

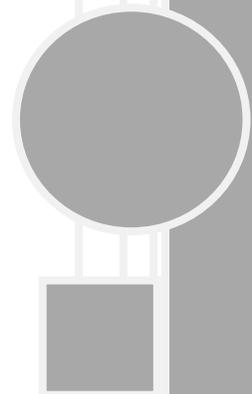


AUDIT REPORT

DALLAS COUNTY

COUNTY CLERK CIVIL -FY2019

Darryl D. Thomas
Dallas County Auditor
ISSUED: April 30, 2020
RELEASED: June 22, 2020



COUNTY CLERK CIVIL - FY2019

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This report is intended for the information and use of the agency/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



DALLAS COUNTY
COUNTY AUDITOR

MANAGEMENT LETTER

Honorable John Warren
County Clerk
Dallas, Texas

Attached is the County Auditor's final report entitled "**County Clerk Civil -FY2019**" Report. In order to reduce paper usage, a hard copy will not be sent through in-house mail except to the auditee.

If you prefer that released reports be emailed to a different (or additional) recipient, please inform me of the name and the change will be made.

Respectfully,

A handwritten signature in blue ink that reads "Darryl D. Thomas". The signature is written in a cursive style.

Darryl D. Thomas
County Auditor

EXECUTIVE SUMMARY

A review of the County Clerk Civil Division for fiscal year 2019 revealed the following significant observations listed below:

Summary of Significant Observations

- None identified

Repeat Observations from Previous Audits:

- Cash count variances
- Delays in posting special fund disbursements.
- Computer receipts voided more than 30 minutes after initial system entry
- Tex-file tills not deposited timely
- Delays in depositing funds

Only those weaknesses which have come to our attention as a result of the audit have been reported. It is the responsibility of the department management to establish and maintain effective internal control over compliance with the requirement of laws, regulations, and contracts applicable to the department.

INTRODUCTION

Dallas County Auditor's Office mission is to provide responsible, progressive leadership by accomplishing the following:

- Comply with applicable laws and regulations
- Safeguard and monitor the assets of the County utilizing sound fiscal policies
- Assess risk and establish and administer adequate internal controls
- Accurately record and report financial transactions of the County
- Ensure accurate and timely processing of amounts due to County employees and vendors
- Set an example of honesty, fairness and professionalism for Dallas County government
- Provide services with integrity
- Work in partnership with all departments to resolve all issues of the County
- Strive to utilize the latest efficient and effective technology in the performance of tasks
- Provide technical support and training in the development, implementation, and maintenance of information systems
- Hold ourselves accountable to the citizens of the County at all times
- Be responsive to the elected officials and department heads of Dallas County

The objectives of this audit are to:

1. Ensure compliance with statutory requirements
2. Evaluate internal controls
3. Verification of accuracy and completeness of reporting
4. Review controls over safeguarding of assets

This audit covered the period of October 1, 2018 through September 30, 2019.

The audit procedures will include interviews with key process owners, observation of transactions processing, data analysis and sample testing of transactions. The main system used will also be reviewed and incorporated as part of the testing of transactions.

DETAILS

Computer Receipts, Deposits and Legal Ease

A review of all County Clerk Civil and Central Records computer receipt voids processed during fiscal year 2019 revealed three cash computer receipts were voided and re-issued for \$31 less than original amount; three cash payments totaling \$28 were voided and not re-issued; and 15 computer receipts totaling \$2,577 were voided 30 minutes or more after the issuance of the original receipts.

A sample review of tills, closeouts, legal ease, and deposits processed during fiscal year 2019 revealed transactions for four business days totaling \$42,898 were deposited in Odyssey two or more business days after the initial Odyssey transaction date; six adjustment tills were closed in Odyssey but not included in a deposit timely including deposit delays which ranged from 11 to 95 business days; one deposit exceeded three business days between the computer receipt date and the deposit date; and one Legal Ease transaction deposited in excess of three business days after the initial computer receipt date.

A review of the County Clerk Civil Internal Control Questionnaire (ICQ) revealed all clerks have the ability to backdate charges, which may lead to limited accountability for the posting of financial transactions to accounts.

Best practices regarding the receipt process indicate that all voids should be reviewed daily by supervisory personnel at least one level above employee that voided the payment. All monies received should be promptly receipted and deposited properly, and timely in accordance with Local Government Code § 113.022. All tills should be reconciled daily and included in an Odyssey deposit through the Odyssey Deposit Management functionality. The ability to backdate charges should be disabled for users. Inconsistent management oversight and incomplete controls over the receipting, voiding and depositing process resulted in delayed revenue recognition and increased the potential that funds could be misappropriated.

Recommendation

Computer Receipts, Deposits and Legal Ease

Management should:

- Develop closeout and balancing procedures emphasizing that funds are deposited the next business day after receipt and requiring managerial review to ensure tills are closed daily.
- Ensure all tills are closed and deposited daily.
- Periodically review system reports and daily work for accuracy and staff compliance to established policies and procedures.
- Develop procedures and documentation incorporating controls such as dual sign-off on voids, receipt corrections, supervisory review.
- Disable all set-up related to the backdating of charges.
- Review user access lists to assess necessary levels of control-access are valid.

Management Action Plan

- Management will review and adjust our business process to comply with voids being completed within 30-minutes of being posted,
- Management will put greater effort into cross training other supervisors on financial functions so the current supervisor has support and processes are not delayed the times she is unavailable,
- Management will continue to communicate pro-actively with the County Clerk Trust and Auditor's Office if our deposits are delayed. Management will also develop checks and balances to ensure issues causing delayed deposits or adjustments are resolved as quickly as possible and the deposit is completed,
- Management will remind financial clerks of the importance of data entry accuracy. Entering information incorrectly the first time will prevent the need for voids and re-issuances.

Auditors Response

None

Cash Counts

A review of cash counts of County Clerk Civil and Central Records' deposits received at the Treasurer's Office during fiscal year 2019 revealed three deposits were received for \$90.46 less than the system control total due to checks that were receipted for the numeric amounts instead of the legal written amounts. **Status: Customers brought in replacement checks on two of the deposits and an adjustment was done to correct one deposit.**

All monies received should be promptly receipted and deposited consistent with Local Government Code, § 113.022. Receipts should be verified for accuracy of amount, payment type, case number, and payer before issuing to a customer and checks are receipted for the legal written amount. Lack of management oversight, clerical errors, and inconsistent training related to cash management have resulted in delays in revenue recognition and may result in financial losses to Dallas County for unrecoverable amounts paid for services already rendered.

Recommendation

Cash Counts

Management should:

- Establish written procedures for proper cash handling, which emphasize that checks

are to be receipted for the written legal amount and the elements of a complete financial instrument are present.

- Total and balance the funds on hand to the system receipt control totals at the end of each business day. Receipt tapes for check totals should be calculated using the written legal amount and verified against the receipt control total. Receipt and deposit totals should be verified by supervisory personnel.

Management Action Plan

- All clerks and management will be reminded of the importance of taking time to examine (versus just looking) at each form of payment given to them.

Auditors Response

None

Reverse Charges Posting Errors and Mail Log

A sample review of reverse charges, charge reductions and reverse charge reductions during fiscal year 2019 revealed three reverse charges were processed by non-supervisory employees. A sample review of the mail log maintained during fiscal year 2019 revealed four checks totaling \$2,174 were receipted in Odyssey two or more business days after the entry date on the mail log including one check for \$1,120 that was receipted after 23 business days. Additionally, the case number associated with one payment was listed incorrectly on the mail log.

Best practices related to reverse charges and charge reductions indicate adjustments to assessments should be made that both good internal control and audit trails are maintained. Processing of financial transactions should reflect proper segregation of duties such that users with roles/rights to receipt or void payments are able to add additional charges, but not modify, reduce, or delete assessments. All monies received including mail payments should be promptly receipted and deposited consistent with Local Government Code, § 113.022. Checks should be receipted for the legal written amount and the mail log should accurately reflect the details of payments received through the mail. A lack of management oversight, incomplete internal controls over the assessment and reduction process, and an inadequate segregation of duties have resulted in delayed revenue recognition and increased the risks that funds could be lost or misappropriated.

Recommendation

Reverse Charges Posting Errors and Mail Log

Management should:

- Limit user roles granting rights to process charge reductions and charge reversals. User access requirements should correspond to the least rights necessary to

perform core job functions.

- Periodically compare payments details recorded on the mail log to receipting in Odyssey for accuracy, appropriateness, timeliness, and staff compliance to established policies and procedures.

Management Action Plan

- We will review employee rights and roles for non-management staff who have the ability to perform supervisory tasks to determine if the access can be removed without restricting their ability to perform essential functions do their job.
- We will remind staff who currently have access to perform supervisory tasks that they must not use this access or they will face the appropriate level of corrective action.

Auditors Response

None

Financial Set Up and Controls

A limited review of the Odyssey Case Management System financial set-up and user access for County Clerk Civil and Central Records during fiscal year 2019 revealed one active till associated to a user no longer employed in the County Clerk Civil section.

Best practices indicate all set-up related to financial systems should be end-dated or disabled once codes are no longer used to limit potential posting errors. Limited management review of the user access lists may lead to limited accountability for the posting of financial transactions to accounts belonging to terminated/transferred employees and increased the risk that funds may be misappropriated.

Recommendation

Financial Set Up and Controls

Management should:

- Mark the inactive box to terminate/deactivate Odyssey user's accounts. All assigned cashier stations and tills should be de-activated when users are no longer employed in the Civil section.
- Request user access for ex-employees or reassigned employees be disabled with a follow-up occurring to ensure user account was disabled.
- Periodically perform self-review of active accounts confirming timely deactivation

for separated / transferred employees.

Management Action Plan

- Management will formally request Team Odyssey to close out tills and cashier stations each time an employee ends their employment with the Dallas County Clerk's Office.

Auditors Response

None

cc: Darryl Martin, Commissioners Court Administrator