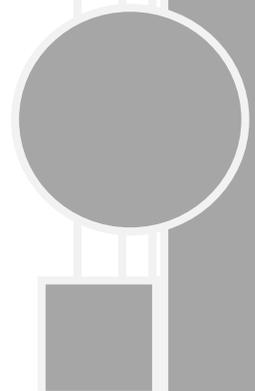




AUDIT REPORT

DALLAS COUNTY
District Attorney - FY2020

Darryl D. Thomas
Dallas County Auditor
ISSUED: 4/20/2022
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District Attorney - FY2020

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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

Honorable John Creuzot
District Attorney
Paul Hamilton
District Attorney Chief of Administration
Dallas, Texas

Attached is the County Auditor's final report entitled "District Attorney - FY2020" Report. In order to reduce paper usage, a hard copy will not be sent through in house mail except to the auditee.

In 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,

Darryl D. Thomas

Darryl D. Thomas
County Auditor

EXECUTIVE SUMMARY

A review of the District Attorney's Office for fiscal years 2020 revealed the significant observations listed below:

Summary of Significant Observations

- Funds were not deposited in the county approved depository bank through the Treasurer's Office.
- Department was unable to provide bank contract documents.
- The Hot Check Restitution account balance as of September 30, 2020 was \$360,923.83, which was in excess of the National Credit Union Share Insurance Fund (NCUSIF) federally insured amount of up to \$250,000 in coverage per individual depositor.
- The District Attorney's Office did not have a funding source to pay the credit card wire transfer fees. The wire transfer fee amounts were charged against the restitution and NSF fee amounts due to victims of hot check crimes.
- The Non-Check Restitution account balance as of September 30, 2020 was \$290,094.24, which was above the \$250,000 amount insured by the Federal Deposit Insurance Corporation (FDIC).
 - Balance includes restitution amounts over three years old totaling \$146,855.42 that had not been escheated
- Customers provided with non-official receipts for non-check restitution.
- While the counter clerk was at lunch, the back-up clerk processed Odyssey Hot Check payments using the same till.

Repeat Observations from Previous Audits:

- All observations are repeated.

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, 2019 through September 30, 2020.

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****Returned Checks Program**

Inquiry of department staff, a sample review of transactions, and a walk-through of procedures related to the District Attorney's Returned Check program including activity in the Odyssey Hot Check system, disbursements from a non-county bank account, bank reconciliations, and escheatment of funds revealed internal control weaknesses associated with the processing of Odyssey Hot Check transactions and the use of a non-county approved bank account. Internal control weaknesses related to the Odyssey Hot Check system include the counter clerk and the back-up clerk processing payments out of the same till; the Odyssey Hot Check Manage Till screen was not routinely reviewed by the supervisor to identify tills that had been open longer than a day; five cases did not have a comment or enough detail as to the reason for the adjustment notated in the Odyssey Hot Check system; and four adjustments/reversals performed by non-supervisory employees.

Local Government Code Sec 112 indicates that the county auditor shall prescribe the system of accounting for the county that the auditor considers necessary for the speedy and proper collecting, checking, and accounting of the revenues and other funds and fees that belong to the county or to a person for whom a district clerk, district attorney, county officer, or precinct officer has made a collection or for whose use or benefit the officer holds or has received funds. Specific controls related to the Odyssey Hot Check System indicate that tills should be closed daily; only one default user should be associated to a till for accountability; tills should not be established as an "unassigned" till or shared by multiple cashiers; adjustments, voids, and reversals in the Odyssey Hot Check system should be done properly and should have reasonable explanations noted in the comment field; and supervisory personnel should periodically review exception reports and transaction logs (especially with respect to receipt deletions, lowered amounts, and payment type changes).

Funds receipted in the Odyssey Hot Check system were not deposited in the Dallas County approved depository bank through the Treasurer's Office. Instead, these amounts were deposited to an outside bank for which the department was unable to provide bank contract documents. The outside bank charged a \$10 fee for each incoming wire to transfer credit card payments received. However, the District Attorney's Office did not have a funding source to pay the credit card wire transfer fees. These fees were instead charged against the restitution and NSF fee amounts due to victims of hot check crimes. A review of the outside bank activity and reconciliations revealed the account balance as of September 30, 2020 was \$360,923.83.

Local Government Code Sec. 116, authorizes the Dallas County Commissioners Court to select a county depository with contract terms of two or four years with an option to renew for an additional two years under terms negotiated by the court. This code section applies to money collected or held by a district, county, or precinct officer in a county and by the officers of a defined district or subdivision in the county. The money shall be deposited under this chapter, and the money shall be considered in



fixing, and is protected by, a county depository's bond. Orders for payment, checks, and vouchers evidencing the money deposited in the county depository under this subsection are subject to audit and countersignature as provided by law. Per Local Government Code Sec. 140.003, the District Attorney [specialized local entity] shall deposit in the county treasury of the county in which the entity has jurisdiction the funds the entity receives. The county shall hold, deposit, disburse, invest, and otherwise care for the funds on behalf of the specialized local entity as the entity directs. Specific controls related to accounting for hot check restitution indicate that inactive case balances and old stale outstanding checks should be reviewed in accordance with unclaimed property statutes, Property Code, § 72 and § 76; case balances should be reviewed on a periodic basis and disbursements made to the appropriate parties in a timely manner; fund balances and subsidiary ledgers must be reconciled (review and matching of reconciling items including deposits in transit and outstanding checks) monthly against control records (bank statements) to safeguard funds and improve reporting accuracy; and reconciliations should be reviewed and signed off on by management.

Lack of training and written procedures related to the Odyssey Hot Check system and unclaimed property statutes resulted in delayed disbursement of restitution amounts to entities, individuals, and merchants entitled to the funds. Inconsistent managerial oversight increased the potential that Dallas County could have an unrecoverable loss in the event that the bank dissolves due to funds not being secured by a depository collateral pledge or covered by the NCUSIF. Inconsistent managerial oversight also increased the risk that undetected fraudulent activity and banking errors may result in funds being lost, stolen or misappropriated. Further, since there was no funding source for the credit card wire transfer fees, the current balance of the outside bank does not represent the actual restitution liability amount due to victims of hot check crimes.

Recommendation

Returned Checks Program

Management should develop and enforce Hot Check and bank reconciliation procedures that include the following criteria:

- Separate tills are open for each cashier.
- All corrections include a complete and valid explanation in the Comment field.
- Bank reconciliations evidencing management oversight are prepared monthly with supervisory review and sign-off.
- A plan to clear outstanding check balances and escheat items in accordance with property statutes, Property Code, §72 and §76 is created and implemented.

Management should also:



- Deposit all funds received in the Odyssey Hot Check system through the Dallas County Treasurer's Office.
- Transfer all funds in the outside bank account to the approved Dallas County depository bank.
- Identify a funding source to cover the \$10 wire transfer fees charged by the outside bank.
- Pursue modifications to the Odyssey Hot Check system to process deposits through the CWR.
- Establish a Special Fund account for restitution payments and process disbursements through the Dallas County Accounts Payable section.

Management Action Plan

The Dallas County District Attorney's Office has established the special fund account to resolve the findings in FY20 for restitution payments. Our office is currently working with the Auditor's Office and the Treasurer's Office to move the restitution accounts to the Dallas County depository bank in accordance with Sec.112.002 - Accounting system in County with County Auditor and population of 190,000 or more - , Section 116.002 - Money affected - ,

Sec. 116.021 - Depository and sub-depository contracts - and Sec. 140.003 - Purchasing and financial accounting for District Attorneys, Juvenile Boards, and Probation departments - , to deposit all funds through the Dallas County Treasurer's Office. All restitution payments will be receipted in the County Wide Receipting system (CWR) and customers will be provided with an official receipt promptly. The Dallas County District Attorney's Office is working with the Auditors and IT to modify the Odyssey hot check system to process deposits through CWR. All related disbursements will be processed through the Dallas County Accounts Payable department after the restitution payments are deposited to the Dallas County depository bank. Currently, the Dallas County District Attorney's Office performs periodically review on the unclaimed property over three years old and escheats to the appropriate party in a timely manner to comply with Property Code § 72 and § 76.

Auditors Response

- None

Non-Check Restitution

A review of procedures related to non-check restitution, inquiry of department staff, and a review of the non-check restitution activity for fiscal year 2020 revealed the department only issued manual receipts for funds collected for non-check restitution; funds received were not deposited in the county approved depository bank through the Treasurer's Office instead these amounts were deposited to an outside bank for which the department was unable to provide bank contract documents; the account balance as of September 30, 2020 was \$290,094.24 including restitution amounts over three years old totaling \$146,855.42 that had not been researched for either disbursement to applicable parties or escheatment



to the County Treasurer or State Comptroller; and there was no indication that unclaimed funds had ever been escheated.

Local Government Code Sec. 116, authorizes the Dallas County Commissioners Court to select a county depository with contract terms of two or four years with an option to renew for an additional two years under terms negotiated by the court. This code section applies to money collected or held by a district, county, or precinct officer in a county and by the officers of a defined district or subdivision in the county. The money shall be deposited under this chapter, and the money shall be considered in fixing, and is protected by, a county depository's bond. Orders for payment, checks, and vouchers evidencing the money deposited in the county depository under this subsection are subject to audit and countersignature as provided by law. Per Local Government Code Sec. 140.003, the District Attorney [specialized local entity] shall deposit in the county treasury of the county in which the entity has jurisdiction the funds the entity receives. The county shall hold, deposit, disburse, invest, and otherwise care for the funds on behalf of the specialized local entity as the entity directs. Dallas County Investment Policy states that the market value of the Investment Security securing the deposits of public funds for Dallas County shall be in an amount at least equal to 102% of the amount of the deposits of public funds increased by the amount of accrued interest and reduced to the extent that the deposits are insured by an agency or instrumentality of the United States government. Per the Federal Deposit Insurance Corporation (FDIC) each depositor is insured to at least \$250,000 per bank.

Specific controls related to accounting for non-check restitution indicate that inactive case balances and old stale outstanding checks should be reviewed in accordance with unclaimed property statutes, Property Code, § 72 and § 76; case balances should be reviewed on a periodic basis and disbursements made to the appropriate parties in a timely manner; fund balances and subsidiary ledgers must be reconciled (review and matching of reconciling items including deposits in transit and outstanding checks) monthly against control records (bank statements) to safeguard funds and improve reporting accuracy; and reconciliations should be reviewed and signed off on by management.

Lack of training and written procedures related unclaimed property statutes resulted in delayed disbursement of restitution amounts to entities, individuals, and merchants entitled to the funds. Inconsistent managerial oversight increased the potential that Dallas County could have an unrecoverable loss in the event that the bank dissolves due to funds not being secured by a depository collateral pledge or covered by the FDIC. Inconsistent managerial oversight also increased the risk that undetected fraudulent activity and banking errors may result in funds being lost, stolen or misappropriated.

Recommendation

Non-Check Restitution

Management should:



- Develop a plan to clear outstanding check balances and escheat items in accordance with property statutes, Property Code, §72 and §76.
- Obtain a computer receipting system that can properly track restitution payments, automate receipts, and has other functionalities as needed by the office.
- Transfer all funds in the outside bank account to the approved Dallas County depository bank.
- Establish a Special Fund for restitution payments and process disbursements through the Dallas County Accounts Payable section.

Management Action Plan

- The Dallas County District Attorney's Office has established the special fund account to resolve the findings in FY20 for restitution payments. Our office is currently working with the Auditor's Office and the Treasurer's Office to move the restitution accounts to the Dallas County depository bank in accordance with Sec.112.002 - Accounting system in County with County Auditor and population of 190,000 or more - , Section 116.002 - Money affected - , Sec. 116.021 - Depository and sub-depository contracts - and Sec. 140.003 - Purchasing and financial accounting for District Attorneys, Juvenile Boards, and Probation departments - , to deposit all funds through the Dallas County Treasurer's Office. All restitution payments will be receipted in the County Wide Receipting system (CWR) and customers will be provided with an official receipt promptly. The Dallas County District Attorney's Office is working with the Auditors and IT to modify the Odyssey hot check system to process deposits through CWR. All related disbursements will be processed through the Dallas County Accounts Payable department after the restitution payments are deposited to the Dallas County depository bank. Currently, the Dallas County District Attorney's Office performs periodically review on the unclaimed property over three years old and escheats to the appropriate party in a timely manner to comply with Property Code § 72 and § 76.

Auditors Response

- None

Property Inventory

A review of the Oracle DC Asset Inventory Report of the District Attorney's Office revealed a fax machine cannot be located. Additionally, 13 items not located during a physical inventory performed in September 24, 2014 with a memo issued in 2015 have not been deleted from department's inventory. According to Dallas County Code Sec. 90.313 (6), It is the sole responsibility of the elected official/department head to which property is assigned to maintain a proper accounting of all property through proper inventory records. Ineffective inventory tracking and inventory records not periodically updated resulted in inaccurate inventory records, which may result in the purchase of unnecessary inventory items and increases the potential that items may be lost or stolen.



Recommendation

Property Inventory

Management should:

- Submit memo to Commissioners Court to request deletion of items that cannot be located and were thoroughly searched for so that the inventory list is updated to reflect current inventory on hand.
- Contact the Financial Audit section to request Oracle Fixed Asset Module list be updated to reflect current property.

Management Action Plan

- The Dallas County District Attorney's Office has presented the memo to the Dallas County Commissioner's Court and received the approval to remove the old inventory in accordance with Dallas County Code Sec. 90.373 - All department heads and elected officials are responsible for maintaining property assigned to their department, proper inventory records, and making appropriate reports as required. (6) it is the sole responsibility of the elected official/department head to which property is assigned to maintain a proper accounting of all property through proper inventory records. The Auditor's office is updating the fixed asset module list from the system based on the request from our office.

Auditors Response

Deposits and Internal Control Procedures

A sample review of County Wide Receipting (CWR) computer receipts, the underlying funds in the corresponding deposits revealed that two checks were receipted and deposited more than seven business days after the check date. All monies received should be promptly receipted and deposited properly, and timely in accordance with L.G.C. § 113.022. Inconsistent management oversight combined with a lack of written procedures and training related to the receipting process resulted in delayed revenue recognition and increased the potential that funds may be lost, misplaced or misappropriated.

A walk-through of department procedures, discussions with the District Attorney staff, and a review of responses to the Internal Control Questionnaire revealed payments received through the mail were not logged and were opened by one clerk; payments were not receipted immediately into CWR but instead placed in a locked cabinet; and an unofficial receipt was provided to customers. Specific internal control procedures indicate that payments received through the mail are logged/recorded prior to distributing to individual departments for receipting; when a payment is received from a customer it should be receipted into CWR promptly, and payments should be receipted using an official Dallas County



receipting system with a copy of the receipt given to customers. The lack of written procedures and inconsistent management oversight of internal control procedures increases the risks that payments received through the mail and not receipted promptly may be lost or misappropriated.

Recommendation

Deposits and Internal Control Procedures

Management should:

- Develop and enforce written procedure related to the receipting process.
- Emphasize that checks are to be receipted in CWR as soon as the funds are tendered.
- Implement a process for logging payments received through the mail.
- Periodically review the mail log to confirm payments received were receipted.

Management Action Plan

The Dallas County District Attorney's Office acknowledges audit findings and will move expeditiously to enforce the written internal control procedures and provide additional training to the check division employees in accordance with L.G.C. § 113.022 and 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 - , to address that all monies received shall be promptly receipted and deposited properly and timely, all receipts shall be properly voided and affixed with a reason for the void with retention of all voided copies including supervisory sign off and supervisor reviews receipts periodically. Manual receipting process will be replaced by the official Dallas County receipting system after the funds are transferred to the Dallas County depository bank in order to minimize the control risk. All funds in the mail or drop box will be timely and independently logged and compared to activity recorded to the Odyssey system by the supervisor.

Auditors Response

- None

Welfare Payments

A review of the District Attorney's procedures related to the collection of welfare restitution payments for the Office of Inspector General Texas Health and Human Services (OIG THHHS) revealed that the department used Microsoft Access as a receipting system; unofficial Microsoft Access receipts were provided to customers; receipt numbers were not automatically generated, but instead were entered manually; and receipt numbers were not entered in sequential order. 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. Receipts should be issued in sequential order and receipts should be entered into a computerized receipting system that issues official county receipts. Lack of



management oversight of internal controls related to the receipting process have increased the potential that funds may be lost, stolen or misappropriated.

Recommendation

Welfare Payments

Management should:

- Use a computer receipting system that can properly track restitution payments, automate receipts, and has other functionalities as needed by the office.
 - Consider using the CWR receipting system functionality to process "non-receipt" amounts, which would allow the department to provide an official Dallas County receipt for the OIG-THHS funds that are not retained by the county.
- Temporarily use Dallas County manual receipts to provide to customers.

Management Action Plan

The Dallas County District Attorney's Office has been using computer receipting web link provided by the Dallas County IT department to track the welfare payments and to generate receipts since July 2019. Our office will continue to improve the process and procedure to maintain adequate internal controls.

Auditors Response

- None

cc: Darryl Martin, Commissioners Court Administrator