



DALLAS COUNTY COUNTY AUDITOR

Memorandum

To: Honorable John F. Warren
County Clerk

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

Subject: Truancy South 9-1 - Review for Fiscal Year 2015

Date: *Issued: August 9, 2017*
Released: September 13, 2017

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 2015 (October 1, 2014 to September 30, 2015) with an internal control procedures walkthrough completed in 2017. 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 our 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.)

Beginning in March, 2017, Truancy Central Court 9-3 and Truancy West 9-5 were permanently closed. The cases for Truancy Central were divided between Truancy South 9-1 and Truancy North 9-2. All cases for Truancy West were sent to Truancy South. The FY15 review for Truancy West has been incorporated into the FY15 Truancy South review. The FY15 review for Truancy Central was previously issued.

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 2015 (October 1, 2014 to September 30, 2015), the Truancy Court processed:

- 6,940 computer receipts totaling \$277,566.71
 - 2,909 class C misdemeanors (parents contributing to truancy)
 - 4,031 (failure to attend school)

FINDINGS

Cash Management

Receipts – Computer / Manual – A sample review of computer receipts, computer receipt procedures, and adjustments revealed: one computer generated receipt was skipped in sequence in Odyssey during a three month period, and one original voided receipt was not marked “void”; adjustment transactions are not entered in a separate adjustment till, but combined with daily transactions; there were adjustment transactions without entry of the reason codes for the adjustment in Odyssey’s Financial Comment field; entry of adjustments are not limited to the supervisor or manager; and comparison of Odyssey transaction receipt dates and Oracle deposit dates revealed one deposit was back dated in Odyssey.

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 of 10 adjustments (reversed charges, charge reductions, waivers and reverse charge reductions) and a sample review of eight credit transactions revealed: entry of reductions, waivers, and credits are not limited to the supervisor or manager, were without the reason noted in Odyssey’s Financial Comment, and in the event tab, credits noted without any detail in the case jacket.

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.

Credit Cards – A review of three 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: one case in which an overpayment should be refunded to defendant, however, an improper adjustment to the case balance resulted an overstatement of the escrow amount.

Processing/Reporting

Collection/Billing – A review of departmental processes and responses to the ICQ revealed: a lack of separation of duties between the billing and the collections functions, and they lack written procedures.

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. Manual receipt writing duties should be limited to Odyssey ‘downtime’ and access to cash limited to establish proper accountability and strengthen internal control.

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.

A 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.

Management Response: *The Supervisor observes the Bookkeeper count the money at the end of the business day. The Supervisor monitors the computer receipt tape and also checks the tills to ensure that all tills are reconciled and closed daily. The Bookkeeper deposits the money in the safe and the Supervisor checks to ensure that the deposits are safe and secured daily. A “voided receipt” form was created and must be signed by the user and the next level up on the management team. The detailed explanation of the void should be entered into Odyssey. In regards to the division of duties for monetary management they are in the process of being reassessed. We will work with Accounting and Trust to ensure correct rights and roles are recognized.*

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 so 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.

Management Response: *The Judge requires that the defendant complete a form entitled, “Application for Time Payment, Extension, or Community Service”, to determine if the defendant is indigent”. The Supervisor or Bookkeeper do not have any authority to reduce and portion of the fine and court cost. All credits or reductions are at the Judge’s discretion and entered into Odyssey. In regards to the process for adjustment tills it is in the process of being reassessed. We will work with Accounting and Trust to ensure correct rights and roles are recognized with adjustment tills.*

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.

Management Response: *Credit card payments occur online and are monitored daily for accepted or rejected payments. Approved credit card payments are entered in Odyssey daily with the confirmation number and the case number from the Truancy Court. The information is listed under the Events Tab in Odyssey with a “paid in full” or partial payment comment. The credit card payment is receipted with a balance due letter to the defendant and sent through the U.S. mail.*

Escrow Fund – Overpayments over \$10 should be refunded to the defendant. Access to Oracle Financials AP Inquiry should be requested for authorized and designated personnel based on job responsibilities.

Management Response: *Supervisor will review adjustments to ensure proper statement of account balances.*

Processing/Reporting:

Collection/Billing – Established billing procedures should include: supervisory review; billing of all receivables due Dallas County; and, process assessments, credits, waivers, and charge reductions in accordance with statutory authority including orders of the court, etc.

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 84th 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
Darryl Martin, Commissioner's Court Administrator
Ryan Brown, OBE