



Audit Department

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Angela M. Darragh, CPA, CFE, CISA, Director

September 30, 2014

Mr. Don Burnette
Clark County Manager
500 South Grand Central Parkway, 6th Floor
Las Vegas, Nevada 89106

Dear Mr. Burnette:

We recently performed a follow-up of the Recorder's Office Internal Controls over Cash Handling audit report dated August 29, 2013. The audit objective was to determine whether adequate corrective action was taken on the findings included in the audit report. Our audit procedures were performed as of August 7, 2014.

To conclude on the objectives of our audit, we interviewed management, examined newly created or updated procedures, and performed detail testing. We reviewed Oncore user access in relation to job function and searched for duplicate and generic accounts. We also agreed Oncore fee tables to NRS regulated published fees. We then reconciled three months of fee revenue from Oncore to SAP and monthly BCC fee reports. We examined three daily deposits verifying completeness, accuracy, and timeliness of the deposit and the recording in SAP. Finally, we selected three void transactions and reviewed supporting documentation, supervisory approval, and recordation.

The Recorder's Office took adequate corrective action on portions of two of the four findings included in the original audit report. The other two findings were successfully implemented. The Recorder created and implemented policies over safe procedures and Oncore password guidelines, NSF check accountability, and BCC write-off approvals. She also improved internal controls in the areas of fee processing, daily deposits, and monthly fee reconciliations, and the Oncore fee table has been updated.

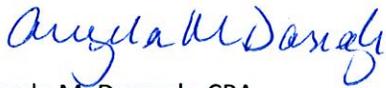
However, control issues still exist over the void transaction process. Also, there are still no reports or procedures that help confirm all Oncore-generated receipts are accounted for. Finally, we are unable to fully conclude as to whether system user rights are appropriately assigned based on individual job functions, as detailed Oncore field parameters do not provide enough information on what each Oncore field allows.

We conducted this follow up engagement in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The auditor's role in follow-up engagements is to compile corrective actions taken from effected Department/Division management, asses whether these responses are adequate or not adequate to correct reported deficiencies, and relay to management. It is the department's responsibility to decide if any appropriate action should be taken in response to reported audit findings. It is also their responsibility to assume the risk by not correcting a reported condition because of cost or other consideration.

We appreciate the cooperation and assistance provided by the Recorder's Office staff during the course of this audit.

Sincerely,

A handwritten signature in blue ink that reads "Angela M. Darragh". The signature is written in a cursive style.

Angela M. Darragh, CPA
Audit Director



AUDIT DEPARTMENT

Audit Report

Recorder's Office Internal Controls over Cash Handling Follow Up

September 2014

Angela M. Darragh, CPA, CISA, CFE
Audit Director

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BACKGROUND County Recorders are elected every four years. Debbie Conway, the current Clark County Recorder, began her second term in January 2011. The County Recorder's Office (consisting of approximately 50 employees) is a public record office serving the cities of Las Vegas, North Las Vegas, Henderson, Boulder City, Laughlin, Mesquite, and other areas of Clark County. It also provides for subsequent retrieval of records for public viewing, produces copies and certification of records, and provides microfilm duplicates of records. In addition, the County Recorder's Office collects Real Property Transfer Tax (RPTT) on transfers of real property.

OBJECTIVES, SCOPE, AND METHODOLOGY The objective of this follow up engagement is to determine whether corrective action was implemented for findings reported during the original audit issued on August 29, 2013. To accomplish our objective, we interviewed personnel, examined newly created/updated procedures, and performed detailed testing.

Specifically, we requested and reviewed new/updated policies covering: OnCore passwords, generic accounts, safe procedures, automated certified copy process, non-sufficient funds (NSF) check activity on OnCore, Board of County Commissioners (BCC) approval of write-offs, segregation of duties (surrounding fee processing, deposits, and voided transactions), and monthly fee reconciliation between SAP, OnCore, and monthly BCC reports.

We compared OnCore user rights with employee information from SAP to determine whether employees with access were actively employed within the Recorder's Office. We also reviewed system access in relation to job function and searched for duplicate and generic user accounts. We agreed OnCore fee tables to NRS regulated published fees. We then reconciled three months of fee revenue from OnCore to monthly BCC fee reports and to SAP. We examined three daily deposits verifying completeness, accuracy, and timeliness of the deposit and the recording onto SAP. We selected three void transactions and reviewed supporting documentation, supervisory approval and recordation onto SAP.

We conducted this follow up engagement audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings

and conclusions based on our audit objectives. The evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

RESULTS IN BRIEF Based on our follow up testing, we believe that adequate corrective action was taken on portions of two of the four findings included in the original audit report. The other two findings were corrected. The Recorder created and implemented policies over safe procedures and OnCore password guidelines, NSF check accountability, and BCC write-off approvals. She also improved internal controls in the areas of fee processing, daily deposits, and monthly fee reconciliations. In addition, the OnCore fee table was updated.

However, control issues still exist over the void transaction process. In reviewing three void transactions, we found that two were approved by the same employee that created the original transaction. Also, there are still no reports or procedures that help confirm all OnCore-generated receipts are accounted for. Finally, we are unable to fully conclude as to whether system user rights are appropriately assigned based on individual job functions as detailed OnCore field parameters do not provide enough information on what each field allows.

Each finding includes a ranking of risk based on the risk assessment that takes into consideration the circumstances of the current condition including compensating controls and the potential impact on reputation and customer confidence, safety and health, finances, productivity, and the possibility of fines or legal penalties.

DETAILED RESULTS

No Detailed OnCore User Access Field Descriptions (MEDIUM) Descriptions of user access fields within OnCore should be written in enough detail to clearly understand the extent of access for each field that is accessible by each OnCore user. The field description document provided by the Recorder's Office did not provide adequate detail to know exactly what actions each field will allow a user to perform. Without a detailed field description report, it is difficult to determine whether existing user access provides adequate controls of the OnCore system.

Recommendation

1. Request a detailed field description report from the OnCore vendor or create one internally.
2. Reassess existing OnCore user access based on field descriptions obtained.

**Void Transactions
Completed by Originator
(MEDIUM)**

Standard internal controls require that there be segregation of duties surrounding the access, monitoring, recording, and securing of assets. In reviewing voided transactions, we found in two of three void records that the person originating the fee transaction within OnCore was the same person that processed/approved the related void transaction. This is a violation of current department policy. As a result, theft of fee revenue would be difficult to detect.

Recommendation

1. Review void transaction reports to ensure department policy is being followed.
2. Review and further restrict existing user access rights to processing void transactions.
3. Provide additional training as necessary.

**No OnCore Receipt
Tracking (MEDIUM)**

Verification of the sequential use and the complete accountability of OnCore Receipts should be confirmed. However, this process is not currently included in the daily reconciliation process. By not accounting for each OnCore receipt generated, there is potential for the misuse or misplacement of fees collected.

Recommendation

1. Create a daily OnCore Report capturing all receipts in sequential order.
2. Review OnCore fee report confirming that all receipts are accounted for.
3. Research and resolve gaps/duplicates if needed.
4. Provide training as necessary.

MANAGEMENT RESPONSE LETTER



**OFFICE OF THE
COUNTY RECORDER**

**Debbie Conway
Recorder**

TO: Angela M. Darragh, Audit Director
FROM: Deborah Conway, County Recorder *Debbie*
SUBJECT: **Management Response To The Internal Controls Over Cash Handling Audit
Follow Up Audit**
DATE: September 19, 2014

Other Control Issues – Medium Risk:

The procedure to void transactions is limited to the responsibility of supervisors and managers. This change in control procedures was communicated to supervisors and managers on June 20, 2014. Additionally, all voids are reviewed by the Assistant County Recorder upon completion and at the end of the month through the Void Summary Report for any exceptions.

The sequential use of OnCore receipts report is currently in the final stage of completion and will be moved into the production system for use and review by managers effective on October 1, 2014.

The process to electronically certify copy orders for official records is anticipated to be implemented effective October 20, 2014.

OnCore Improvements, Issues and Changes – Medium Risk:

An eight page Employee User Table was provided to the Internal Auditors on September 16, 2014 that can assist with determining an individual employee's access based on the user's role and task requirements.

The vendor was requested to provide a quote for developing the NSF activity tracking tools within the OnCore Recording system and they provided the following quote:

Tracking tool cost	\$7,000.00
Annual Maintenance Fee	<u>\$1,750.00</u>
Total Startup Cost	\$8,750.00

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RECORDER'S OFFICE
Internal Controls over Cash Handling Follow Up
Findings, Recommendations, and Corrective Actions Status
As of August 13, 2014



AUDIT DEPARTMENT
 Angela Darragh, CPA, CFE, CISA, CHC
 Director

Original Report Issuance Date: August 29, 2013

Finding	Recommendation(s)	Corrective Actions Status
1. Other Control Issues - Medium Risk		
<p>The following control issues were noted:</p> <p>The safe combination at the northwest location has not been changed since 2008. Also, the safe combinations at both locations are known by five or more employees.</p> <p>Current deposit procedures allow one employee to process fee transactions, prepare the daily deposit, reconcile deposits between Bank of America and OnCore, prepare reports used to record fees onto SAP, and enter fee revenue onto SAP. Although there are mitigating controls such that a second person verifies the cash portion of the daily deposit, and a second person usually enters the fee revenue onto SAP, the one employee does have the access and authority to perform all these functions. Current processes allow a person originating a transaction to process and approve a void of the transaction without mitigating controls.</p> <p>Independent verification of the entire daily deposit is not being performed, and the sequential use of OnCore receipts is not being confirmed.</p> <p>The process of producing a certified copy of a document is manual in nature. A deputy physically places a signature stamp and embosses a document when producing a certified copy of a document.</p>	<ol style="list-style-type: none"> 1) Create and implement standard procedures for periodically changing the combinations to safes and limiting the number of employees with knowledge of the combination. 2) Restructure functions so that no one person would have the ability to collect, secure, monitor, account and record assets, and the access to void out transactions or adequately monitor and review procedures may be implemented. 3) Assess the feasibility of its OnCore application to automate the certified copy process. 	<p>Completed - All safe combinations have been changed and Standard Operating Procedures have been created to ensure that safe combinations are changed every six months or when a safe combination holder is no longer employed by the department or is no longer required to access the safes. The number of employees with knowledge of the combination is limited to the number of employees that serve as backups when the primary employee is unavailable due to illness or vacation. Also, functions have been modified to insure that no one person would have the ability to collect, secure, monitor, account and record assets. In addition, procedures to verify daily deposits and receipts totals have been revised to ensure a second verification of daily fees received.</p> <p>Corrective Action in Progress - The process to electronically certify copy orders is in-progress. The final stage is being tested to ensure the interface with the OnCore recording system is working properly to implement the electronic process with copy orders for official records.</p> <p>Not Completed - We found in two of three void transactions reviewed that the person originating the fee transaction on OnCore is the same person processing/approving the void. We also found that the sequential use of OnCore receipts is not being confirmed.</p> <p>Management's Response - The process to electronically certify copy orders for official records is anticipated to be implemented effective October 20, 2014.</p>

Finding	Recommendation(s)	Corrective Actions Status
2. OnCore Improvements, Issues and Changes - Medium Risk		
<p>OnCore, the Recorder's recordation program, may be further utilized to improve and enhance existing procedures as follows:</p> <p>OnCore password creation and controls do not comply with the Clark County Technology Security Policy.</p> <p>There is no report or manual to help determine the extent of an individual's access based on the fields (i.e. administrative rights, supervisory rights) that are accessible by user.</p> <p>There are nine active generic user accounts (IDs) in OnCore. Clark County Technology Directive 1.IV.C.1 allows for generic user accounts, but requires department head and Clark County Chief Information Officer (CIO) approval, which was not obtained for these accounts.</p> <p>The current fee table contains ten fees that were discontinued, three fees that were "one-time" charges, and one fee reversal that does not tie to a specific fee and has never been used, but still remained active in the system.</p> <p>NSF check activity is being captured and monitored on an Access spreadsheet, and not within OnCore.</p> <p>We found an employee's access remained active for a year after transfer to the Department of Aviation.</p>	<ol style="list-style-type: none"> 1) Review current OnCore parameters to ensure that password configuration, generic IDs, and fee tables comply with County policy and NRS. 2) Request a detailed "user table" field parameter report or manual from OnCore vendor, and reassess existing individual OnCore user access for appropriateness based on job function(s). 3) Eliminate generic user accounts and have override transactions processed by specific user assigned accounts in order to provide accountability. 4) Obtain approval by the County Recorder and the Chief Information Officer for any generic user accounts that are deemed necessary. 5) Implement a procedure to immediately change user information when an employee no longer has a business need for access. 6) Explore the feasibility of creating user groups within OnCore, a field access parameter report, an interface between OnCore and SAP, and NSF activity tracking tools within OnCore. 7) Employee information on OnCore should also be periodically reviewed and updated as necessary. 	<p>Completed - The Recorder's Office has procedures in place requiring all OnCore users to change passwords every 90 days in accordance with CCIT directives. Also, the Recorder has obtained CIO approval for all necessary generic accounts. In addition, Fee tables used comply with County policy and Nevada Revised Statute. Furthermore, procedures have been developed and user access will be changed to prevent access to Recorder Department applications when the employee action forms are submitted for final review and close out. Also, Recorder employee information in OnCore is reviewed periodically and updated when necessary on a monthly basis or when an employee is no longer employed in the Recorder Department.</p> <p>Corrective Action in Progress - The vendor was requested to provide a quote for developing the NSF activity tracking tools within OnCore.</p> <p>Not Completed - The Recorder's office has sent a second request to the OnCore system vendor for a detailed "user table" field parameter report which may help determine in more detail whether existing user access provides adequate system controls.</p> <p>Management Response - The estimated start up cost for an OnCore NSF activity tracking tool would approximate to \$8,750.</p> <p>Also, an eight page OnCore User table that can be help determine user access roles was provided to Audit after the conclusion of fieldwork.</p>

Finding	Recommendation(s)	Corrective Actions Status
3. No Monthly Reconciliation - Medium Risk		
<p>The Recorder's Office does not reconcile monthly fee revenue between the bank, OnCore, SAP, and the reports generated for the Board of County Commissioners. In performing this function, we found differences in each of the seven months of the audit period between revenue amounts reported.</p>	<ol style="list-style-type: none"> 1) Develop, implement, and monitor monthly receipt reconciliation procedures between information recorded in OnCore, SAP, the bank, and to the Board of County Commissioners Report. 2) Research and resolve any differences or reconciling items. 	<p>Completed - The Recorder's Office now prepares a monthly reconciliation of fee revenue between the bank, OnCore, SAP and the BCC report. Any differences are researched and resolved.</p>
4. No Board of County Commissioner Approval of Write-Offs - Medium Risk		
<p>NRS 354.255-6 provide guidelines on procedures for collecting delinquent accounts receivable. When the Recorder receives confirmation from the bank of a non-sufficient funds (NSF) check, it records this event as a direct reduction of revenue instead of creating an accounts receivable, which does not follow NRS guidelines.</p>	<ol style="list-style-type: none"> 1) Establish accounts receivable accounts for NSF checks. 2) Develop and utilize an accounts receivable report in OnCore to monitor accounts receivable activity. 3) Once all options per NRS 354 have been exhausted, obtain Board of County Commissioner approval to write off any delinquent accounts as required by statute. 	<p>Completed - The Recorder's Office now has Standard Operating Procedures (SOP) to address returned checks. In accordance with NRS 354, the Recorder's Office will forward NSF checks to the District Attorney's Office for follow-up. Should the DA determine that recovery of a check is not likely, they will notify the County Comptroller to process the uncollectible check for Board of County Commissioner(s) write-off approval.</p>