

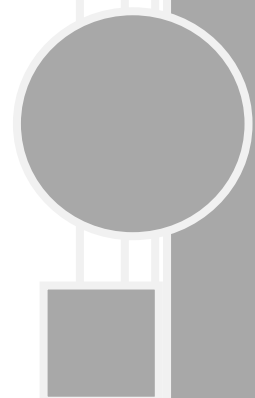


AUDIT REPORT

DALLAS COUNTY

COUNTY CLERK TRUANCY 9-1, 9-2 AND 9-4 - FY2018

Darryl D. Thomas
Dallas County Auditor
ISSUED: July 03, 2019
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COUNTY CLERK TRUANCY 9-1, 9-2 AND 9-4 - 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 Truancy 9-1, 9-2 and 9-4 - 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".

Darryl D. Thomas
County Auditor

EXECUTIVE SUMMARY

A review of Truancy North, South and East locations for fiscal year 2018 revealed the following significant observations.

Summary of Significant Observations

- No significant observations identified

Repeat observations from Previous Audits:

- Delays in recording manual receipts to Odyssey.
- Delays in posting credit card transactions.
- Odyssey adjustments/reversals performed by non-supervisory employees.
- Comments not entered for adjustments/reversals.
- Credits not notated in Odyssey Events tab.

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

Receipts

A sample review of manual and computer receipts issued during fiscal year 2018 revealed Truancy South 9-1 had two manual receipts that were posted to the Odyssey system two business days after the initial receipt was issued; Truancy North 9-2 had one case with a reverse adjustment that was not performed by a supervisor; and on three days, the courier pick-up date for the deposit was not indicated on the Customer Consignment Log.

Specific controls related to receipting indicate that all monies received should be promptly receipted and deposited consistent with Local Government Code § 113.022 and the Code of Criminal Procedure § 103.004. Formal approval should be required before adjustments are processed to Odyssey. Financial transactions should reflect proper segregation of duties related to the assessment and reduction of fees (automatic and manual) and receipting of payments. The bookkeeper should be able to add additional charges, but not modify and delete charges. Inconsistent controls over the receipting of funds and a lack of segregation of duties related to adjustments due to management granting incompatible system roles has resulted in delayed revenue recognition and increased the potential that funds could be lost or misappropriated. Incomplete courier records may result in inability to affix accountability for loss or theft.

Recommendation

Receipts

Management should:

- Receipt and deposit all monies received consistent with Local Government Code, § 113.022 and the Code of Criminal Procedure, § 103.004.
- Modify system rights to limit receipt adjustment capabilities to supervisory employees.
- Ensure that the Customer Consignment Log is completely filled out prior to releasing funds to the courier.

Management Action Plan

After an audit finding, The Truancy Court Manager established adjustments, reversals, void processes and submitted the information to the Internal Audit Department. The Truancy Division will therefore adhere to the current business process. The computer receipt and the manual receipt are affixed with the proper truancy case number. The Supervisor and bookkeeper monitors the manual receipts book to ensure that the receipts are in sequential order. Clerks are not required to input manual receipts when Odyssey becomes operational, the Management Team and bookkeeper are given that responsibility. Manual

receipt books are kept secure in the safe and kept in the safe until needed. The manual receipt books are officially issued to the Management team staff and numbered.

Auditors Response

None

Fees, Charges, Cost

A sample review of adjustment transactions for reverse void, reverse payment, adjustment, reverse miscellaneous payment; and/or reverse adjustment and credits created during fiscal year 2018 and department responses to the Internal Control Questionnaire (ICQ) revealed 16 reverse charges or waivers were not performed by a supervisor or manager including five reverse charges that did not have a reason for the adjustment notated in the Odyssey Comment field; 10 cases did not have the credit type notated in the Odyssey Events tab; written procedures do not exist for collection/billing functions; the bookkeeper has rights in Odyssey to receipt, assess charges, and enter credits; and the manager and supervisors have rights in Odyssey to receipt, assess charges, enter credits, reverse charges, and make adjustments.

Best practices regarding fee assessments and collections include recording the proper non-monetary credit to the financial tab, non-monetary credits noted in the Events tab; and formal approval required before adjustments are processed to Odyssey. 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). All corrections should include a complete and valid explanation in the Comment field. Incomplete controls related to the receipting process for adjustments and credits resulted in incomplete financial records. Inappropriate system roles granted to non-supervisory staff increased the potential for loss of Dallas County revenue through the misappropriation of funds.

Recommendation

Fees, Charges, Cost

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 financial activities such as assessing charges, reducing assessments, collections 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

After an audit finding for FY17, The Management Team administers reductions, reversals, waivers, adjustments and voids. The User is not authorized to reverse, void or adjust their

transaction. A void and reversal form was created for the next level of Management to sign off on and convey a reason as to why the void or reversal was needed. The void and reversal form consists of the defendant's name, case number, error and correction date, receipt number, type of tender, amount, reason for the transaction and the Management's team signature. The Odyssey Case Management system will prompt the Management Team individual to input their distinctive User name and password to initiate the process, passwords are not shared. The Management team has access to adjustment tills, not clerks or bookkeepers. The bookkeepers' adjustment tills have been deleted in all of the truancy courts. The Truancy Court Manager has established adjustments, reversals and void processes. The Truancy Court Manager started doing this process after an audit finding and will therefore adhere to the current business process and implement segregation of duties regarding financial activities for the Truancy personnel. The void, reversal and waiver forms (adjustments) are being scanned and attached to the appropriate case in Odyssey. The Truancy Court Manager has addressed the Supervisors regarding inputting appropriate comments in Odyssey. The Truancy Manager established written procedures and submitted the documents to the Internal Audit department, including processes on receipting. The Truancy Court Manager will implement procedures for payment due dates and payments. The truancy division does not have a collection department. Fines and court costs are itemized by House Bill 2398.

Auditors Response

None

Credit Card

A sample review of 20 transactions from the Truancy Credit Card Settlement reports revealed: one (5%) credit card transaction was recorded to Odyssey two business days after the settlement report date and one credit card settlement transaction ID was not posted in the Odyssey Comment field. Specific controls related to the receipting of credit card transactions indicate that all monies received should be promptly receipted and deposited timely in accordance with Local Government Code § 113.022 and the Code of Criminal Procedure § 103.004. Credit card transactions should be recorded to Odyssey on a daily basis. Lack of supervisory oversight related to the credit card process resulted in delayed revenue recognition and inaccurate/incomplete financial records, which may result in duplicate payments from defendants or the unintentional assessment of additional fees to defendants.

Recommendation

Credit Card

Management should periodically review credit card settlement reports and the corresponding Odyssey entries to ensure:

- Transactions are accurately receipted including the correct amount, payee and transaction ID.
- Credit card amounts are deposited timely,

Management Action Plan

The management team has reiterated to the clerical staff the importance of entering the credit card transaction ID numbers into the comment field in Odyssey and events tab to ensure complete financial records and accurate audit trails. Since this audit finding, the Truancy Court Manager has required the Management team to periodically check the settlement report verses the date the credit card payment transaction is entered in Odyssey. The Truancy Court Manager has established a written process for Credit Card payments.

Auditors Response

None

cc: Darryl Martin, Commissioners Court Administrator