

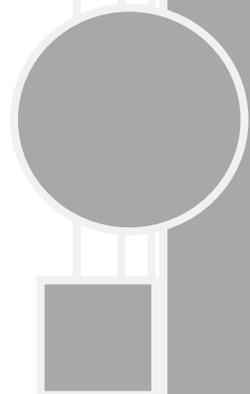


AUDIT REPORT

DALLAS COUNTY

COUNTY CLERK PROBATE - FY2018

Darryl D. Thomas
Dallas County Auditor
ISSUED: May 16, 2019
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COUNTY CLERK PROBATE - FY2018

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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 Probate - FY2018**" 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 fluid and cursive.

Darryl D. Thomas
County Auditor

EXECUTIVE SUMMARY

A review of County Clerk Probate for fiscal year 2018 revealed the significant observations listed below:

Summary of Significant Observations

- 17 checks dating back to January 2018 totaling \$282,621.96 had not been restrictively endorsed or deposited.
- Transactions for six days totaling \$10,180 were deposited in Odyssey two or more business days after the initial Odyssey transaction date.
- The lead cashier is responsible for recording entries on the check mail log and receipting the checks.
- Computer receipts were voided more than 30 minutes after the original transaction.
 - Four receipts re-issued for less than the original transaction amount.
- Two receipts re-issued one day after being voided.

Repeat Observations from Previous Audits:

- Delays in posting Special Fund disbursements.
- Manual receipt numbers were not recorded in the Odyssey Comment field.
- Computer receipts voided and re-issued more than 30 minutes after original transaction.
- Affidavits of Inability to Pay not noted on the Odyssey Event tab.
- Funds on hand for deposits received at the Treasurer's Office were less than the system control total.

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, 2017 through September 30, 2018.

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

Un-Receipted Checks and Cash Overages

During an unscheduled cash count on March 28, 2019, 17 checks dating back to January 2018 totaling \$282,621.96 had not been restrictively endorsed or deposited and \$101.23 in cash from customer change that had not been returned was located in a deposit bag in the County Clerk Probate safe. **Status:** After Internal Audit notified management, the un-receipted checks totaling \$261,073.23 were receipted on April 1, 2019 and April 5, 2019, with the exception of one check totaling \$21,548.73 which was sent back to the payer. The unidentified cash was deposited to the overage account on March 28, 2019.

All monies received should be promptly receipted and deposited properly, and timely in accordance with Local Government Code, § 113.022. Unidentified funds should be deposited to the overage/shortage account daily. According to Local Government Code, § 117.052, if a depository has been selected, a county clerk or district clerk who is to have for more than three days legal custody of money deposited in the registry of the court pending the result of a legal proceeding shall deposit the money in the depository. Per Local Government Code, § 117.083, if registry funds held by a county clerk or a district clerk and deposited by the county with a selected depository are lost for any reason, including a loss due to the insolvency of the depository, the county is liable to the rightful owner of the funds for the full amount of the funds due the owner. Additionally, Local Government Code, § 117.124 indicates a clerk is responsible for the safety of funds before deposit in a depository.

A lack of written cash handling and receipting procedures and incomplete training to compensate for the increased employee turnover resulted in delayed revenue recognition and incomplete/inaccurate financial records. Lack of management oversight of internal control procedures related to cash handling increased the potential that funds may be misappropriated resulting in a liability to Dallas County for the loss of registry funds.

Recommendation

Un-receipted Checks and Cash Overages

Management should:

- Establish written policies and procedures for cash handling responsibilities, which emphasize that receipts should be issued for all money received. No money should ever be accepted without immediately issuing an official Dallas County receipt.
- Ensure funds are receipted to the registry pending the outcome of any legal proceedings.
- Ensure collected funds are submitted to the County Treasurer the next business day after receipt or no later than the fifth business day.

Management Action Plan

We agree with the Findings. The checks were for a court case in process and management was waiting for an Order to deposit. Upon receipt of an Order, funds were

deposited. Procedures and training to ensure cash handling responsibilities are properly done and have been completed. Management is scheduled for several weeks of additional training scheduled to begin the end of June.

Auditors Response

None

Cash Counts and Deposits

A review of cash counts of County Clerk Probate deposits received at the Treasurer's Office during fiscal year 2018 revealed two deposits were \$14 less than the system control total due to the receipt of checks that were recorded using the numeric amount instead of the legal written amount.

A sample review of tills, closeouts, and deposits during fiscal year 2018 revealed transactions for six days totaling \$10,180 were deposited in Odyssey two or more days after the Odyssey transaction date; seven tills were deposited with the Treasurer's Office between three and 31 days after being closed; two tills were closed and re-opened in Odyssey before being deposited; two Texfile tills were closed in Odyssey 12 days after the create date; and six deposits exceeded three business days from the computer receipt date.

A review of E-filing and Legal ease transactions during fiscal year 2018 revealed nine E-filing tills with a three or more business day delay in depositing with the Treasurer's Office; one Legal Ease deposit exceeded three or more business days from the original receipt date; the department did not maintain Legal Ease documentation for two deposits; and two receipts did not have the approval code noted in Odyssey.

All monies including E-filing and Legal ease submissions 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. Checks are receipted for the legal written amount. The eFileTexas.gov inbox should be reviewed daily to accept or reject submitted filings. E-filing tills should be reconciled against eFileTexas.gov daily reports, closed, and added to the appropriate deposit daily with a separate deposit form 98 submitted to the County Treasurer. Lack of management oversight, clerical errors, and inadequate training related to cash management have resulted in delays in revenue recognition, inaccurate case balances, and incomplete financial records.

Recommendation

Cash Counts and Deposits

Management should:

- Establish written policies and procedures for cash handling responsibilities, which emphasize that receipts are issued for all money received and checks are to be receipted for the written legal amount. No money should ever be accepted without immediately issuing an official Dallas County receipt.
- Emphasize that staff 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.

- Generate the Odyssey Till Balance Report daily for each cashier to ensure each till has been closed timely and included in the deposit.
- Generate the CWR DC13 Report to verify all deposits have been processed.

Management Action Plan

We agree with the Findings. Training has been completed with staff. Additionally, the Management Team will be more stringent on the oversight of deposits ensuring totals are based on the legal written amount on checks being deposited. Management policy is to make timely deposits; however, some deposit delays may result if transactions must be reconciled with corresponding bank reports before the deposits are finalized.

Auditors Response

None

Computer and Manual Receipts

A review of all 71 County Clerk Probate computer receipts voided during fiscal year 2018 revealed 37 computer receipts were voided more than 30 minutes after the original transaction; four computer receipts voided more than 30 minutes after the original transaction and re-issued for less than original amount; two computer receipts voided and re-issued one day later; ten computer receipts voided and re-issued due to the original transaction being receipted to the incorrect till; and one cash receipt does not have a valid payer name listed in Odyssey.

A review of all 28 manual receipts issued during fiscal year 2018 revealed two voided manual receipts did not have a reason for void noted and five manual receipt numbers were not recorded in the Odyssey Comment field.

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 (L.G.C.), § 113.022. Incomplete controls over the receipting and voiding process resulted in delayed revenue recognition and increased the potential that funds could be misappropriated.

Internal control procedures indicate that all manual receipts should be accounted for and properly used, include supervisory review, kept in numeric order, have the corresponding computer receipt attached, posted and deposited daily in accordance with Local Government Code, § 113.022. Manual receipts should not be altered, but properly voided and affixed with a reason for the void with retention of all voided copies. Once the system is restored, the payments are posted to the system and the manual receipt numbers are entered into the Odyssey Comment field. Inconsistent supervisory enforcement of recommended manual receipting control procedures has resulted in incomplete financial records.

Recommendation

Computer and Manual Receipts

Management should:

- Develop procedures and documentation incorporating controls such as dual sign-off on voids, receipt corrections, supervisory review.
- Periodically review system reports and daily work for accuracy and staff compliance with established policies and procedures.

Management Action Plan

We agree with the Findings that two computer receipts were voided without a reason noted and five manual receipts were not recorded in the comment field. We will move forward with the audit recommendations to note the reason for all voided and manual receipts.

Auditors Response

None

Cash Management

A review of department responsibilities related to the check mail log revealed the lead cashier is responsible for the check mail log and receipting the checks. Risks identified during a walk-through of the department's deposit process and a review of the department's responses to the Internal Control Questionnaire (ICQ) revealed the lead cashier has the ability to close-out other clerk's tills in Odyssey; supervisory staff did not review the Till report to ensure all tills had been closed and deposited; VeriFone Credit Card daily amounts were not deposited daily but combined into multiple days' deposits; E-Filing amounts were not deposited daily; the E-Filing or VeriFone credit card deposits were not reviewed by supervisor team; and the cashier took the deposit bag to the Treasurer's Office unaccompanied.

All monies received should be promptly receipted and deposited consistent with Local Government Code, § 113.022. Best practices result in segregation of duties between custody and distribution of checks and the receipting of those checks. At the end of the business day, the system control totals should be compared to the funds on hand. Corrections should be made such that both good internal control and audit trails are maintained. Receipt and deposit totals are verified by a supervisor with verification evidenced by signature or initial on control documents which are retained in accordance with Records Retention guidelines. Control documents presented are signed-off on by both the cashiers and the cashiers' supervisor. Lack of management oversight; lack of written deposit procedures; and inadequate training related to cash management may result in delayed in revenue recognition, increased potential that funds may be misappropriated, and incomplete/inaccurate financial records.

Recommendation

Cash Management

Management should:

- Establish written procedures for proper depositing processes.
- Assign the logging of checks on the mail log to an employee without receipting rights.
- Request additional training for employees on systems used in daily job requirements.
- Ensure collected funds, including VeriFone Credit Card and TexFile payments, are submitted to the County Treasurer the next business day after receipt or no later than the fifth business day.
- Periodically review system reports and daily work for accuracy and staff compliance to established policies and procedures.
- Review the Odyssey Till Report at the end of the day to ensure all tills have been closed and reconciled.

Management Action Plan

We agree with the Findings. A Mail Log process has been implemented to meet audit recommendations. Management will ensure a proper separation of duties and review of financial transactions.

Auditors Response

None

Financial Set-Up

A limited review of the Odyssey Case Management System financial setup and user access for County Clerk Probate during fiscal year 2018 revealed eight active tills associated to users who were no longer employees in the County Clerk Probate section. **Status:** After being notified by Internal Audit, management de-activated the tills. Best practices indicate all set-ups 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

Management should:

- End-date and check mark the inactive box to terminate 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 follow-up occurring to ensure user account was disabled.
- Periodically perform review of accounts to confirm timely deactivation for separated / transferred employees.

Management Action Plan

We agree with the Findings. While previous employees no longer had access to the system, management has taken action to de-activate tills of previous employees and implemented processes to maintain audit recommendations.

Auditors Response

None

Special Fund Disbursements

A sample review of Special Fund 501 disbursements issued during fiscal year 2018 revealed 10 disbursements were posted to Odyssey four or more business days after issuance and one disbursement was not posted to Odyssey. All Special Fund disbursements should be accounted for, issued to the proper payee for the correct amount in a timely manner, posted timely and accurately to Odyssey and issued in accordance with Local Government Code § 117.121. Lack of management oversight over the reconciliation of non-integrated financial systems to timely identify and resolve clerical errors may result in inaccurate case balances and increase the potential that duplicate disbursements may be issued.

Recommendation

Special Fund Disbursements

Management should:

- Generate a daily Odyssey Transaction Listing report for disbursements and compare the report to the disbursement file received from the Treasurer's Office to confirm all checks have been posted to Odyssey in the correct amounts and to the correct cases.
- Develop written procedures for the disbursement process.

Management Action Plan

We agree with the Findings that disbursements were posted to Odyssey four or more days after issuance. The check noted in the Report was posted on 10/12/2018. We will add audit recommendations to existing processes. Checks are issued weekly and the Accounting and Trust Division reviews the disbursements to ensure disbursements are entered into the system prior to the next check run to decrease the potential of duplicate disbursements.

Auditors Response

None

Reverse Charges Posting Errors

A sample review of adjustment transactions for reverse void, reverse payment, adjustment, reverse miscellaneous payment; and/or reverse adjustment created during fiscal year 2018 revealed two transactions with adjustments were entered by non-supervisory staff including one case that did not have a comment noted in Odyssey for the reversal and an Inability to Pay credit erroneously posted; and one case with an adjustment that should have been voided instead of reversed.

A sample review of reverse charges for Mental Illness cases processed during fiscal year 2018 revealed nine reverse charges on Mental Illness cases were entered by non-supervisory staff.

Best practices related to reverse charges and charge reductions indicate adjustments to assessments should be made so 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; and all corrections should include a complete and valid explanation in the comment field. Incomplete internal controls over the assessment and reduction process and an inadequate segregation of duties increased the potential for revenue loss for Dallas County.

Recommendation

Reverse Charges Posting Errors

Management should:

- Limit user roles granting rights to process charge reductions, credits, and reversals. User access requirements should correspond to the least rights necessary to perform core job functions.
- Establish written procedures for all the responsibilities of the County Clerk's Probate division in order to strengthen the office's internal control and improve efficiency. (This is especially critical for those responsible for financial activities such as assessing charges, reducing assessments, and/or receipting payments). These procedures and the employees' adherence to them in the performance of their work should be periodically reviewed by the appropriate supervisory staff in order to effectively maintain good internal control.

Management Action Plan

We agree with the Findings. Management is scheduled for additional training that will focus on corrections, reversals, and voiding entries beginning the end of June.

Auditors Response

None

Mental Illness Credits

A sample review of 15 Mental Illness cases granted credit waivers for fees during fiscal year 2018 revealed three Mental Illness cases receiving credit waivers totaling \$672 did not have the credit noted on the Odyssey Event tab; and one Mental Illness case totaling \$224 did not have a reason for the credit noted in the case jacket or on the Odyssey Event tab. Best practices related to docketing credits and waivers in Odyssey indicate that approved *Affidavits of Inability to Pay* and other credit waivers are notated on the Event tab in Odyssey for Mental Illness cases. Lack of management oversight over the updating of the Event tab when Inability to Pay and other credit waivers are granted has resulted in inaccurate/incomplete case records and increased the potential that funds may be misappropriated.

Recommendation

Mental Illness Credits

Management should:

- Establish written procedures for the processing of credits and waivers.
- Periodically review credit waivers to ensure that the transactions are processed in accordance with the state law and properly docketed in Odyssey.
- Request changes to the Odyssey set-up such that an entry is automatically posted to the Events tab when credits or waivers are entered in Odyssey Financials.

Management Action Plan

We agree with the Findings. We will move forward with audit recommendations regarding oversight over updating the Event tabs with Inability to Pay and other credit waivers.

Auditors Response

None

cc: Darryl Martin, Commissioners Court Administrator