



DALLAS COUNTY COUNTY AUDITOR

Memorandum

To: Honorable John F. Warren
County Clerk

From: Darryl D. Thomas
County Auditor

Darryl D. Thomas

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Subject: Civil - Review for Fiscal Year 2015

Date: *Issued: September 25, 2017*
Released: October 26, 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 Year 2015 with a cash control procedures walkthrough reviewed in 2017.

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

FINDINGS:

Cash Management

Financial Set-Up/System Controls – Responses to the ICQ completed by County Clerk Civil staff revealed all staff have the ability to backdate charges.

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; 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, one manual receipt altered to lower amounts (\$10 less cash) instead of properly voiding the manual receipt and reissuing.

A sample review of computer receipts and deposit/closeout procedures revealed: a total of five deposits out of a sample population of five deposits (100 %) had delays of two to three business days between the Odyssey transaction receipt date and the Odyssey deposit date; one receipt was delayed in voiding the receipt and re-entering funds for 10 days.

A sample review of tills, closeouts, and deposits revealed: eight out of a sample of fifteen (53%) adjustment tills closed but not included in an Odyssey deposit; one till had a deposit backdated; adjustments were 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.

Assessments – A sample review of manual overrides, initial filing fees/other county charges, reversed charges, charge reductions, and credits revealed: payments received through the mail are inconsistently recorded on the check log and not reconciled to Odyssey to ensure accuracy and completeness; four check payments, per the department check log, were incorrectly posted to Odyssey as "Payment (Case Fees)"; instances of adjustments without explanations in the Odyssey financial comment field; adjustments were entered by non-supervisory personnel.

Electronic Transactions – A sample review of E-filing and Legal Ease transactions revealed 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; cases with NSF checks not consistently flagged in Odyssey; and, the \$30 NSF fee not assessed to the corresponding case in Odyssey.

RECOMMENDATIONS:

Cash Management

Financial Set-Up/System Controls –All rights and roles should be periodically reviewed to ensure users have only the rights necessary to perform their core job functions.

Management Response: *It is our understanding Odyssey's current basic configuration for clerks with data entry capabilities includes the right to backdate charges. This right may not be removed without impacting the clerk's ability to perform the essential functions of the job. To help manage this and other risks, the Division's Assistant Manager now conducts internal audits of random cases to review all case activities (including financials).*

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 there was a 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.

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.

Management Response: *Due to the FY13-14 findings and recommendations, Civil Division had adopted adding manual receipt information into Odyssey as part of its business processes. It is business process for the manual receipts to be posted into Odyssey as soon as the case management system becomes operational. All receipt books in the control of the Civil Division are maintained by the Support Service Supervisor. For computer receipts and closeout/depositing are concerned, our current business process is to deposit funds the next business day after they are received except in cases when we are resolving a discrepancy. Due to transaction times between eFileTexas, Chase Bank and Bank of America, e-filing till deposits will always be delayed two business days. It is also our current business process to deposit all adjustment tills. Backdating till deposits should not occur in most cases. However, due to limitations in our case management system some adjustment tills can only be deposited using a weekend date. In addition, some charges and payments must be backdated to resolve data entry errors that are found at a later time in a way that maintains the accuracy of the case activity. For computer receipts, we are not familiar with why Odyssey computer generated receipts were skipped. For computer receipt voids, we have requested additional information that will help us to respond to this finding. For adjustments, our current business process limits adjusting and voiding to supervisory and management staff. For cash handling, Civil Division employees are required to close their tills daily. Verification occurs by the Support Service Supervisor when the deposit is made. Our current safe is combination only. It is kept in a locked room and is only accessed in the presence of two people (at least one Management). It is our understanding adjustments are limited by rights and roles. We will be reviewing our business processes to find a way to implement as many of the recommendations as possible.*

Assessments –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 indigence 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: *Our current business process is to log all checks that are received via mail. We maintain two mail check logs: One for checks that stay in the Civil Division and another for checks that are delivered to Civil, but belong to other departments or divisions. Civil checks received by mail that must be returned to the sender are logged in the first mail log. In these cases, it is possible there would be no traced receipting in Odyssey. We will remind all clerks to use the correct payment type when entering checks received via mail in Odyssey. At this time, only supervisors and managers reverse charges.*

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: *The Civil Division no longer uses Legal Ease. E-filed credit card transactions are automatically entered and receipted into Odyssey at the time the envelope is accepted in eFileTexas. The funds are taken by eFileTexas Bank, Chase Bank, Bank of America and we receive confirmation of the deposit within two-business days. E-file tills are deposited by the clerks on the second business day after funds paid to eFileTexas by filer (unless there is a discrepancy that cannot be quickly resolved) once we receive confirmation of the funds from Bank of America. This portion of the process is out of the control of the Civil Division.*

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 listed. 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. Though not in writing, we have a forma, coordinated process established with the Treasurer's Office to resolve NSF matters. We will work with the Treasurer's Office to develop a written business process. Odyssey does have the capabilities of tracking flagged items.*

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