

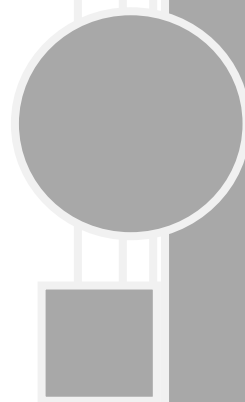


# AUDIT REPORT

DALLAS COUNTY

COUNTY CLERK RECORDING - FY2018

Darryl D. Thomas  
Dallas County Auditor  
ISSUED: July 18, 2019  
RELEASED: August 16, 2019



# COUNTY CLERK RECORDING - 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 Recording - 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, appearing to read "Darryl D. Thomas", is written over a light blue horizontal line.

Darryl D. Thomas  
County Auditor

## **EXECUTIVE SUMMARY**

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

### **Summary of Significant Observations**

- Delays in depositing funds including \$18,811.50 in cash
- Non-supervisory employees with system roles to adjust/reverse receipts
- Employees do not periodically change system passwords.

### **Repeat Observations from Previous Audits**

- Delays in depositing transactions.
- Non-supervisory employees with system roles to adjust/reverse receipts
- Reason not noted for voided computer receipt transaction
- Manual receipt numbers not recorded in AiLis

**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

### **Computer Receipts Voids, Deposits and Adjustments**

A review of all transactions deposited during fiscal year 2018 and a sample review of adjustments/reversals and voids revealed that the receipts for three days were deposited four or more business days after the initial transaction date including \$18,811.50 in cash; six adjustments were performed by non-supervisory employees; and one voided computer transaction did not indicate a reason for the void. All monies received should be promptly receipted and deposited consistent with Local Government Code, § 113.022. Receipts should be verified for accuracy of amounts, payment type, case number, and payer before issuing to a customer. Receipts are properly voided with a reason for the void recorded to the computer system and retention of all voided copies. All voids should be reviewed daily by supervisory personnel at least one level above employee that voided the payment. Processing of financial transactions should reflect proper segregation of duties. Adjustments to assessments should be made so that both good internal control and audit trails are maintained. A lack of management oversight of the depositing procedures and incomplete controls over the adjustment process resulted in delayed revenue recognition and increased the potential that funds could be misappropriated.

### **Recommendation**

#### **Computer Receipts Voids, Deposits and Adjustments**

Management should:

- Establish business processes or system enforced roles that prevents an employee from having the ability to both enter and adjust receipts.
- Periodically review system reports and daily work for accuracy and staff compliance with established policies and procedures.
- Deposit funds the next business day consistent with Local Government Code § 113.022.

### **Management Action Plan**

All monies will be deposited no more than two days after the initial transaction date. If that is not possible, the Bookkeeper will brief the Management Team on why and will also contact the Treasurer's Office to inform them. The voided transaction was an isolated oversight. The manager will do a daily void review to ensure it remains isolated. Two Grade 6 positions (Lead Cashier and Bookkeeper) have rights to void transactions. This delegation of responsibility keeps the workload from piling up on the Management Team.

### **Auditors Response**

None

## **Credit Card Processing and System Controls**

A sample review of point-of-sale (POS) credit card transactions and postings to the AiLis receipting system revealed credit card transactions totaling \$1,847 were deposited two business days after the settlement date and one credit card transaction number was not recorded on the AiLis receipting system. All credit card transactions should be deposited the next business day in accordance with Local Government Codes, § 113.022 and 113.021. Transactions should be recorded to the receipting system with the payer name, items purchased, amount, tender type and credit card transaction number when applicable. Accounting and system control procedures require daily reconciliation and balancing of collected funds, including supervisory review. Lack of management oversight of the credit card process has resulted in delayed revenue recognition and incomplete financial records.

Department responses to the Internal Control Questionnaire (ICQ) identified that employees do not periodically change system passwords. System functionality/setup (and departmental policy) should include mandatory password changes at least every 60 days. Password criteria should include a minimum eight character length including alpha, numeric, and special characters/symbols. The lack of system required password changes poses a potential data security risks; should a password become compromised it may be used to access system information indefinitely.

### **Recommendation**

#### **Credit Card Processing and System Controls**

Management should:

- Periodically review the credit card settlement report and batch deposit for accuracy, timeliness of processing, and staff compliance to established policies and procedures.
- Explore system enhancements to enforce periodic password changes.

### **Management Action Plan**

All monies will be deposited no more than two days after the initial transaction date. If that is not possible, the Bookkeeper will brief the Management Team on why and will also contact the Treasurer's Office to inform them. The credit card transaction not being recorded to the receipt system is a clerical error. The importance of completely filling in all required information has been re-emphasized to all cashiers.

### **Auditors Response**

None

## **Manual Receipts**

A review of 20 manual receipts issued during fiscal year 2018 revealed 20 manual receipt numbers were not recorded in the Comment field on the associated AiLIS system receipt. 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, and are posted and deposited daily in accordance with Local Government Code, § 113.022. Manual receipts should only be used during system downtime reflecting the appropriate service provided, payer, check number and amount paid (associated document

number is not available until system is available). Once the system is restored, the payments are posted to the system and the manual receipt number is entered into the Comment field. A lack of supervisory oversight and written manual receipt procedures has resulted in incomplete financial records.

**Recommendation**

**Manual Receipts**

Management should:

- Establish written procedures for processing manual receipts.
- Periodically review manual receipt books for completeness and proper posting to AiLIS.

**Management Action Plan**

Written procedures for processing manual receipts will be established to include loading manual receipt numbers into the system and periodic review of the manual receipt book.

**Auditors Response**

None

cc: Darryl Martin, Commissioners Court Administrator