




## DALLAS COUNTY COUNTY AUDITOR

### Memorandum

To: Honorable John F. Warren  
County Clerk

From: Darryl D. Thomas   
County Auditor

Subject: Truancy South 9-1 - Review for Fiscal Year 2014

Date: Issued June 7, 2016  
Released September 27, 2016

### **Scope**

A review was performed in accordance with statutory guidelines on the financial records, reports, and internal controls of the Truancy South Court for fiscal year 2014 (October 1, 2013 to September 30, 2014) with an internal control procedures walkthrough completed in 2015. Operational functions such as court clerk and bookkeeping activities are under the purview of the County Clerk (clerical / bookkeeping staff budgeted under County Clerk department 4033 during complete audit period and directly supervised by County Clerk). (Judicial appointments, agreements with school districts, and truancy programs effectiveness under the purview of the County Judge were not included in operations / financial review.)

### **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 as well as case jackets.

A partial list of the review tests include:

- Accounted for numerical sequence of manual and computer generated receipts
- Traced amounts recorded on the receipts to the bank deposits
- Performed unannounced cash counts
- Reviewed assessed fees for compliance with applicable state laws and Commissioners Court orders
- Reviewed credits, charge reductions, and adjustments
- Reviewed and evaluated responses to the Internal Control Questionnaire (ICQ)
- Evaluated internal control procedures
- Reviewed credit card activity for accurate and timely posting to Odyssey
- Reviewed non-sufficient fund (NSF) activity
- Examined escrow fund disbursements and associated fee dockets to determine if sufficient funds were collected, proper payees paid, and if posting to Odyssey had occurred
- Reviewed unpaid criminal cases for outstanding warrants of arrest
- Examined Odyssey case activity reports

- Reviewed time and attendance records for proper posting and compliance with County policies and procedures

### **Partial Statistical Listing**

During fiscal year 2014 (October 1, 2013 to September 30, 2014), the truancy court processed:

- 1,800 computer receipts totaling \$254,771
- 5,330 class C misdemeanors (failure to attend school and contributing to non-attendance)

### **FINDINGS**

#### **Cash Management**

Receipts – Computer / Manual– A review of manual receipts and manual receipt procedures revealed: manual receipt books are not secured when not in use; a manual receipt book log is not maintained by management; and, manual receipt numbers are not consistently entered in the Comment section Odyssey once receipted to the system.

A sample review of computer receipts, computer receipt procedures, and adjustments revealed: one computer generated receipt skipped in sequence in Odyssey during a three month period; adjustment transactions are not entered in a separate adjustment till but combined with daily transactions; adjustment transactions without entry of reason codes for adjustment in Odyssey's financial Comment field; and, entry of adjustments are not limited to the supervisor or manager.

A review of departmental processes and responses to the ICQ revealed: incomplete controls and a lack of separation of duties over the receipting, balancing, and deposit process; and, access to receipted funds in the safe are not under dual control.

Assessments / Reductions / Waivers / Credits – A sample review of 40 cases with assessments, a sample of 20 adjustments (reversed charges, charge reductions, waivers and reverse charge reductions), and a sample review of 15 credit transactions revealed: instances of errors in recording assessments, reductions, waivers, and credits; and, entry of reductions, waivers, and credits not limited to the supervisor or manager.

A review of departmental processes and responses to the ICQ revealed: incomplete controls and a lack of separation of duties over the assessment, reduction, waiver, and credit process; and, only verbal approval is required to post adjustments in Odyssey.

Credit Cards – A review of ten settled credit card deposits revealed: credit card transactions were not receipted to Odyssey daily; however, transactions are typically posted twice a week.

Escrow Activity – A review of money in the escrow account and postings to Odyssey and Oracle General Ledger (GL) revealed: thirty cases with overpayments in the escrow account less than \$10 each.

#### **Processing/Reporting**

Criminal Fee Dockets – A sample review of 22 active cases and 12 disposed cases, time payment plans and active warrants or directives for the appropriateness of warrant/directive status revealed: one case

with an active warrant not recalled after the defendant complied by paying the balance in full (*Status: Warrant is no longer active*); and, clerks may submit recall requests for warrants on WX50 using the bookkeeper's or supervisor's assigned code.

Collection/Billing – A sample review of 20 cases with balances due, various queries created by Dallas County Information Technology (IT) department, and procedures for collection/ billing revealed: the court recommends the dismissal of cases where a criminal defendant cannot be located (i.e. bad address on correspondence), but does not actively engage in locating defendants.

## **Other/Miscellaneous**

Time and Attendance – Full-time regular employees take 50 minutes for lunch (employees are allowed to combine their two 10 minute breaks with their 30 minute lunch); and, the supervisor does not retain all leave request forms in accordance with State records retention schedules.

## **RECOMMENDATIONS**

### **Cash Management**

Receipting / Depositing – 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. Receipts should be verified for accuracy of amount, payment type, case number, and payer before issuing to a customer. Receipts should not be altered, but properly voided and affixed with a reason for the void. Voids should require supervisory approval. Manual receipt writing duties should be limited to Odyssey 'downtime' and access to cash limited to establish proper accountability and strengthen internal control.

All tills should be reconciled and closed daily and included on an Odyssey deposit through the Odyssey Managing Deposit functionality. Roles/rights with Odyssey adjustment functionality should be limited to the supervisor and/or manager for processing financial adjustment transactions in a separate 'adjustment' till.

Policy and procedures manual should be developed for cash handling responsibilities and training of current cash handling procedures reinforced. Controls should be implemented for dual control over the safe in which the cash receipts are stored. All rights and roles should be periodically reviewed to ensure users have only the rights necessary to perform their core job functions. A proper segregation of duties reduces the risk of misappropriated funds.

Assessments / Reductions / Waivers / Credits - Monitor assessment, collection, and prorating of court costs, fines, and fees in compliance with applicable state laws including Code of Criminal Procedure Chapter 102 and Local Government Code Chapter 133 or Commissioners Court orders and applicable fee schedules based on offense date. Adjustments to assessments should be made that both good internal control and audit trails are maintained including compensating controls such as dual sign-off on adjustments, supervisory review and pre-approval, testing, and validation. Processing of financial transactions should reflect proper 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). Charge reductions and assessment reversals should be limited to correction of errors and fine reductions. User roles granting rights to process manual overrides, charge reductions, credits, and charge reversals should be limited.

Credit Cards – All credit card submissions should be receipted and deposited timely in accordance with Local Government Code, § 113.022 and Code of Criminal Procedure, § 103.004. Settlement reports should be reviewed daily for accepted or rejected credit card payments. Credit card payments should be entered into Odyssey when the credit card transaction appears on the daily settlement report. Credit card payments should be reconciled against the settlement reports and added to the appropriate deposit daily with a separate Form 98 deposit submitted to the County Treasurer.

Escrow Fund – All checks issued or canceled should be posted accurately and timely to Odyssey (reconciliation of Odyssey to GL) and verified/reviewed by the supervisor. Non-cash overpayments \$10 or less should be receipted as miscellaneous clerk fees unless the payer specifically requests a refund. Access to Oracle Financials AP Inquiry should be requested for authorized and designated personnel based on job responsibilities.

### **Processing/Reporting**

Criminal Fee Dockets – Outstanding warrants or directives should be recalled timely when cases are dismissed or otherwise disposed, payments are made in full, time is served, community service is performed, time payment plans are implemented/followed, or official notification / verification of a defendant's death is received. Outstanding warrant reports should be periodically reviewed for accuracy. Separation of duties should be established limiting staff assigned to recall warrants with separate user IDs provided for each authorized employee.

Collection/Billing – Established billing procedures should include: supervisory review; bill all receivables due Dallas County; and, process assessments, credits, waivers, and charge reductions in accordance with statutory authority including orders of the court, etc. Flag cases (including adding due dates) in Odyssey with unpaid balances and generate bills on a predetermined basis taking into consideration credits and court orders. Programming changes needed in order to use Odyssey billing/collection functionality without issues should be documented and communicated to IT Services.

### **Other/Miscellaneous**

Time and Attendance – All start times, meal periods, end times, vacation time, sick time, holiday time, jury duty, compensatory time, overtime, ATO, etc. should be properly and timely posted to the Kronos time and attendance system in accordance with the Dallas County Code and Commissioners Court orders. All leave request forms should be retained in accordance with State records retention schedules.

## **CURRENT FINDINGS/OBSERVATION AND RECOMMENDATIONS**

Finding templates numbered 14.TR9-1.01.01 thru 14.TR9-1.01.07 are attached.

### **Summary**

The report is intended for the information and use of the 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.

Highest areas of risk which need to be addressed include: separation of duties over the receipt, deposit, assessment, and adjustment processes; and, daily processing of accepted credit card payments.



Odyssey system updates and other actions required by H.B. No. 2398 (enacted by the 84<sup>th</sup> Legislature) should be tested and implemented.

Emphasis on outlined procedures should provide for improved departmental processes. Consideration of all issues and weaknesses should be incorporated by the Truancy court as a self-assessment tool. Adherence to and follow-through with the recommendations should strengthen internal control and compliance with Dallas County policies and procedures.

cc: Honorable Judge Clay Lewis Jenkins  
Ryan Brown, OBE