



DALLAS COUNTY
COUNTY AUDITOR

Memorandum

To: Dr. Jeffrey Barnard, M.D.
Director of Institute of Forensic Science

From: Darryl D. Thomas *Darryl D. Thomas*
County Auditor *DDT*

Subject: Review Performed for Fiscal Years 2013 Through 2015

Issued: July 3, 2017
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SCOPE

As part of our ongoing review of Dallas County departments, and to ensure compliance with statutory regulations, we have reviewed financial records and statutory compliance within the Institute of Forensic Science (IFS) for Fiscal Year 2013 through Fiscal Year 2015.

PROCEDURES

Standard review processes were applied to data from the department in order to evaluate internal controls and reporting accuracy within the department. A random sampling of total activity was selected for certain procedures, while others were reviewed in their entirety. Transactions were evaluated based on risk, dollar value of transactions, volume of transactions and noted internal control weaknesses. Review steps included, but were not limited to, the following:

- Performed unannounced cash count
- Requested department complete a self-assessment questionnaire
- Examined daily manual receipt batches for voids
- Examined and verified continuity of manual receipts
- Reviewed assessed fees for compliance with Commissioners Court orders
- Compared amounts on receipts to billing statements
- Reviewed time and attendance records for proper posting and compliance with County policies and procedures
- Reviewed contractual obligations and funding
- Assessed compliance with guidelines set forth by the Code of Criminal Procedure (Chapter 49.25).
- Reviewed past due receivable reports

FINDINGS:

Cash Management

Review of the manual receipts revealed: receipt #77600 (dated 11/6/15) was written out of numerical sequence; and the customer and auditor copies of three voided manual receipts were not submitted to the Auditor's Office.

Departmental responses to the Internal Control Questionnaire (ICQ) revealed the following: employees who receive money in other sections of the office do not submit a report of collections to the main cashier when funds are turned in; funds are not separately maintained and balanced by cashier station; each cashier is not provided with a separate, lockable compartment for change funds to which only the cashier has access; funds are not secured in a safe/vault overnight; and supervisory personnel do not run receipt reports to ensure all funds have been submitted for deposit.

Risks identified during walkthrough of department's internal controls revealed: payments receipted are closed out weekly in CLASS County Wide Receipting (CWR) system as opposed to the next business day as required by Local Government Code 113.022.

Accounts Receivable

Review of the accounts receivable and collection process revealed: outstanding invoices greater than 90 days during FY13 totaled \$285,237, for FY14 \$303,109, and for FY15 \$239,466. Sampled physical evidence fees assessed from case files and billings show outstanding amounts for DART for FY14 were \$3,675 (dated 1/6/14) and for FY15, the City of Richardson had outstanding amounts totaling \$3,506 (dated 8/5/15). Accounts receivable outstanding as of 9/30/15 totaled \$1.421 million with the largest receivable being owed by the City of Dallas. *Status:* DART and City of Richardson invoices have been paid.

Risks identified during walkthrough of department's internal controls revealed: customers with very old past due invoices continue to receive services, resulting in the increased likelihood of uncollectible receivables.

Administrative Compliance Controls

Departmental responses to the Internal Control Questionnaire (ICQ) and inquiry of Treasurer's Office staff revealed: employees do not log out of the computer system or lock their computers when leaving their desk.

RECOMMENDATIONS:

Cash Management

Voided receipts should be stored in a secure location in sequential order by management not involved in the receipting and approval process. Manual receipts should be used in numeric sequence and the numbers indicated in the comments of the CWR computer receipt. Employees who receive money in other sections of the office should submit a report of collections to the main cashier when they turn in their collections. Each cashier should have their own cash drawer with a separate, lockable compartment for change funds to which only the cashier has access. Funds should be separately maintained and balanced by the cashier station. Each cashier should secure their funds in a safe/vault or locked drawer overnight with limited access. Supervisory personnel should generate review receipt reports to ensure all funds have been submitted for deposit. All payments

should be receipted and deposited in accordance with Local Government Code, § 113.022 and Code of Criminal Procedure, § 103.004. Closeout and balancing procedures should include deposit of checks the next business day after receipt.

Management Response:

We agree that manual receipt #77600 was written on 11/6/15 and #77601 was written on 7/7/15. However, the book containing receipt #77600 was assigned to the IFS Administrative Assistant while the book containing #77601 was used by staff in the Records section.

We reviewed all 63 receipt books that were used during the audit period. The records demonstrate that our standard practice was to submit the white and yellow copies of voided receipts to the Auditor's Office and for a supervisor to initial the pink copy retained in the receipt book. However, we noted two receipts in September 2015, where all three copies remained in the receipt book. Additionally, it was our practice to list voided receipts in the "Comments" section of the Deposit Form 98.

During the audit period our office was not yet using the CLASS County-wide receipting application. There were no separate cashier stations or system collection reports. The majority of funds received by department staff were checks and money orders, which were immediately restrictively endorsed and then receipted. The relatively small amount of cash payments were immediately receipted and placed in an envelope; all deposit materials were stored in an office with controlled, limited access. This office has never had a "petty cash fund", registers/cash drawers or change funds. The unannounced cash counts performed by audit staff at our office during the audit period identified no deficiencies.

Employees with receipting responsibility did not submit a "report of collections to the main cashier" when funds were turned in. However, they did submit the yellow "Auditor copies" of the receipt along with all cash, checks and money orders. Separate control totals were generated for the yellow receipts and funds received which were verified by a supervisor or an alternate second reviewer

IFS deposits have been once a week for at least 30 years; the frequency of deposits is determined by direction from the County Treasurer's Office. When the CLASS CWR system was implemented in February 2016, the process design continued the once-per-week "close out". Additionally, now that the capability to set up new customers in Oracle has been restored, we anticipate decreased receipts for our office which will be billed through Oracle and receipted by the County Treasurer. We will discuss your finding and guidance regarding frequency of deposits with County Treasurer staff.

Accounts Receivable

IFS, together with the County Treasurer's Office, should develop procedures for handling past due accounts and internal receivables that include: developing a high level corrective action plan, assignments, and periodic follow-up of outstanding receivables, jointly; researching old outstanding items timely and notification to respective departments in writing; pursuing recovery of outstanding receivables through Civil District Attorney or outside collections; and ensuring that procedures are in place to monitor debt and direct prosecution for the recovery of the debt. Procedures should be developed to collect payments from customers timely that include the suspension of services (if allowed by law) until the unpaid balances are made current.

Management Response:

Your Review correctly states that customers with very old past due invoices continue to receive services. We agree that there should be a suspension of services rendered to customers deemed to be seriously or persistently delinquent, and the challenge we face in this area is ensuring that a customer is not placed erroneously in this category. We continue to have a lack of confidence in the Past Due Invoice Report data, primarily due to the use of the "mass apply" function during receipting. This process enables quick payment application against open transactions, but does not ensure payment application to appropriate transactions and has failed to follow any Customer Remittance advice. It has been our frequent experience to find in carrying out our collections responsibilities that a customer has paid an invoice that is listed as past due, and that there was an application error made by the County Treasurer's office.

The previous County Treasurer and his staff took significant steps to correct this problem, but we are still dealing with the lingering effects of earlier misapplications. An additional consideration is the fact that we make billing errors. Ideally, our customer would contact us and advise us about why they are not paying an invoice or a portion of an invoice, but they often do not do this, and the first information we get about our billing error is from the collection effort.

The current Oracle AR collections aging report shows a total of \$1,066,810 that is 91 days or greater past due; of that amount, \$803,331 is City of Dallas unpaid invoices, leaving \$263,479 in accounts more than 90 days in arrears. We have been working with City of Dallas staff to resolve the delayed payment issue, but we may need to escalate the matter to the Civil Division for action if we do not receive any payments prior to the end of August.

Since filling the Manager II position (approved in the FY14 Budget) in mid-2014, we have instituted past due accounts review procedures, and with the addition of a dedicated Assistant District Attorney in FY17, we now are making collection referrals to the Civil Division.

Administrative Compliance Controls

Management should require that all employees prevent access to their computers when the system is not in use. This includes locked screens and password protection to ensure only authorized use and that system information is not misappropriated, altered, or deleted.

Management Response:

During the audit period, IFS staffs were not required to lock their computer screens and use password protection access when away from their work locations. However, critical applications (e.g., LIMS+, Oracle, and Kronos) all require login and password authentication separate from desktop/Active Directory login. Since the audit period, the County Information Technology implemented additional desktop access controls with automatic screen locking following five minutes of inactivity and requiring users to re-authenticate through Active Directory for desktop access.

SUMMARY

This report is intended for the information and use of the Institute of Forensic Science. While we have reviewed internal controls and financial records, this review will not necessarily disclose all matters of material weakness. It is the responsibility of the management of the Institute of Forensic Science to establish and maintain effective internal control over compliance with the requirements of laws, regulations, and contracts applicable to the IFS. Generally, controls implemented by IFS

management are good and in compliance with laws, regulations, contracts, and County policies. Consideration of all issues and weaknesses should be incorporated by IFS as a self-assessment tool.

Adherence to and follow-through with recommendations should strengthen internal controls and compliance with Dallas County's Policies and Procedures.

cc: Darryl Martin, Commissioner's Court Administrator
Ryan Brown, OBE