



AUDIT REPORT

DALLAS COUNTY

SOUTHWESTERN INSTITUTE OF FORENSIC SCIENCE - FY2019

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Dallas County Auditor
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SOUTHWESTERN INSTITUTE OF FORENSIC SCIENCE - FY2019

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This report is intended for the information and use of the agency/department. While we have reviewed internal controls and financial reports, this review will not necessarily disclose all matters of a material weakness. It is the responsibility of the department to establish and maintain effective internal control over compliance with the requirements of laws, regulations, and contracts applicable to the department



DALLAS COUNTY
COUNTY AUDITOR

MANAGEMENT LETTER

Dr. Jeffrey Barnard
Director of Southwestern Institute of Forensic Sciences
Dallas, Texas

Attached is the County Auditor's final report entitled "**Southwestern Institute of Forensic Science - FY2019**" Report. In order to reduce paper usage, a hard copy will not be sent through in-house mail except to the auditee.

If you prefer that released reports be emailed to a different (or additional) recipient, please inform me of the name and the change will be made.

Respectfully,

A handwritten signature in blue ink that reads "Darryl D. Thomas". The signature is fluid and cursive, with the first name being the most prominent.

Darryl D. Thomas
County Auditor

EXECUTIVE SUMMARY

A review of the Southwestern Institute of Forensic Sciences (SWIFS) for fiscal year 2019 revealed the following significant observations listed below:

Summary of Significant Observations

- Funds were not reconciled against the system receipt control total.
- Funds were stored in the clerk's desk drawer. The key for the clerk's desk drawer was left in the key lock at all times.
- Change was made from personal funds when a customer did not provide exact cash for a transaction.
- Per the Oracle Accounts Receivable Report \$102,661.95 (7.11%) of receivables were outstanding more than 90 days.
- Per the manual billings list provided by the department \$2,120, including \$1,425 (67.22%) of receivables were outstanding more than 90 days.

Repeat Observations from Previous Audits:

- None

Only those weaknesses which have come to our attention as a result of the audit have been reported. It is the responsibility of the department management to establish and maintain effective internal control over compliance with the requirement of laws, regulations, and contracts applicable to the department.

INTRODUCTION

Dallas County Auditor's Office mission is to provide responsible, progressive leadership by accomplishing the following:

- Comply with applicable laws and regulations
- Safeguard and monitor the assets of the County utilizing sound fiscal policies
- Assess risk and establish and administer adequate internal controls
- Accurately record and report financial transactions of the County
- Ensure accurate and timely processing of amounts due to County employees and vendors
- Set an example of honesty, fairness and professionalism for Dallas County government
- Provide services with integrity
- Work in partnership with all departments to resolve all issues of the County
- Strive to utilize the latest efficient and effective technology in the performance of tasks
- Provide technical support and training in the development, implementation, and maintenance of information systems
- Hold ourselves accountable to the citizens of the County at all times
- Be responsive to the elected officials and department heads of Dallas County

The objectives of this audit are to:

1. Ensure compliance with statutory requirements
2. Evaluate internal controls
3. Verification of accuracy and completeness of reporting
4. Review controls over safeguarding of assets

This audit covered the period of October 1, 2018 through September 30, 2019.

The audit procedures will include interviews with key process owners, observation of transactions processing, data analysis and sample testing of transactions. The main system used will also be reviewed and incorporated as part of the testing of transactions.

DETAILS

Outstanding Receivables

A review of Southwestern Institute of Forensic Sciences (SWIFS) accounts receivables as of September 30, 2019 revealed that the Oracle Accounts Receivable Report had a total outstanding balance of \$1,443,817.63 including \$102,661.95 (7.11%) of receivables that were outstanding more than 90 days. The manual billings list provided by the department had an outstanding balance of \$2,120, including \$1,425 (67.22%) of receivables that were outstanding more than 90 days. In accordance with Commissioner Court Order No. 2000-039, user departments are responsible for collecting overdue invoices. Statutory limitations associated with suspending service on delinquent accounts to collect past due receivables and changes in the interpretation of statutes related to cremation permits issued prior to 2011 have resulted in receivable balances that have been outstanding more than 90 days. This has increased the potential for losses to Dallas County for uncollectible amounts due on services already rendered.

Recommendation

Outstanding Receivables

Management should:

- Develop high-level corrective action plan, assignments, and periodic follow-up to address outstanding receivables.
- Seek guidance from the District Attorney's Civil Division regarding statutory authority to write-off the uncollectible receivables.
- Continue researching old outstanding items and notifying respective customers in writing of the balances due.
- Send past due statements on a monthly basis.
- Determine threshold for referring uncollectible accounts to the District Attorney Civil Division or a third party collector.

Management Action Plan

- As part of the Office of the Medical Examiner FY20 budget submission, we requested and received approval to develop and implement an electronic cremation certificate system and the project has been included in the SWIFS Objectives and Key Results for FY20. A key premise of the proposal is the acceptance of on-line credit card payments along with a pay-in-advance requirement for all cremation certificates, which will eliminate new delinquent accounts and the need for ongoing collection activity.

- In addition to the e-cremation certificate system, we have had a preliminary conversation with the County Treasurer regarding adding the ability for our office to accept credit card payments. We have asked that the process include remote payment capability, since requiring customers to travel to our building to process a credit card transaction often is impossible because they are not located in this area. The goal of this proposal is to eliminate the need for most or all of the hand-bill cremation certificate transactions (pending completion of the e-cremation certificate system) and to provide a more convenient payment method for other customers, such as attorneys, who pre-pay for depositions and trial costs.
- Based on the review, we plan to begin resolving the uncollectible cremation certificate invoices through use of the Oracle Credit Memo function
- We believe our collection program might benefit from an update that will add a more formal structure to existing activities
- We also plan to ask the Civil Division for reconsideration of referring funeral homes with substantial past due amounts to the Texas Funeral Service Commission. A final option is consideration of service suspension (where legally permissible), but this is a policy decision that will require consideration and approval by the Director

Auditors Response

None

Cash Management

Inquiry and observation of department staff revealed that the department did not have a change fund resulting in employees making change from personal funds. Observation of cash management procedures related to the processing and safeguarding of deposit funds at the end of the business day revealed that funds were not reconciled against the system receipt control total. Additionally, funds were stored in the clerk's desk drawer and the key for the clerk's desk drawer was left in the key lock at all times.

A review of the department's responses to the Internal Control Questionnaire (ICQ) revealed that funds received for homicide records requests were not deposited for up to 10 days pending approval from the District Attorney Civil Division and/or the presiding Justice of the Peace to release the records.

Cash counts of two Forensics deposits received at the Treasurer's Office during fiscal year 2019 revealed amounts that differed from the amount on the system receipt control total including two immaterial cash variances of \$15 and \$10. **Status: Deposits were corrected the next business day.**

Specific controls related to cash management indicate that all monies received should be promptly receipted and deposited consistent with Local Government Code, § 113.022; any unidentified overages should be

deposited to the overage/shortage account daily; personal funds are not used to provide change to customers; funds are to be secured in a locked drawer or safe with limited access; and funds on hand are reconciled daily to the system receipt control total with evidence of supervisory review.

A lack of management oversight, written procedures and training related to cash management resulted in delayed revenue recognition due to clerical errors. Further, the lack of management oversight related to safeguarding of funds increased the potential that money could be lost or misappropriated.

Recommendation

Cash Management

Management should:

- Submit a request for change fund in an amount sufficient to provide change to customers throughout the day. The amount requested must be first approved by Auditor's Office and then submitted to the Commissioners' Court for final approval.
- Reconcile funds against the system control total on a daily basis until the deposit is prepared.
- Establish written procedures for proper cash handling and reinforce procedures through employee training.
- Secure funds until deposit.
- Not accept funds nor hold funds while approval to release records is pending. Funds should be accepted only after approval has been received from appropriate entity.
- Add note to department website and/or cashier location that indicates that funds for homicide requests will only be accepted after approval from the appropriate entity has been granted.
- Immediately deposit or return funds received through the mail for homicide record requests that have not been approved.

Management Action Plan

- Based on the consistency of our operation with standard practices, the lack of deficiencies identified during years of unannounced cash counts, and the de minimis deposit variances seen over numerous audits, we do not recommend revising our current practices in this area.
- We will document the immediate corrective action with a Record of Counseling in the employee personnel file. Additionally, we will update our existing procedure documents to be more specific regarding funds handling (i.e., don't leave the

drawer key in the drawer unattended), and plan to utilize our document management system to maintain a record of the training and staff acknowledgements.

- We recommend adding a step to our current process requiring cashiers to reconcile cash on hand with system control totals on any day where they have transaction activity; immediate notification of a supervisor will be required for an out of balance condition.
- We have written procedures for our receipting and deposit process and staff training is conducted when we have new processes

Auditors Response

None

Computer Receipts

A review of all 24 County Wide Receipting (CWR) computer receipts voided during fiscal year 2019 revealed 23 (95.83%) receipts were voided by the same user who issued the original receipt. Additionally, 14 of these receipts totaling \$258.40 were voided between one and four days after the original receipts were issued including \$30 of cash transactions that were not re-issued; insufficient/inaccurate details were provided to explain two of the computer receipt voids; and funds from one voided receipt were held by the department for four days before a replacement receipt was issued.

A review of the County Wide Receipting (CWR) financial set-up and fee schedule identified two transactions for subpoena witness fees were incorrectly receipted under the fee code 1505 Mileage/Per Diem Reimbursement and badge fee payments were receipted in CWR under fee code 1506 Reimbursement/External Agency Service.

Per Dallas County Code Sec 74-691, official receipts shall be written or generated immediately for all collections made in the official capacity of the various offices of the county. Specific control procedures related to the issuance of receipts indicate that adequate segregation of duties should exist between personnel authorized to receipt payments, void payments and prepare the deposit, so that no one user performs two or more business processes that could result in compromise of the integrity of the process or allow that person to commit and conceal fraud; all monies received should be promptly receipted and deposited properly, and timely in accordance with LGC § 113.022; and receipts should be properly voided with a reason for the void recorded to the computer system.

Lack of written void procedures, inadequate segregation of duties, and inconsistent management oversight related to the processing of computer receipts resulted in inaccurate financial records and increased the potential that funds may be lost or misappropriated.

Recommendation

Computer Receipts

Management should:

- Implement a process that requires supervisor approval/sign off on all voided or canceled transactions.
- Segregate duties such that the same user is not able to receipt and void transactions.
- Process deposits timely consistent with LGC § 113.022.
- Request to add a separate fee item for badge fee collections.
- Re-train employees receipting payments on the appropriate fee codes.

Management Action Plan

- We disagree with several parts of this finding. The CLASS system does not allow our cashiers to void or cancel completed transactions, and the void/cancel procedures are documented for examples of system controls on completed transaction cancellation and documentation of void and cancellation procedures.
- We agree with the finding that the wrong revenue code was used for two subpoena witness fees, although the funds were correctly deposited to the credit of a department account in the General Fund. We sent a reminder in January 2020 to cashier staff regarding proper coding.

Auditors Response

None

Paupers Escrow

A review of the Deceased Pauper's Escrow Account as of September 30, 2019 for funds removed from persons cremated under the Dallas County Indigent and Unclaimed Disposition Program revealed there was \$1,551.11 in unclaimed funds from fiscal year 2011 that had not been transferred to the General Fund. In addition, since 2011 deceased paupers' unclaimed funds have been deposited directly to the General Fund instead an escrow account for the one year holding period as required by law.

Per Health and Safety Code Sec. 694.002, if a county discovers cash in the possession of a deceased pauper, a county may use the cash to pay the actual costs incurred by the county in disposing of the pauper's body. If any cash remains after the county has paid the costs of disposing of the body, the county shall place the cash in trust. A person having a claim to the money in trust must exercise the right to collect the money not later than the first anniversary of the date of disposition of the pauper's body. A county may create a fund to be

used by the county to pay the costs incurred in disposing of the bodies of deceased paupers and administering the county's body disposition activities. If money placed in a trust is not claimed by the first anniversary of the date of disposition of the pauper's body, the county may transfer the money to the fund created under this subsection.

SWIFS County Disposition Property Policy and Procedures further emphasize the requirements of Health and Safety Code Sec 694.002, which indicates that any cash remaining after removal of county cremation expenses is to be released to the next of kin. If there is no family, then the cash is considered unclaimed. The cash is to be held in trust for one year, if needed. If no family has been identified or family has not claimed the money after one year, the remaining cash will be transferred into the General Fund to cover costs incurred for future county cremations.

Clerical oversight and non-adherence to written department's procedures as it relates to the transfer of unclaimed indigent funds from escrow to the General Fund resulted in a delay in the utilization of funds to offset the Dallas County's costs for indigent disposition. In addition, funds deposited directly to the General Fund without an initial deposit to an escrow account for the one year holding period may result in funds not being available to distribute to the deceased persons family members upon request.

Recommendation

Paupers Escrow

Management should review the unclaimed funds from decedent's to ensure the funds are recognized and recorded to the escrow account and then transferred to the General Fund if unclaimed after one year.

Management Action Plan

- We have well-documented procedures for SWIFS related to the disposition of unclaimed decedent property and from the review conducted thus far, our actions are consistent with the procedures. We also have a copy of the Purchasing Department procedures related to their role in processing unclaimed decedent property. It appears that although the procedures fully comply with Code of Criminal Procedure Art. 18.17 in that unclaimed decedent property was turned over to the Purchasing Agent, the procedures may not comply with certain specific requirements listed in Health & Safety Code Sec. 694.002. Although we did not deposit the funds, we believe they likely were deposited directly into the General Fund. However, if a year had lapsed between the date of decedent disposition and the deposit, the funds were correctly placed in the General Fund, consistent with written direction provided by the County Auditor.
- At this time, we are unable to verify the \$1,552.11 in unclaimed funds from FY2011 referenced in the finding, since we did not make the deposit. We anticipate confirming the amount and date information, but have not yet be able to do so. Additionally, we now understand from your communication that SWIFS must initiate the request for a "journal transfer" to the General Fund of the excess pauper cash

funds once the retention period has lapsed, and that the County Auditor will not automatically perform the journal transfer. We will incorporate this information as appropriate into any new or revised protocols that are developed following consultation with the Civil Division and the other involved departments.

Auditors Response

None

cc: Darryl Martin, Commissioners Court Administrator