



DALLAS COUNTY COUNTY AUDITOR

Memorandum

To: Honorable John F. Warren
County Clerk

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

Subject: Civil - Review for Fiscal Years 2013 thru 2014

Date: Issued: April 14, 2017
Released: June 14, 2017

Scope

A review was performed in accordance with statutory guidelines on the financial records, reports, and internal controls of the County Clerk Civil section for fiscal years 2013 thru 2014 with a cash control procedures walkthrough completed in 2015.

Review Procedures

Standard review procedures were followed to test the internal controls for cash, revenue, and other County assets. A random sampling of the total activity was selected for certain steps based on risk, dollar value of transactions, volume of transactions, and noted internal control weaknesses. Testing involved a review of the Odyssey Case Management system.

A partial list of the review tests include:

- Reviewed cash handling procedures
- Submitted Internal Control Questionnaire (ICQ) and evaluated responses
- Reviewed internal controls
- Reviewed manual and computer receipts
- Reviewed voided computer receipts
- Reviewed deposit variances
- Reviewed assessed court cost, fine and fees for compliance with applicable state laws and Commissioners Court orders
- Reviewed adjustments, reverse adjustments, charge reductions, reverse charge reductions, reverse charges, waivers, and credits for appropriateness and authorization
- Reviewed credit card payments, E-Filing, and Legal Ease transaction processing, receipting, and depositing for accuracy and timeliness
- Reviewed NSF procedures
- Reviewed special fund disbursements
- Reviewed certified copy procedures
- Reviewed collections
- Reviewed court assignments
- Reviewed time and attendance for compliance with County policies

FINDINGS

Cash Management

Financial Set-Up/System Controls – A limited review of the Odyssey Case Management financial setup for County Clerk users and a sample review of user's access revealed: two active tills at the County Courts node for Civil are associated to users that are no longer active employees of Dallas County or the County Civil section; and, five generic civil cashier stations.

Management Response: There are longer generic cashier stations. Each station is attached to a specific employee's login through Odyssey. A request has been sent to inactivate tills assigned to former employees. This process should be completed at the time HR completes the paperwork terminating employee. We have made the County Clerk HR/ Quality Assurance Manager and the Civil Business Analyst aware of a potential breakdown in the process.

Responses to the ICQ completed by County Clerk Civil staff revealed: 'deposit preparation' policies and procedures are not reviewed at least annually for updates; and, all staff assigned a role which allows the ability to backdate charges.

Management Response: We will schedule an annual end-of-the year review of right and roles.

Receipts – Manual/Computer – A review of manual receipts and manual receipt procedures revealed: manual receipt numbers are not entered in the financial comment section in Odyssey once receipted to the system; four Central Records voided manual receipts without retention of the original white receipt copy (customer copy); inconsistent application of procedures for indicating a reason for void on the manual receipt, attaching an Odyssey computer receipt to the manual receipt, and posting manual receipts timely to Odyssey; and, two manual receipts altered to lower amounts (\$6 less cash) instead of properly voiding the manual receipt and reissuing.

Management Response: New manual receipt business processes were adopted in 2015. Receipt books are locked in the safe and better care is taken to provide details regarding voided receipts and to protect the integrity of unused receipts. Current business process is to include the Odyssey receipt and case number on the manual receipt. We will start including the manual receipt number in the financial comments field in Odyssey. It is our business process to review the receipt books on a regular basis. We will schedule an annual end-of-the year review of our financial business processes.

A sample review of computer receipts and deposit/closeout procedures revealed: four deposits delays of two to three business days between the Odyssey transaction receipt date and the Odyssey deposit date; two business days with the same deposit date recorded in Odyssey; ten computer receipt numbers skipped in sequence and not located within Odyssey; and, instances of explanation for voiding a computer receipt inconsistently or inaccurately recorded.

Management Response: Deposits are currently made within one business day. Only supervisors have the ability complete voids. Posting errors will be corrected immediately. We will work with our Business Analyst to find ways to identify posting errors.

A sample review of tills, closeouts, and deposits revealed: fifteen adjustment tills closed but not included in an Odyssey deposit (*Status: As of 02/13/17, two tills have been deposited*); instances of adjustment transactions without a reason or an inaccurate reasons for the adjustment entered to the Odyssey comment field; adjustments entered by non-supervisory personnel; and, instances of adjustments incorrectly processed.

Risks identified during a walkthrough of the department's cash handling processes revealed: no requirement that each open till be closed and included in the daily deposit by the next business day; no verification or sign-off by supervisory personnel that all open tills are closed; access to the safe, containing the daily receipts, is not kept under the joint custody of management and the process support supervisors; adjustment

transactions are not reviewed or formally approved by management; and, civil clerks have the ability to post adjustments to cases in Odyssey as access is not limited to management and the supervisors.

Management Response: *Tills are verified daily. Current business process incorporates the recommendations of the auditor. In addition, the Odyssey advancements have improved business processes as it relates to financial management.*

Assessments – A sample review of manual overrides, initial filing fees/other county charges, reversed charges, charge reductions, and credits revealed: two intervention charges on one case were not reversed when the Events tab indicated both charges were made in error (**Status:** *Corrected during fieldwork*); \$20 State Electronic filing fee not charged on appeals from JP court; payments received through the mail are inconsistently recorded on the check log and not reconciled to Odyssey to ensure accuracy and completeness; ten check payments lack a notation on the check log to indicate the checks were mailed back to the payer due to the E-Filing Mandate; six check payments, per the department check log, were incorrectly posted to Odyssey as "Payment (Case Fees)"; seven transactions were incorrectly entered into Odyssey as "Payment (Mail)" for tender method 'cash'; instances of adjustments without explanations in the Odyssey financial comment field; adjustments entered by non-supervisory personnel; and, formalized quality assurance process is not in place to verify the accuracy of fee assessments or adjustments entered in the Odyssey system.

Electronic Transactions – A sample review of E-filing and Legal Ease transactions revealed: delays in receipting / depositing E-filing and Legal Ease transactions; and, the E-filing envelope ID number is not noted in the Odyssey receipt reference field.

NSF Checks – A review of NSF procedures, receipts related to NSF items, and the department's NSF check list compared to the County Treasurer's Outstanding Returned Check list revealed: unrecovered NSF items for filing fees or other court costs are not reversed in Odyssey nor moved to the Special Fund 501 account for disbursing to the NSF Fund 170 account; cases with NSF checks not consistently flagged in Odyssey; and, the \$30 NSF fee not assessed to the corresponding case in Odyssey.

Disbursements-Special Fund – A sample review of Special fund disbursement activity revealed: instances of delays posting disbursements to Odyssey; and, two disbursements without check numbers posted to Odyssey.

Processing/Reporting

Case Assignments – A review of the systemic sequential assignment of cases within the Odyssey case management system and Odyssey Case Index reports revealed: twenty-four case numbers skipped in sequence and not located in Odyssey; and, seven hundred forty-three cases were not sequentially assigned based on the Odyssey file date.

Management Response: *Odyssey is effective in sequentially assigning case and court numbers. Manual manipulation of case numbers are limited to reasons supported by Local Rules for Civil Courts of Dallas County, Texas Rules of Civil Procedure and court order. These tasks are the responsibility of the clerk staff. In general, case numbers are created in the order the case is filed. However, in some instances, a filing may be accepted out of sequence. For example, due to training needs, a new staff member may only have the experience to process basic filings. This may cause them to skip over complex filings. The filing that was skipped would then have a case number newer than a filing that was submitted after it. It is our business process not to delete case numbers. The clerk's office and the court work together to close cases created in error through court orders. Division supervisors or managers work directly with IT to resolve improperly configured case numbers. Most recently this has been limited to first of the year filing processing that created 2017 case numbers for 2016 filings.*

Other/Miscellaneous

Time and Attendance – A review of time and attendance records revealed: instances of Kronos posting errors for time worked and leave taken; instances of employees with more than 48 hours of non-FMLA sick leave

recorded during a twelve month period; assistant manager approves her own Kronos timecard without oversight or subsequent review by management; full-time regular employees take 50 minutes for lunch with no breaks (lunch is recorded as 30 minutes in Kronos); and, employees are not advised to return to work after early release from Jury Duty or contact management for further directions as required by County Code Sec. 82-516.

***Management Response:** Management agrees and will continue to work to improve Kronos reporting errors. Unless supported by code, policy or approval from our elected official, managers limited time-off approvals to the employees accrual balance. Management complies with County Code Section 82-516 concerning Jury Duty. Time and attendance balances are discussed on, a least, a monthly basis with all Division employees. There is additional verbal and written discussion if an employee is nearing 48 hours of unexcused time. Managers and supervisors work with County Clerk HR and County HR to resolve posting errors.*

RECOMMENDATIONS

Cash Management

Financial Set-Up/System Controls – A terminated user's account should be end-dated and the inactive box check-marked with all assigned cashier stations and tills de-activated. Generic usernames and tills, which are no longer necessary as part of day to day operations, should be de-activated in Odyssey. All rights and roles should be periodically reviewed to ensure users have only the rights necessary to perform their core job functions.

Receipting / Depositing – All monies received should be promptly receipted and deposited timely in accordance with Local Government Code (LGC), § 113.022. All receipts should be logged, accurately completed, and maintained in order to affix responsibility, enhance cash control, and prevent assertion that monies were paid and refund due. Receipts should never be altered, but properly voided and affixed (including explanation recorded to computer system) with a reason for the void with retention of all voided copies in accordance with Records Retention requirements. All voids should be reviewed daily by supervisory personnel at least one level above employee that voided the payment. Supervisory personnel should periodically review exception reports and transaction logs (especially with respect to receipt deletions, lowered amounts, and payment type changes) to ensure that the explanation for the change is documented and reasonable. All tills should be reconciled and closed daily and included on an Odyssey deposit.

***Management Response:** Current business process incorporates the recommendations of the auditor.*

Assigned duties for cash control should be adequately separated for both physical and systemic processing. Rights allowing backdating of payments should be removed. Rights allowing backdating of charges should be restricted to limited users if necessitated by a business need. Access to the safe requiring dual custody (separate individuals with keys than possess knowledge of the safe's combination) and should be limited to supervisors, assistant manager and manager.

Assessments – Monitor assessment and collection of court costs and fees in compliance with applicable state laws and Commissioners Court orders. Processing of financial transactions should reflect segregation of duties (e.g. users with roles/rights to receipt or void payments should be able to add additional charges, but not modify, reduce, or delete assessments). Non-monetary payments (such as affidavit of inability to pay) should be properly recorded with a credit, and a standardized method of affirming indigency should be documented within the Odyssey system. All corrections should include a complete and valid explanation in the comment field. Adjustments to assessments should be posted to the adjustment till with supervisory review and approval. Management should periodically review system reports including the Transaction Listing Report and daily work for accuracy, appropriateness, timeliness, and staff compliance to established policies and procedures. User roles granted to process manual overrides, charge reductions, credits, and charge reversals should be limited.

Management Response: *Current business process incorporates the recommendations.*

Electronic Transactions – The eFile Texas.gov inbox should be reviewed daily to accept or reject submitted filings. All e-filing submissions should be promptly receipted and deposited timely in accordance with LGC, § 113.022. E-filing tills should be reconciled against eFile Texas.gov daily reports, closed, and added to the appropriate deposit daily with a separate Form 98 deposit submitted to the County Treasurer. Management should periodically review: 3rd party official jurisdiction reports, postings of Odyssey e-filing and the County Clerk's civil e-Pay bank account for accuracy, timeliness of processing, and staff compliance to established policies and procedures.

Management Response: *Improvements to e-filing system and business process have incorporated the recommendations above.*

NSF Checks – A non-docket Event and NSF flag should be added to the case once the department is notified of an NSF item by the County Treasurer. Original payment for non-registry funds returned as NSF, stop payment, or account closed should be reversed and applied to Fund 501 overpayment escrow account within 30 days after notification if not paid in full with a \$30 NSF fee assessment added. Original payments transactions for Registry/Trust (including Restricted Deposits) funds should not be invested or disbursed until 'good' funds are available. Departmental NSF tracking list should include all relevant information including applicable case number.

Management Response: *Current business process incorporates most of the recommendations. At this time, we do not have a non-docketed event for NSF fees. However, we use the NSF flag. In addition, NSF fees are assessed by the Treasurer's Office. We have a formal, coordinated process established with the Treasurer's Office to resolve NSF matters. Odyssey does have the capabilities of tracking flagged items.*

Disbursements – Special Fund – All checks issued, canceled, and/or stale dated should be posted accurately and timely to the Odyssey system. Supervisory personnel should review disbursement postings and other disbursement activity for appropriate postings to Odyssey. Case balances should be reviewed on a periodic basis and disbursements made to the appropriate parties in a timely manner.

Management Response: *As a result of this audit, current business processes include all of the recommendations.*

Processing/Reporting

Case Assignments – All case numbers should be timely, accurately, and sequentially assigned based on random court assignment. All case numbers should be accounted for, with reason codes for missing numbers, deleted numbers, or numbers issued out of sequence, and timely documented. System roles which allow modification to file dates or overriding of assigned judge assignments or system generated case numbers should be restricted to limited users if necessitated by a business need.

Management Response: *We will schedule an annual end-of-the year review of right and roles.*

Other/Miscellaneous

Time and Attendance – All start times, end times, meal periods, vacation, sick leave, comp time, holiday time, jury duty, and approved time off should be posted accurately to the Kronos time and attendance system in accordance with Dallas County Code. Historical edits should be completed to correct Kronos posting errors. Management should be proactive to discuss excessive absences with employees per Dallas County Code Section 86-392. Employees released from jury service during normal working hours should either report to work immediately or contact management for further instructions per Dallas County Code Section 86-516. Employees should record their time in Kronos and a separate manager should review and approve the employee's time.

CURRENT FINDINGS/OBSERVATION AND RECOMMENDATIONS

Findings template numbered 14.CC.02.01 thru 14.CC.02.09 are on file.

SUMMARY

The report is intended for the information and use of the department. While internal controls and financial reports were reviewed, all matters of a material weakness may not have been identified. 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.

Priority areas of risk which need to be addressed include: inconsistent control procedures for assessing and adjusting court costs, receipting/voiding payments, and closing/depositing tills.

Consideration of all issues and weaknesses should be incorporated by the Clerk as a self-assessment tool. Adherence to and follow-through with the recommendations should improve internal control and compliance with Dallas County policies and procedures.

cc: Darryl Martin, Commissioners Court Administrator