Commissioners

Doña Ana County Internal Audit Function
845 N. Motel Blvd
Las Cruces, N.M. 88007

identifying authentic bills is limited.

Recommendation(s): We understand that the Treasurer's Office already receives such training as mentioned above, from local banks. We recommend that the County Clerk take measures to both establish a standard operating procedure on how Cashiers should handle counterfeit bills when encountered, and seek a professional source of counterfeit bill recognition and disposition training for all of those with cashiering duties.

While best practices purport seizing counterfeit bills upon receipt, taking such actions without proper counterfeit identification training or knowledge of legal ramifications could cause the County a liability as well as constituent ill will if staff were to mistakenly seize a constituent's authentic bill. Conversely, returning a counterfeit bill to a constituent could be viewed as participation in the continued circulation of illegal tender within our economy. It is also recommended that guidance in this matter be sought from the County's Legal Department.

Management's Response: *We agree to enlist a local bank to train staff on the proper handling of counterfeit bills. In addition, we will incorporate this training into the Clerk's office annual training schedule, and into our office orientation so that new employees receive the training prior to starting their duties. We have contacted Citizen's Bank and are currently coordinating a training date with it for staff. We will also explore how Citizen's Bank and county risk management can provide us with training relevant to procedures in case of a robbery, which pertains to Item 6. Scott Krahling, County Clerk, has also met with the Treasurer's office to maximize our opportunities to continuously train staff in both departments. All steps to resolve this item will be effective prior to or by February 28, 2018.*

Auditor's Comments: The internal auditor has learned that the County Clerk reached out the Treasurer's Office in an effort to maximize continuous training opportunities for both departments. The County Treasurer's Office has made the internal auditor aware that it has taken the initiative to bring in external Countywide training opportunities specifically designed for cash-handling staff, in 1) Counterfeit Detection, 2) Detecting Fraud, 3) Robbery Procedures, and 4) Financial Literacy. Appropriate Clerk staff is due to partake in the training. Please note additional Auditor's Comments in response # 6, below.

5. **Standard Operating Procedures – Cash Overages/Shortages. Low.**

Condition: As written, the current procedures handling cash overages/shortages does not adequately address how a shortage will be resolved. During our audit we witnessed that an employee who was being cross-trained, was short in his/her register total at the end of the day. Per the current Standard Operating Procedures (SOP), the Recording and Licensing Lead in conjunction with the Cashier were able to determine where the Cashier's error occurred. While the amount of shortage was immaterial and the matter was resolved, the

December 8, 2017

8

Cc: County Clerk
Internal Audit Advisory Committee
Board of County Commissioners

Doña Ana County Internal Audit Function
845 N. Motel Blvd
Las Cruces, N.M. 88007

Cashier purportedly requested to know the Internal Auditor's opinion of a resolution.

Effect: When policies or procedures are not clear and conclusive on how operations are to be handled, it can allow for discretion that may be perceived as discriminatory. Perceived work place discrimination could expose the County to fiscal risks.

Criteria: Stating clearly in writing how probable occurrences within a job function will be handled makes all parties involved aware of rewards, possible consequences, and resolutions for their actions.

Cause: The current Cashiering Process and Policy contains a section to address such occurrences along with possible consequences, however it does not state a resolution or probable resolutions for when such matters occur.

Recommendation(s): While we are all professionals who are expected to remain diligent in our duties, human error is apt to occur. In such cases, written procedures or steps that are known to all involved would allow everyone to be aware of what to expect, and how an issue could ultimately be addressed and resolved. We recommend that such details be added to the current Cashiering Process and Policy.

Management's Response: *We agree with the recommendation to incorporate a procedure for shortages into our current policy regarding handling overages and shortages in balancing our cashier drawers. The procedure for handling discrepancies for both overages and shortages are the same and will be handled by a document technician and lead. They will utilize the cashier report(s) to review each transaction made that day to identify the error. If they cannot find the error using the cashier report(s), they can refer to the video surveillance tapes to assist them in reviewing each transaction that took place over the counter. Once the discrepancy is determined, they will follow the proper procedure, which may include notifying the customer that was a part of the transaction due to improper change given at the time of the transaction. Overages will be receipted at the end of the following workday. The Recording and Filing Supervisor will consult with Finance to gain a clear understanding on whether or not we need to budget for department shortages, and the correct procedure to document the shortage(s) between its office and the Clerk's office. The Document Technician/cashier who was responsible for the discrepancy may be subject to reprimand including termination. All the steps to resolve this item will be effective prior to or by March 5, 2018.*

6. **Standard Operation Procedures – Robbery. Low.**

Condition: Interviews with staff and a review of current operating procedures indicate that there are no procedures in place to instruct cashiers how to respond to a robbery.

December 8, 2017

9

Cc: County Clerk
Internal Audit Advisory Committee
Board of County Commissioners

Doña Ana County Internal Audit Function
845 N. Motel Blvd
Las Cruces, N.M. 88007

Effect: When Cashiers are not given guidance on how the County expects them to respond to a robbery, even actions based upon the best of intentions can cause injury, loss of life and/or loss of assets. Knowing how to respond as well as how not to respond may spare the County from liability.

Criteria: It is prudent that a facility or entity that takes in cash on a daily basis as a regular part of its functions have in place some type(s) of mechanism(s) to deter, eliminate or limit the inherent risk that exists as a circumstance of operating in such an environment.

Cause: Current procedures to address responding to a robbery or an attempted robbery are non-existent.

Recommendation(s): The internal auditor weighs possibilities, probabilities and likely consequences when considering a matter. Thus, while the auditor surmises that the probability of a robbery (non-staff) occurring within the County Clerk's Office may be remote, the possible consequences of not responding appropriately to such an incident could be catastrophic to the County. Therefore, we recommend that the County Clerk develop and distribute to all staff, Standard Operating Procedures (SOP) which address how staff should respond in the event of a robbery. Coordination with the Legal Department's Risk Manager may also be advisable herein to develop procedures, which can prevent or limit loss of life and thereafter loss of County assets. Staff adherence to or lack of adherence to such guidance could expose the County to liabilities if procedures are either not followed or when followed prove to be unsuitable to prevent or limit loss of life and thereafter loss of County assets.

Management's Response: *We agree that, first and foremost, it is our responsibility to keep our staff safe in an event of a robbery, and thereafter loss of County assets. Prior to the internal audit, the Clerk's office organized a "Disaster Preparedness Staff Committee" to address and prioritize developing Standard Operating Procedures (SOP) in case of this and other potential events. Our committee has consulted with Ron Burick, Risk Management, to gain a better understanding on developing the proper SOP for our office. As mentioned in Item 5 above, we also understand the urgency to address this finding immediately to keep our staff safe. Therefore, we will utilize Citizen's Bank and county Risk Management as resources for training our staff in the short-term. We will incorporate this training into the annual training schedule for the Clerk's office. As noted in Item 4 above, we are currently working with Citizen's Bank to provide staff with an initial training immediately. To resolve this item in the long-term and to thoroughly complete each step, the procedure will be developed, implemented, and incorporated into the annual training schedule prior to or by April 16, 2018.*

Auditor's Comments: As a result of the recommendation for this finding, the internal auditor received a visit from a member of the Risk Management Team. The meeting concluded with Risk Management seeking to put in place standard procedures Countywide,

December 8, 2017

10

Cc: County Clerk
Internal Audit Advisory Committee
Board of County Commissioners

Doña Ana County Internal Audit Function
845 N. Motel Blvd
Las Cruces, N.M. 88007

which can be implemented by any and all cash-handing elements working within Doña Ana County. The internal auditor notes the foresight by the Risk Management Team to take a broader perspective and implement steps that could reduce risks for all DAC staff and its constituents.

7. **Standard Operation Procedures, Low.**

Condition: The County Clerk has numerous written instructions to give guidance to staff on how a particular procedure or function is to be performed. However, there are a lack of written Standard Operating Procedures (SOP) for these numerous functions to provide an expected level of performance. Below is a listing of functions, which currently lack written standard operating procedures, or lack updated written standard operating procedures.

- The Document Technician who sends out weekly billings has manual records of Accounts Receivables, dating back to January 2016. The Document Technician who sends out monthly billings has electronic records of Accounts Receivables, dating back to December 2015. In both cases, there is not a prescribed amount of time to keep such documentation on-hand, nor a prescribed format in which such records should be stored.
- One of the Document Technicians perform a 3 – day procedure to process recordings which arrive via mail, however these steps have not yet been placed in an SOP.
- One of the Document Technicians refer to an SOP for indexing documents. However, the SOP has numerous handwritten edits and needs to be updated.
- There is currently a lack of guidance on how long Cashier Balance Sheets should be maintained by the Cashiers before recycling.

While reviewing Cashier Balance Sheets, we noted that approximately 15% of the time, Cashier Balance Sheets were missing the initials of the outgoing Cashier, while approximately 40% of the time the Cashier Balance Sheets were missing the initials of the incoming Cashier.

- The Recording and Licensing Lead has a thorough system of record keeping when assessing Banner and recording wire transfers, but such procedures have not been chronicled in an SOP.

Effect: Because change continues to be a constant within our society, it is more likely than not that staff members will eventually receive promotions, retire, or simply move on to other forms of employment. When this occurs, staff with a depth of knowledge about their jobs can take that knowledge with them, in a sense causing a brain drain within the County as valuable insight on how to efficiently and effectively perform certain duties is lost.

December 8, 2017

11

Cc: County Clerk
Internal Audit Advisory Committee
Board of County Commissioners

Doña Ana County Internal Audit Function
845 N. Motel Blvd
Las Cruces, N.M. 88007

As an internal control to address such risk of loss of knowledge, policies and procedures are chronicled so that this knowledge can be passed on to the next employee or staff member, shortening the learning curve. SOPs set standards for conducting procedures. Herein, staff is made aware to what standard a particular function must be performed. Without such guidance, there may be a lack of uniformity in performance as well as in performance expectations, not allowing for performance to be fairly evaluated, which can be viewed as discriminatory.

Criteria: Standard Operating Procedures particular to a department and its job functions serve to preserve the knowledge of not only how to most effectively perform a function, but also set a standard by which such performance may be measured.

Cause: Staff has multiple instructions along with systematic screen shots on how to perform job functions, but have not yet written and/or updated the standards for performing these functions.

Recommendation(s): For the discrepancies noted above, we recommend that the County Clerk work with staff to set a reasonable timeline for the completion of the following actions:

- The billing logs should be made as uniform as possible to allow for easy understandability and cross training. Thus, it is recommended that an SOP be produced to give guidance on how long to keep the logs, the proper format in which the logs are to be maintained, and the amount of detail to be kept therein.
- The 3 – day procedure to process recordings which arrive via mail should be recorded in an SOP.
- SOPs with hand written updates should be updated electronically and stored where they are accessible by those who need to utilize them.
- Cashier Balance Sheets should be kept for a predetermined period of time per SOP. In addition, the Recording and Licensing Lead should periodically review Cashier Balance Sheets to ensure that Cashiers properly identify when they begin and complete their cashiering duties.
- The Recording and Licensing Lead should write an SOP to chronicle a thorough system of recordkeeping when assessing Banner and recording wire transfers.

Management's Response: *We agree with the recommendation to include performance standards in our current policies and procedures, which will assist with staff's performance*

December 8, 2017

12

Cc: County Clerk
Internal Audit Advisory Committee
Board of County Commissioners

Doña Ana County Internal Audit Function
845 N. Motel Blvd
Las Cruces, N.M. 88007

evaluations and preserve institutional knowledge of standard office procedures. Prior to this internal audit, we recognized that our existing policies and procedures needed to be updated and/or developed for all functions of the office. Subsequently through our strategic planning process, we prioritized developing a plan and formed a committee to address this issue in July 2017. However, this audit provided us with the insight to include performance standards in our current procedures. This will provide staff with the information they need to adequately perform their job duties. We will immediately update our existing policies to include performance management standards to address the 5 items in these findings, inform staff, and implement them prior to or by April 2, 2018. In addition, we will continue to work towards completion of the larger procedures project with a target date within the first quarter of this year. Finally, we will develop and implement procedures, including performance standards, for processing wire transfers and processing the deposit into Banner prior to or by March 19, 2018.

8. Adherence to Standard Operating Procedures. *Low.*

Condition: Observations indicate that not all Document Technicians consistently conduct a count of monies received when switching out from cashiering duties, and before initialing the Cashier Balance Sheet. Currently, the Recording and Licensing Lead conducts the count, and fills out the majority of the Cashier Balance Sheet.

Effect: Standard operating procedures are not being followed. Procedures are in place as standards set by management for the successful conducting of operations. These procedures may also be used as standards against which performance is evaluated.

Criteria: Per the Cashiering Process and Policy, “Once the cashier arrives and is ready to take over the money drawer the Lead must print a cashier report and both the cashier and Lead must initial the total on the report to say he or she has verified that the money received matches the report.”

Cause: The auditor made the above observations without inquiring with the individuals about their actions. While trust is a vital component of successful team operations, staff do not practice the procedures of trust but verify when it comes to money handling.

Recommendation(s): We recommend that the Cashiers consistently verify the monies received before initialing the Cashier Balance Sheet, as directed per the Cashiering Process and Policy. We also recommend that the “Lead” or supervisor periodically observe to verify that the Cashiers are following this policy.

Management’s Response: *We agree with the recommendation set forth, and this item has been resolved. We have corrected staff’s procedures to adhere to existing policy. Document*

December 8, 2017

13

Cc: County Clerk
Internal Audit Advisory Committee
Board of County Commissioners

Dofia Ana County Internal Audit Function
845 N. Motel Blvd
Las Cruces, N.M. 88007

technicians/cashiers have all been informed to follow the procedure that ensures verification by cashiers and leads every time the cash drawer exchanges hands throughout the day.

9. **Money-Related Customer Complaints, Low.**

Condition: Through interviews, we learned that Cashiers would normally try to resolve customers' complaint as they occur. We did not find guidance for such matters in the Cashiering Process and Policy.

Effect: Although addressing a constituent's complaints may be well intentioned by Cashiers, the addressing of money-related complaints by Cashiers without management notification could actually serve to seclude intentional errors from management's knowledge.

Criteria: Common practices purport that when a constituent has a complaint related to a financial transaction, that a supervisor or manager is notified. Herein, requiring such notification can bring to light repeated complaints of this nature and thereby reveal a possible larger issue.

Cause: An SOP currently does not address this circumstance.

Recommendation(s): Most money-related errors made by Cashiers are unintentional. However, there is a possibility that customer complaints pertaining to money may be due to intentional actions, which are not error-based. Herein, we recommend that the County Clerk update the current Cashiering Process and Policy to require Cashiers to notify a Lead (Index & Maintenance or Records & Licensing) or other manager when a constituent complaint related to money needs to be resolved. Producing a log of such complaints is also a good practice, however this is solely left to the discretion of the County Clerk.

Management's Response: *We agree, and will develop and implement a procedure that instructs document technicians/cashiers that they are required to notify supervisors, leads and/or the Chief Deputy Clerk at the time of the complaint with any transaction. We will also create a tracking mechanism for customer complaints. The procedure will be developed and implemented prior to or by February 20, 2018.*

10. **Standard Operation Procedures – A/R & NSF, Low.**

Condition: There is no written policy to address the handling of returned, non-sufficient fund (NSF) checks. In addition, there is not an Accounts Receivable (A/R) policy to guide staff with how to address constituents who do not make timely payments of their bills.

When a constituent completes an over the counter transaction using a check, s/he is given a receipt. If the constituent's check does not clear (due to NSF), the Treasurer's Office will notify the Clerk's Office. If the Clerk's Office is unsuccessful in acquiring the funds from the constituent, the Treasurer will reverse the transaction taking the money out of the Clerk's

December 8, 2017

14

Cc: County Clerk
Internal Audit Advisory Committee
Board of County Commissioners

Doña Ana County Internal Audit Function
845 N. Motel Blvd
Las Cruces, N.M. 88007

fund. According to our interviews, there have been instances wherein the County Clerk's office has accepted multiple checks from a constituent who wrote NSF checks before being discovered.

During our interviews, we learned that there are no late fees assessed against a constituent who does not pay the bill in a timely manner. If the constituent does not pay after three months, then the Clerk's Office can stop rendering services until the bill is paid. However, this is more of a practice and not a written procedure.

A review of the Billing Logs revealed three instances wherein the Cashier had billed a constituent, and the constituent had not yet paid the bill. These instances show billings, which ranged from March – June 2016. The Cashier has been notifying the constituent of the payments due. According to the Cashier, the Clerk's Office still does business with these constituents.

Effect: When constituents do not pay for the services rendered, the County loses money.

Criteria: Standard Operating Procedures will direct staff as to how to effectively address non-payment issues, while official notifications to constituents will inform them of the consequences of non-payments.

Cause: An SOP currently does not address this circumstance.

Recommendation(s): In the event of NSF checks received, we recommend that the County Clerk develop a means of identifying and flagging constituent accounts upon notification from the Treasurer's Office of returned, NSF checks. Herein, the County is knowledgeable enough to consider discontinuing to render services without adequate payment. In addition, repeat offenders could be required to pay in cash.

We recommend that the County Clerk develop an SOP that allows for corrective actions to be taken concerning the collection of overdue payments. Included in that SOP should be a means of aging those accounts receivables so that the County Clerk can either remove those funds from the accounting records (so that the accounting records will not contain overstatements/misstatements of uncollectable debts) or again take corrective measures to collect payments, as delinquent receivables should be reviewed by management.

The County as a whole may benefit from a similar policy wherein NSF checks written by constituents to one County entity can be identified by another County entity, in efforts to collect monies due to the County.

Management's Response: *We agree, and will develop a procedure for the non-payment of bills. For non-payment of both monthly and weekly bills, we will make it a practice to*

December 8, 2017

15

Cc: County Clerk
Internal Audit Advisory Committee
Board of County Commissioners

Doña Ana County Internal Audit Function
845 N. Motel Blvd
Las Cruces, N.M. 88007

contact the delinquent customer in an attempt to collect the debt. If payment is not received within a reasonable timeframe, the Clerk's office will provide services to the customer on a cash only basis. In addition, we will work with our vendor, County Fusion, to find a long-term solution to receive payments for services rendered via on-line requests. We will also consult with the Finance department to develop a procedure regarding aging accounts receivables. Finally, the Clerk's office is willing to work with the County as a whole to develop a policy for handling NSF checks. We will complete all the steps to resolve this item prior to or by April 2, 2018.

11. Control Objective: Incomplete Cashier Report. *Low.*

Condition: While tracing monies received through numerous financial statements, we found that in each incident (5) wherein the Treasurer's Report - Summary reported the totals received for EPN (a vendor) Charges, the DAC Clerk Cashier Report which is to capture all financial transactions conducted by the County Clerk's Office did not include these charges.

Also, while tracing monies received through numerous financial statements, we found that in each incident (13) wherein the Treasurer's Report - Summary reported the totals received for INDECOMM (a vendor) Charges, the DAC Clerk Cashier Report which is to capture all financial transactions conducted by the County Clerk's Office, did not include these charges.

Effect: The County Clerk, on a daily basis depends upon the reports above to capture all transactions so that accurate records and an accurate accounting of transactions can be maintained by the Clerk's Office. In turn, other departments within the County as well as the County's constituents depend upon the accuracy of financial data of the Clerk's Office just as the County Clerk depends upon the accuracy of this financial data in its reporting. If the financial data that is expected within a report is incomplete, then this not only can cause financial statements to be understated but can also call into question the accuracy of the entire report.

Criteria: The DAC Clerk Cashier Report should capture all the financial transactions for the Clerk's Office, to include that of its vendors.

Cause: This appears to be software deficiency.

Recommendation(s): We recommend that the County Clerk contact the contractor, County Fusion, to have them correct this deficiency.

Management's Response: *We agree, and this item has been resolved. We have already contacted County Fusion to have it correct this deficiency. Both EPN and INDECOMM have been added to the cashier report.*

December 8, 2017

16

Cc: County Clerk
Internal Audit Advisory Committee
Board of County Commissioners

Doña Ana County Internal Audit Function
845 N. Motel Blvd
Las Cruces, N.M. 88007

MEMORANDUM

TO: Dona Ana County Audit Advisory Committee
FR: Scott Krahling, Dona Ana County Clerk
RE: Responses to Internal Audit Review
DATE: January 12, 2018

Please accept the Clerk's office responses to the recent internal audit of our cash handling procedures conducted by internal auditor, Ernest Harvin. We have thoroughly reviewed each item carefully, drafted procedures, and shared the information with our staff. We will finalize the Standard Operating Procedures (SOP) according to the dates stated below in each item. In addition, we have resolved the issues that we could address immediately, but are also looking for solutions that are long-term, best practices, to increase security in our cash handling procedures and reduce risk including, but not limited to, keeping our staff and the public safe at all times. We were aware of and started addressing some of the findings prior to the audit, but the audit findings provided additional and vital information to further improve our procedures. We can provide the updated policies and procedures upon request, and after the completion dates stated below. The Clerk's office is dedicated to providing exceptional service to the residents of Doña Ana County.

December 8, 2017

18

Cc: County Clerk
Internal Audit Advisory Committee
Board of County Commissioners

Doña Ana County Internal Audit Function
845 N. Motel Blvd
Las Cruces, N.M. 88007