



DALLAS COUNTY COUNTY AUDITOR

Memorandum

To: Honorable John F. Warren
County Clerk

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

Subject: Probate - Review for Fiscal Years 2013 thru 2014

Date: Issued: April 19, 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 Probate section for fiscal years 2013 thru 2014 with a cash control procedures walkthrough completed in 2016.

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 Probate tills at the County Courts node associated to one user no longer an active cashier of the Probate section.

Management Response: All terminated users' accounts have been requested to be deleted and or deactivated.

Responses to the ICQ completed by Probate staff revealed: cashiers are assigned roles/rights in Odyssey which allow entering of credits; and, employees assigned to collection/billing are also responsible for receipting payments.

Manual Receipts – A review of all manual receipts and all voided manual receipts for proper posting revealed: manual receipt numbers are infrequently entered in the financial comment section in Odyssey once receipted to the system; one manual receipt is missing the customer and duplicate copy (the triplicate copy is blank); and, other limited instances of incomplete receipt control procedures.

Management Response: All funds received by the courts are brought to this division for proper posting in Odyssey.

Responses to the ICQ completed by Probate staff revealed: the numerical sequence of Odyssey and manual receipts is not monitored.

Computer Receipts – A sample review of computer receipts and deposit/closeout procedures revealed: two deposits delays of two to six business days between the Odyssey transaction receipt date and the Odyssey deposit date; twenty-three computer receipt numbers skipped in sequence and not located within Odyssey: six (four of the six voided by supervisors) cash receipts voided and reissued for lower amounts totaling \$56 without retention of the voided computer receipts; thirteen business days with Treasurer deposit dates exceeding five business days after the transaction date (ten of the 13 delays were for tender type 'wire'); and, four instances of receipts issued incorrectly for the check numeric amount rather than the written legal amount.

A review of all tills without a deposit date revealed: two e-filing tills and three adjustment tills from prior fiscal years (FY10-FY12) remain without an Odyssey deposit date.

A review of 95 adjustments to determine if properly and accurately processed revealed: five adjustments incorrectly processed. *Status: Three of the five adjustments were reversed.*

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; and, access to the safe, containing the daily receipts, is not kept under the joint custody of management and the process support supervisors.

Assessments – A sample review of fifty-five items to determine if initial filing fees and subsequent costs are assessed and collected in compliance with state laws, commissioner court orders, etc. revealed material compliance.

Credits – Credit (Waiver) – A sample review of "fifteen" credit transactions revealed: three cases with financial 'inability to pay' credits applied do not reflect an *Affidavit of Inability to Pay* on the Events tab in Odyssey. One of the three transactions relates to a filing by a state agency.

Responses to the ICQ indicate all employees are assigned roles/rights to enter credits.

Reversed Charges – A review of reversed charges revealed material compliance except approximately 2% of transactions did not have an explanation for the reversal recorded to the Odyssey financial comment field.

Electronically Filed Transactions – A sample review of E-filing and Legal Ease transactions revealed: instances of the E-filing envelope id numbers or Legal Ease approval numbers not noted in the Odyssey receipt reference field; and, instances of delays in receipting / depositing E-filing and Legal Ease transactions.

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 including one NSF item for \$400 in Restricted Deposits incorrectly disbursed to a guardian ad litem; cases with NSF checks not consistently flagged in Odyssey; and, the \$30 NSF fee not assessed to the corresponding cases in Odyssey.

Disbursements – Special Fund – A sample review of Special Fund 501 account disbursements revealed: instances of delays posting disbursements to Odyssey.

Processing/Reporting

Collection/Billing - Departmental responses to the ICQ and inquiry of Probate and Trust staff revealed: no formal written procedures for the Probate collection/billing functions (except for mental illness cases); no customer billing generated for Probate cases with balances due; and, no collection efforts performed for Probate cases.

Case Assignments – A review of the system-driven sequential assignment of cases within the Odyssey case management system and Odyssey Case Index reports revealed: 112 case numbers skipped in sequence and not located in Odyssey (six Probate and 106 Small Estate); and, twenty case numbers were deleted and redirect to a new case number when searched in Odyssey.

Other/Miscellaneous

Time and Attendance - A review of time and attendance revealed: full-time regular employees take 50 minutes for lunch with no breaks (lunch is recorded as 30 minutes in Kronos).

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. User access for ex-employees or reassigned employees should be requested to be disabled with follow-up occurring to ensure user account was disabled. 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 and accurately receipted and deposited timely in accordance with Local Government Code (LGC), § 113.022. All receipts should be logged, accurately completed, issued consecutively 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 the employee that voided the payment. Supervisory personnel should periodically review exception reports and transaction logs (especially with respect to missing receipts, receipt deletions, lowered amounts, and payment type changes) to ensure that an explanation is documented and reasonable. All tills should be reconciled and closed daily and included on an Odyssey deposit.

Assigned duties for cash control should be adequately separated for both physical and systemic processing. 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. All financial adjustment transactions should be supported by written advance supervisory approval and associated to a specific till not designated for daily transactions with appropriate information included in the comment field. Adjustments should be accurately and timely processed in Odyssey with a deposit date entered as soon as practicable.

Assessments/Credits/Reversals/Charge Reductions – 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.

Electronically Filed 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, § 113.021 and 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 Legal Ease activity, and the County Clerk's probate e-Pay bank account for accuracy, timeliness of processing, and staff compliance to established policies and procedures.

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. Evidence of repayment or a funding source should be identified for the \$400 disbursed to a guardian ad litem from a previously receipted amount returned unpaid by the bank.

Disbursements – Special Fund – All checks issued, canceled, and/or stale dated should be posted accurately and timely to the Odyssey system in accordance with LGC, § 117. 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.

Processing/Reporting

Collection/Billing - Established billing procedures should include supervisory review and bill all receivables due Dallas County. Programming changes needed in order to use Odyssey billing/collection functionality without issues should be documented and communicated to IT Services.

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.

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.

CURRENT FINDINGS/OBSERVATION AND RECOMMENDATIONS

Findings template numbered 14.CC.03.01 thru 14.CC.03.08 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 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