



County Clerk Audit 2013

Introduction

The County Clerk's Office is responsible for filing, recording and processing over 240,000 items from the public and various Federal, State and local agencies. Items include passports, assumed names, certificates of incorporation, DEC conservation licenses, certificate of dissolutions, mortgages, deeds, criminal, civil, matrimonial, judgments, liens, State and Federal tax liens, uniform commercial codes, title affidavits, power of attorney, release of estate tax and miscellaneous records. These services each have unique filing fees which the Office is responsible for maintaining and distributing to the various agencies. This is accomplished via the several bank accounts used to segregate and account for these funds.

This audit focused on obtaining an understanding of the internal controls over the collection of fees, bank accounts and the ultimate distribution of funds during 2013.

Solvay Main Disbursement Account

1. The following issues were noted regarding the cash handling procedures in place at the time of the audit.
 - A. Non-locking cash bags are used and placed in the safe in which all deputies have access.
 - B. Cash is not counted / verified in the presence of another deputy at the end of the day's cash out.
 - C. The Principal Deputy responsible for counting the cash of all the deputies and preparing the daily deposit is also counting and verifying their own cash and daily activity. This function is not observed by another individual. This represents an improper segregation of duties and places the individual in a position to conceal errors and irregularities during the normal course of performing their duties.
 - D. Start up cash is not recounted in the presence of the Principal Deputy upon its return to the deputies.

Recommendation: The following internal controls should be implemented to improve internal controls over cash handling procedures:

- A. *Utilization of individual locking bank bags will provide an additional security measure.*
- B. *Procedures should be implemented to have the cash counts verified at the end of the day's cash out. The appropriate document should be signed off to complete the audit trail.*
- C. *The daily deposit preparation should be observed and signed off by another Deputy.*
- D. *When cash is exchanged between two individuals, it should be counted at the time it is returned in the presence of the one making the exchange.*

2. The practice was to hold the current day's receipts in the safe and make the deposit the following business day. This is done to facilitate refunding money, via returning the customers actual check, if an error was later noted and documents needed to be removed from the system. However, checks are now scanned and deposited directly into the bank account periodically during the day; therefore checks can longer be returned once scanned.

Recommendation: It is our understanding, based on our inquiries, the County Clerk's Office has implemented changes and deposits are no longer held for a day.

3. We noted the Account Clerk III responsible for the day to day banking operations also has the ability to make changes to the financial information entered into the OnClerk collection system by the Deputy Clerks. This represents a control weakness, as it places an individual in a position to conceal errors and irregularities while performing their normal course of duties.

Recommendations: The Account Clerk III's system access should be limited to inquiry capabilities. We suggest Information Technology be contacted to determine the feasibility of implementing this recommendation.

4. We noted the following issues with the Solvay Bank's main fee disbursement account's reconciliation.
 - A. Daily banking activity is not entered into the check book reconciliation system until month end or thereafter and there appears to be a lack of management review as a sign-off is not present.
 - B. Reconciliations are not completed in a timely manner after month-end, as the first eight months of 2013, the completion days ranged from 17 to 66 days past month end or an average of 39 days after month end. These figures take into account an estimated mailing delay of 15 days.
 - C. Several errors were also noted. April's reconciliation listed outstanding checks of \$687,467 and \$4,640 instead of \$68,467 and \$1,640, respectively and minor adjustments made in the previous month were still carried forward. March's deposit in transit total was over stated by \$113,317, this was the net effect of duplicating scanned checks in the amount of \$114,596 and omitting a deposit of \$1,279. June's reconciliation omitted outstanding checks in the amount of \$8,080 and \$6,870 and a deposit in transit of \$315.

- D. There were differences in the amounts reported as outstanding checks and deposits on the Unclaimed Funds reconciliation, prepared by the Account Clerk III as compared to the bank reconciliation, prepared by the Principal Deputy County Clerk.
- E. Checks submitted to the County's Finance department are made payable to the County Clerk not to the Chief Fiscal Officer.
- F. Monthly checks are written to Onondaga County for nominal amounts of interest.

Recommendations: Banking activity should be entered into the bank reconciliation system in a timely manner, preferably on a daily basis and reconciliations are prepared within a reasonable time after month end. These should be reviewed and signed off by management.

We further suggest the Principal Deputy County Clerk and the Account Clerk III develop procedures to ensure the same amounts, respective of their classification are reported on each of their reconciling documents.

Checks being deposited into the County's funds should be made payable to the "Chief Fiscal Officer."

The Clerk's office should contact the Finance Department and discuss alternatives of writing monthly checks for nominal amounts of interest.

- 5. The following issues were noted regarding the County Clerk's unclaimed fund balance in the Solvay Bank main disbursement account, which has been used over the last 12 years to cover bounced checks and the cost of new checks. Bounced checks at the end of the month are reflected as an addition to the account balance in anticipation of their collectability in the following month.
 - A. Bounced checks from 2010 and 2012 totaling \$122 and \$5, respectively, have been carried forward. The collectability of these items in 2013 or thereafter is highly questionable.
 - B. There appears to be no written policy or procedure currently in place to address, collection efforts or the timely write off of bounced checks, as well as, the means to cover future bounced checks and new checks when the unclaimed fund balance is insufficient.

Recommendation: The County Clerk's Office should develop policies and procedures to address writing off uncollected fees as well as determining the most appropriate method of covering bounced checks and the cost of checks.

Other Bank Reconciliations

- 6. For the four months tested we noted bank reconciliations prepared by the Principal Deputy Clerk for the Transfer Tax, Mortgage Tax, Escrow, New York State Court Administration and the Records Management Improvement accounts were completed one to two months past month end. We also noted the Account Clerk III and Mortgage Tax Clerk prepare their own

bank reconciliations as a means to ensure their records are in balance. Therefore, it appears to be a duplication of efforts.

Recommendation: The Principal Deputy Clerk should review and sign the bank reconciliations prepared by the Account Clerk III and Mortgage Tax Clerk. This will document management review and maintain internal control integrity.

Copy Escrow Account & Copier Revenue Collection

7. The current balance in the escrow account including interest is approximately \$8,647. This appears to be excessive compared to the number of companies actually utilizing the copiers. It also appears interest has never been turned over to Onondaga County. Companies are given a verbal understanding of the “copier program” and are required to pay a \$100 security deposit, which allows them to be billed for copier usage on a monthly basis. The deposit serves as collateral in the event a bill is not paid. Currently, there are 38 of 75 companies, which have paid the deposit utilizing the copiers. There appears to be no written policy or procedure in place regarding the return or forfeiture of deposits or turning over the interest to the County. Therefore it appears the total interest accumulated to date is approximately \$1,147.

Recommendation: Funds should be returned to those companies no longer utilizing the copiers. Any funds which are unable to be returned should be turned over to the New York State Comptroller’s Office as unclaimed funds. Interest to date should be turned over to the County. Also, policies and procedures should be implemented to address the return of or forfeiture of deposits as well as turning over the interest to the County. It is further suggested current and future participating companies sign a memo of understanding regarding their deposit.

8. We noted one entity has been granted the honor system use of a copier. It manually tracks their copier use without the need of a billing code or verification from a County Clerk employee.

Recommendation: This practice should either be discontinued and a billing code is assigned or the Clerk’s Office devise a means to verify the usage.

9. We noted the total number of copies detailed on July’s billing summary per user code did not agree to the overall grand total of copies made. This amount was determined by comparing June and July’s month end copy usage counts from the “Total Counter List” report generated from the machine. The difference of 107 copies was not explained on the billing sheet. Also, we were informed not all codes are reported on the detail summary report.

Recommendation: The County Clerk’s Office should discuss this with the copier representative and determine the cause of this difference. Procedures should be

implemented to utilize the information provided on the Total Counter List report to ensure the detailed provided is accurate. We also suggest all codes, for example maintenance and County Clerk usage, are reported on the detailed usage by code report.

10. The Photo Stat Manual copier tally sheet consisting of daily listings of the number of copies made and cost respective of the companies is utilized in the billing process, however the cost column is not totaled. We also noted usage was indicated but the cost was omitted. Note the manner in which the information is used did not affect the bill.

Recommendation: The individual preparing the tally sheet should also total the cost column as a means to assist in the billing preparation and to serve as a check figure.

11. We noted June's copier billing was correct. However, the billing sheet omitted several column totals, copier usage counts were whited out to indicate a non-charge and amounts owed from previous billings were deleted or crossed out, resulting in errors in the grand total.

Recommendation: To ensure the accuracy of the data entry and facilitate its comparison to the source documents all columns should be completed and totaled. Once the billing sheet has been completed any adjustments or payments of a previous amount owed should be noted accordingly.

12. We were informed some companies are consistently late in paying their copier bills, whereby a second billing notice is issued.

Recommendation: The County Clerk's Office should explore the possibility of imposing a late payment fee, as time and effort is involved in issuing a reminder notice.

Passports

13. The recounting of passport cash by the Principal Deputy is not performed in the presence of the Clerk III.

Recommendation: All cash counts should be witnessed by the individual turning over the funds.

14. The United States Postal Service (USPS) charges the County Clerk \$18.11 for overnight delivery services for expedited passports. The County Clerk's Office collects an overnight mailing fee of \$16.50 for each application. The difference of \$1.61 is covered from a surplus in the account which is generated from mailing several expedited passports together in one envelope.

Recommendation: Consideration should be given to increasing the fee to cover the actual USPS charges.

15. A determination of the actual surplus earned from expedited passport mailing fees compared to the County Clerk's practice of bulk mailing applications in one envelope is not performed. We also noted the Office is maintaining a balance of approximately \$1,000 in the account. This balance appears to be excessive compared to the monthly average of five expedited passports processed at an approximate cost of \$91.

Recommendation: An individual is assigned with the responsibility of determining the surplus postage generated at the time of mailing. It is further recommended the County Clerk's Office determine a reasonable minimum balance to maintain in the passport account to cover the USPS bill. Any excess funds in the account and surplus generated should be transferred to the County in a timely manner.

16. We noted there was no sign-off attesting to a management review of the monthly bank reconciliation or account activity reconciliation and six of the ten 2013's bank reconciliations were not completed in a timely manner. Also, there was an outstanding check on the October 2013's reconciliation from March of 2013. Checks payable to Onondaga County Clerk are endorsed the next business day not upon receipt. We also noted a \$40 check to cover the Clerk's photo and passport service fees was inadvertently misplaced. The current practice is to paper clip cash and checks payable to the County Clerk's Office to the application then place the application in a folder. The folder is kept on top of a file cabinet by the passport supervisor. During the reconciliation process, at the end of the day, the checks and cash are recounted and placed in a paper envelope. The envelope along with the passport applications are put back in the folder and placed in the safe until the next day for depositing purposes.

Recommendation: Bank reconciliations should be completed as soon as reasonably possible after month end. Management should review and sign-off on the bank reconciliations and account activity reconciliations. The County Clerk's Office should implement procedures to review and clear outstanding checks within a few months of issuance. We recommend checks, payable to Onondaga County Clerk are endorsed upon receipt. It should also review its current practice of the handling and processing procedures of passport payments. We would suggest at a minimum placing these funds directly into a bank bag upon receipt and keeping it in a secure location.

17. We noted three of the five USPS invoices tested did not have any indication a comparison was performed to the mailing label numbers ensuring the County Clerk's Office was properly billed. This was a documented internal control function described as being performed on the invoices.

Recommendation: The established internal controls are followed and the employee performing this function is informed of the importance of their duties.



ONONDAGA COUNTY CLERK'S OFFICE

Room 200 Court House, Syracuse, New York 13202-2171

315.435.2227 • Fax 315.435.3455

SANDRA A. SCHEPP

County Clerk

January 9, 2014

Hon. Robert Antonacci
Onondaga County Comptroller
John H. Mulroy Civic Center
421 Montgomery Street
Syracuse, New York 13202

Mr. Antonacci,

Upon taking office this past year I requested that your office conduct an audit to assess current practices. On behalf of the County Clerk's Office I want to thank you and your staff for your cooperation and assistance throughout the entire audit process. This audit focused on the internal controls, collection and distribution of funds within the County Clerk's office.

Upon reading the report I am pleased to find the Office maintains sound practices overall. I would like to note that most of the issues discussed have already been addressed or are a work in progress.

Just to note on a few of the recommendations:

1. Most if not all of the concerns regarding the daily banking and reconciliations have been adjusted per your recommendations.
2. Checks written to the Chief Fiscal Officer are now electronically transferred, avoiding the need for paper checks and accomplished on a timelier manner.
3. We are in the process of developing a written policy and operating procedures for handling bounced checks.
4. Fees charged by the Clerk's Office will be reviewed on a regular basis to confirm that fees vs costs are actual.

Again I would like to thank you for the recommendation's and look forward to working with you and your office in the future.

Sincerely,

A handwritten signature in cursive script that reads "Sandra Schepp".

Sandra Schepp
County Clerk