



**DALLAS COUNTY
COUNTY AUDITOR**

Memorandum

To: Honorable John F. Warren
County Clerk

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

Subject: Review Performed on Criminal Section for Fiscal Years 2014 thru 2015

Date: *Issued: September 22, 2017*
Released: October 24, 2017

SCOPE:

A review was performed on the financial records and internal controls of the County Clerk's Criminal Section for Fiscal Years 2014 thru 2015 with a cash control procedures walkthrough completed in 2017.

REVIEW PROCEDURES:

Standard review procedures were followed to test the internal controls against documentation to validate performance of identified processes. A sample (100% of population tested using Automated Command Language {ACL} when feasible) of the total activity was selected for certain review steps based on risk, the dollar value of transactions, the volume of transactions, and noted internal control weaknesses. Testing involved a review of the Mainframe Court System (CRIN and JI66 including data extracts provided by IT Services) and the Adult Information System (AIS) as well as corresponding case jackets and On-Base.

A partial list of the review tests include:

- Performed cash control walkthrough and evaluated procedures
- Accounted for numerical sequence of manual and computer generated receipts and traced amounts recorded on the receipts to the bank deposits and a sample to Criminal Receipt system (CRIN) postings
- Performed unannounced cash counts
- Submitted Internal Control Questionnaire (ICQ) and evaluated responses
- Traced cases to judicial and criminal cash assessment records
- Examined Special Fund disbursements to determine if sufficient funds were collected, proper payees paid, in compliance with supporting court orders, and if posting to the mainframe court systems had occurred.
- Reviewed assessed court costs, fines, and fees, credits, and waived amounts for compliance with applicable state laws, Attorney General and District Attorney opinions, and Commissioners Court orders
- Traced judgment NISI through to final judgment and payment or other actions
- Reviewed certified copy requests
- Reviewed credit card transactions
- Reviewed non-sufficient fund (NSF) activity

FINDINGS/OBSERVATIONS:

Cash Management

Cash Count: deposit overages/shortages verified by Internal Audit staff for FY14-15 revealed: Four cash deposits forwarded to the Treasurer's Office were over or short versus the day's receipts, and eight check deposits forwarded to the Treasurer's Office were over or short due to checks being written incorrectly, and which needed to be corrected.

Receipts-Manual / Computer and Closeout/Deposits: A review of the 88 manual receipts including six voided manual receipts and 316 voided computer receipts during Fiscal Years 2014 thru 2015 revealed: Two voided manual receipts without a reason for the void noted and duplicate manual receipt copies were not attached to the corresponding computer receipt retained in sequential order. Nineteen (ten voided & nine replacement) computer receipts were unable to be located and could not be reviewed.

A review of all deposits revealed three delays of five or more days between the mainframe receipt date and the Deposit Management System (DMS) date.

Fee Assessment/Distribution: A comparison of assessed court costs and fees to statutorily approved court costs and fees for misdemeanor cases (M-, MAR, MD, MDW, MPK, and MSX schedules), bond forfeiture cases (MB schedule), and miscellaneous case types (ML, MV, MND, MDT, MCL, and MNS schedules) revealed various assessment and collection errors, including, but not limited to:

- Instances of sheriff fees recorded as clerk fees.
- 6,905 cases without assessment of fee code 57 (.10¢ TCLEOSE Fee) on applicable traffic violations.
- Instances of cases without assessment of fee code 28 (\$25 Child Safety Fee) on applicable traffic violations.
- 248 cases with over or under assessment of fee code 77 (Consolidated State Court Costs).
- Instances of cases with assessment of fee code 77 (Consolidated State Court Costs) on non-applicable parking or disabled parking violations.
- 147 cases without assessment of fee code 10 (\$3 Local Traffic Fee) on applicable traffic violations.
- Instances of cases with assessment of fee code 10 (\$3 Local Traffic Fee) assessed in error.
- 167 cases without assessment of fee code 92 (\$30 State Traffic Fine) on applicable traffic violations.
- Instances of cases with assessment of fee code 92 (\$30 State Traffic Fine) assessed in error.
- 71 fine assessments for offense of child no seat belt without 50% allocation of the fine to the State.
- Instances of cases without assessment of fee code 08 (\$5.40 Judicial Salary Fee net of 10% administrative fee) on applicable traffic violations.
- Instances of cases with assessment of fee code 08 (Judicial Salary Fee) on non-applicable parking or disabled parking violations.
- 2,670 cases without assessment of fee code 101 (\$2 Truancy prevention fund).
- 374 cases with fee code# 100 (\$5 State Electronic Filing Fee) assessed in error.
- 550 MND (Non-disclosure) cases with underassessment of fee code 36 (Law Library); \$15 rather than \$20.
- 647 MND (Non-disclosure) cases with over assessment of fee code 94 (Non- Disclosure Fee); \$33 rather than \$28.
- 100% of ML (Misdemeanor Occupational Driver License {ODL} cases with fee code 96 (Judicial Salary Fee) for \$40 incorrectly mapped to general ledger account for criminal cases (#23252) rather than civil cases (#23253).
- Instances of payments on CRIN exceeding assessments after bond forfeiture fine assessments removed or reduced after entry of judicial action revising original bond forfeiture final judgment.

Disbursements / Special Fund: A review of Special Fund (Fund 501) disbursements and comparison of CR60 to 501 Discover report during Fiscal Years 2014 thru 2015 revealed: nine cases have an incorrect check number entered on mainframe; one case with a Special Fund amount on CRIN that doesn't match the Special Fund amount shown in the Oracle system; one case does not have a disbursement posted to CRIN; and six cases with a delay in posting to CRIN.

NSF Checks: A review of procedures related to NSF items and receipts related to NSF items during Fiscal Years 2014 thru 2015 revealed (*deposit types include checks, money orders, or credit cards*): One case with receipted payments returned unpaid by the bank as NSF or stop payment check items. Receipted payments were not reversed in the CR mainframe system; funds were not moved to Special Fund fee code 15, and \$30 NSF fee was not assessed to the party on the cases.

Risks identified during walkthrough of department's internal controls revealed: Cases with NSF checks or credit card chargebacks are not flagged in the CR mainframe system.

Other Controls

Departmental responses to the Internal Control Questionnaire (ICQ) revealed: Mainframe user's role(s)/right(s) does not prevent cashiers from voiding system generated receipts.

RECOMMENDATIONS:

Cash Management

Cash Counts – Proper cash handling procedures should be reinforced through training, emphasizing the rejection of all checks where the written legal amount and numeric amount do not match. At the end of each business day, receipts should be totaled and balanced to the funds on hand and system control totals. Each deposit should be evidenced by dual sign-off on Form 98's.

Management Response: *It is the practice of the Criminal Cashier section to verify funds throughout the day to ensure cash and check amounts reconcile to FORVUS. Any cash shortages are to be made up by the cashier if the amount is short according to the Treasurer's Office, so risk of loss to the County is minimalized. We also currently have a Supervisor count each cashier's drawer with them before leaving for lunch. We only accept business checks written by attorneys. If the legal amount does not agree with the numerical amount, the Cashier and supervisor contact the payer to come and to provide a correct check. We will provide further training to cashiers to ensure such clerical errors are addressed.*

Receipts – Manual / Computer – All monies received should be promptly receipted and deposited consistent with state law, Local Government Code, § 113.022 and Code of Criminal Procedure, §103.004. The supervisor should periodically review manual receipt books and computer receipts issued for proper usage. Receipts should never be altered, but properly voided. All copies of a void receipt should be retained, clearly marked "void", affixed with a reason for the void (Supervisor or management follow-up should be conducted when a large percentage of voids are processed), and initialed by a supervisor. A dual control process over opening the safe should be considered. Assigned duties for cash control should be adequately separated for both physical and systemic processing.

Management Response: *It is the practice for the clerk to note the reason for the void on the receipt. Voids are reviewed by the Supervisor. Voided receipts are then kept numerically and organized by month and year in record boxes in the vault for three years and then sent to Central Records. This practice was put in place to reduce the risk of improperly voided receipts to address the risk noted by Internal Audit. The records retention process is monitored. Voided receipts are kept with the deposit for that date. The deposit records are kept in order of year and month individually in boxes in the vault of the Criminal Cashier's Office.*

Fee Assessment/Distribution – Assessment and collection of court costs, fines, filing fees, and/or other miscellaneous fees should be monitored for compliance with applicable state laws, attorney general opinions, DA opinions, judicial orders, Commissioners court orders, and applicable fee schedules. CRFE (criminal fee) and CR98 tables should be updated as appropriate. Supervisory personnel should periodically review assessments, credits, and system edit reports for compliance, appropriateness, accuracy, and completeness including the review of large credits and reversed (deleted) assessments. Proper assessment procedures should be reinforced through training and a written procedures manual. Corrections (within statutory guidelines) should be processed for assessment errors including refunds issued when appropriate.

System modifications to further automate the fee assessment process should be considered or documented for future migration to the Adult Case Management System (ACMS). In anticipation of the pending migration from the CR mainframe system, a concerted effort should be made to correct outstanding issues. The County Clerk's proactive involvement will improve the accuracy of migrated data and impact staff efficiencies during and after implementation.

A formalized change management process should be implemented for requesting and approving changes to fee schedules and fee codes in the mainframe. Process should include the use of standardized request and approval forms, designated approval authorities, and written policies and/or procedures. Fee schedule and fee code maintenances should be centralized.

Management Response: *We agree with the recommendations and will comply. Staff will be made aware of the issue of assessing incorrect fees and procedures will be put in place to monitor discrepancies. Fines and Fees will be monitored to make sure that is in compliance with all applicable state laws, fee schedules, offense date, judge's orders and offense type for criminal offenses. Consideration has been made to improve functionality in the new adult case management system.*

Credit Cards – All valid credit card payments should be promptly and accurately receipted and deposited timely in accordance with Local Government Code, § 113.022 and Code of Criminal Procedure, §103.004.

Management Response: *The court clerk enters and assesses the fines for criminal cases. The Cashier's Office is informed by the Courts of cases that need to be refunded. A \$50 overpayment refund request does not appear to have been in the notification to the Cashier's Office to process. Our office will research and correct any oversight.*

Disbursements / Special Fund - All checks issued, canceled, and/or stale dated should be posted accurately and timely to the appropriate system (mainframe) to maintain accurate financial balances. Supervisory personnel should periodically review disbursement activity for appropriateness, accuracy, and completeness. A management plan including reconciling the General Ledger and bank account should be developed and implemented. In anticipation of the pending migration from the CR mainframe system, a concerted effort should be made to correct outstanding issues.

Management Response: *After reviewing the findings it seems the receipt number could have been entered in as a check number by mistake. We now have new request forms that have to be filled out by the Chief Clerk. The current process is that we verify the information in FORVUS to confirm that the fees are assessed correctly and that the information for the disbursement is correct.*

NSF Checks – All outstanding NSF checks should be flagged with revenue reversed in the CR mainframe system and applied to the Special Fund 501 fee code 15, and adjusted on the daily deposit. Subsequently, a Special Fund 501 check should be disbursed to Fund 170 Return Item Receivable Account.

Management Response: *There was an incomplete application of the process. One case with an NSF payment was noted by Internal Audit. Our process is for the payment to be reversed on the case, a NSF fee assessed and for Special Fund code 15 to be utilized to reimburse the returned checks Fund 170. Our office will research and correct any oversight.*

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 controls and compliance with the requirements of laws, regulations, as well as contracts applicable to the department.

Priority areas of risk which need to be addressed include: updating fee assessment schedules and processes; completing an ongoing supervisory review of credits, assessments, assessment reversals, and receipt adjustments; posting disbursements and cancellations and reconciling Special and Trust Fund activity to control records including Oracle General Ledger and limiting access to collected funds.

Emphasis on outlined procedures should provide for improved departmental processes. Consideration of all issues and weaknesses should be incorporated by the County Clerk as a self-assessment tool in testing processing functionality of a new criminal courts system. Adherence to and follow-through with the recommendations should improve internal control and compliance with Dallas County Policies and Procedures.

Cc: Darryl Martin, Commissioner Court Administrator