

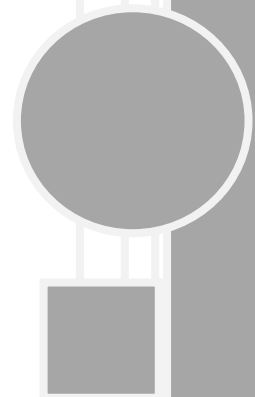


# AUDIT REPORT

DALLAS COUNTY

COUNTY CLERK TRUANCY 9-2 FY2017

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Dallas County Auditor  
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# COUNTY CLERK TRUANCY 9-2 FY2017

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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 9-2 FY2017**" 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".

Darryl D. Thomas  
County Auditor

## **EXECUTIVE SUMMARY**

The FY2017 review of Truancy 9-2 revealed significant changes impacting the court due to turnover at the Truancy manager position and consolidation of Truancy operations. A significant observation during this review was that employees lack adequate training related to the processing of credit card transactions and manual/computer receipts. Additional significant observations are summarized below:

### **Summary of Significant Observations**

- 13 instances the day's credit card transactions were deposited five or more days after settlement report date.
- Four instances the department manager did not perform reversal.
- Four delays between Odyssey receipt date and Oracle DMS 98 approve date exceeded three business days.
- 43 manual receipts issued in 10 business days

### **Repeat observations from Previous Audits:**

- All observations listed above are repeated from previous audits.

**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, 2016 through September 30, 2017.

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

### **Fees/Charges/Cost**

A review of all charge reversals revealed all four (100%) reversals were performed by non-supervisory staff. For two of these reversals, no explanation for the reversal was entered in Odyssey. Inappropriate system roles granted to non-supervisory staff increases the potential for loss of revenue for Dallas County through the misappropriation of funds.

A review of all cases with inability to pay noted in the transaction type revealed three cases (60%) did not note "Inability to Pay" in the Odyssey Events tab, including two cases which indicate "Paid in Full", though no payment is entered in Odyssey. Lack of training and managerial oversight has resulted in these misstated non-monetary credits which inhibit accurate receivable analysis.

Best practices regarding fee assessments and collections include recording the proper non-monetary credit to the financial tab, proper segregation of duties and system rights for department personnel; non-monetary credits noted in the events tab; and formal approval required before adjustments are processed to Odyssey.

### **Recommendation**

#### **Fees/Charges/Cost**

To improve internal controls for charge reversals/reductions and non-monetary credits management should:

- Limit user roles granting rights to process manual overrides, charge reductions, credits, and charge reversals. User access requirements should correspond to least rights necessary to perform core job functions.
- Emphasize that all financial adjustments/corrections are to include a complete and valid explanation in the comment field.
- Establish written procedures for all of the responsibilities of Truancy Court personnel 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.) Employees' adherence to these procedures should be periodically reviewed by the appropriate supervisory staff.

### **Management Action Plan**

The Truancy Court Manager has established adjustment, 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. An "Inability to Pay" is based on the Judge's discretion for a credit, involving indigent defendants and "Paid in Full" indicates that the defendant has successfully fulfilled their financial obligation for their case, based on the actual payment method. All non-monetary credits will be recorded in the financial and events tab. After an audit finding the management team views the Transaction Listing Report (TLR) for credit, disbursement, reversals and adjustments once a week to address any oversights and clerical errors.

**Auditors Response**

None

**Credit Card Transaction Processing**

All monies received should be promptly receipted and deposited properly, and timely in accordance with Local Government Code, § 113.022 and the Code of Criminal Procedure, § 103.004. Accounting and system control procedures should include daily reconciliation and deposit including supervisory review.

A review of 20 individual credit card transactions and 20 days of credit card deposits revealed: 13 credit card transactions were posted to Odyssey between two and six business days after the settlement report date; and 13 instances the day's credit card transactions were deposited with the Treasurer's Office between five to 10 business days after the settlement report date. Delays in posting settled credit card amounts inappropriately defers revenue recognition; and misstates case balances potentially resulting in duplicate payments from defendants or the additional assessment of time dependent fees (i.e. time payment fees). These delays are due to a lack of managerial oversight and non-adherence to statute and proper credit card internal control procedures.

The credit card refund process requires Truancy 9-2 to contact the Treasurer's Office when a credit refund is required. The transaction is to be reversed in Odyssey and the amount of the credit card refund is to be sent as a disbursement to the Treasurer's credit card chargeback account. Review of a sample of individual credit card transactions revealed that one credit card refund totaling \$25 was not properly processed; the department did not reverse the charge or issue a disbursement to the Treasurer's credit card chargeback account resulting in the current case balance inaccurately reflecting payment received of \$209 instead of \$184. The inaccurate case balance is due to a lack of staff training and a delay in setting up an adjustment till when a new employee was hired. Such inaccuracies require additional staff time to research and correct.

## **Recommendation**

### **Credit Card Transaction Processing**

Management should:

- Develop a policy and procedures manual for the processing of credit card transactions.
- Periodically review credit card settlement reports and corresponding Odyssey entries to ensure transaction are receipted and deposited timely.
- Make timely request to IT Services for new adjustment tills.

## **Management Action Plan**

The management team has reiterated to the clerical staff the importance of entering the credit and 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 versus the date the credit card payment transaction is entered in Odyssey. The Truancy Court Manager has established a written process for Credit Card payments. As a best practice, the Truancy Division submits timely requests to IT Services, Help Desk, Desk Top Support and Business Analyst. Due to the departments being inundated with tickets, the assistance is based on the levels of priority. Also, Odyssey has a specialized team of experts to assist.

## **Auditors Response**

None

## **Reporting Conflicts of Interest**

A review of the Truancy 9-2 North's Internal Control Questionnaire revealed employees are not required to report conflicts of interest when they are related to parties involved in court order actions. Per Dallas County Code Sec. 74-741 and 742, it is possible that the private financial interests and investment holdings of county officials and employees and their families could constitute a conflict of interest in the performance of their official duties. In order to avoid potential conflicts of interest or the appearance of conflicts of interest, no officer or employee of the county shall use in any matter their public office or position for personal gain including the acceptance or dispensing of any special favors, privileges or benefits.

Management's lack of knowledge of Dallas County policies related to employee disclosures of conflicts of interest could result in potential damage to the public reputations of the Truancy Court and Dallas County and does not uphold the county objective of transparency.



### **Recommendation**

#### **Reporting Conflicts of Interest**

Management should:

- Require employees to report all conflicts of interest related to parties involved in court actions.
- Formally document the nature of the conflict.
- Ensure employees that have a conflict of interest not be involved in the processing of any transaction related to the case.

### **Management Action Plan**

The Truancy Court Manager has distributed the County Clerk handbook, including updates, to the Truancy Division, under the advisement of Mr. John F. Warren, County Clerk. All employees signed an official document based on their acceptance of the County Clerk Handbook and the acknowledgement of their responsibility to read all the information disclosed. The official Policy Acknowledgement document was administered by Mr. John F. Warren. The Truancy Court Manager has retained a copy for accurate record keeping. All Truancy Court personnel will continue to adhere to the Dallas County Code and Mr. John F. Warren's, County Clerk's policy and procedures. Since this audit finding, the Truancy Court Manager has communicated the Internal Auditor's recommendation regarding Conflict of Interest.

### **Auditors Response**

None

#### **Computer Receipt - Deposits**

Review of the Truancy 9-2 receipt analysis for FY17 revealed four delays between the Odyssey receipt date and the Oracle DMS 98 approve date exceeding three business days. All monies received should be promptly receipted and deposited consistent with Local Government Code, § 113.022. The delayed revenue recognition was due to a lack of management oversight.

### **Recommendation**

#### **Computer Receipts - Deposits**

- All tills should be reconciled, closed and deposited daily. Adjustment tills may remain open until the till can be added to a deposit form 98 without causing a negative fund balance.
- Management should periodically review the Odyssey Till Balance Report to ensure all funds are deposited daily.

### **Management Action Plan**

The Truancy Court Manager has established written procedures for computer receipts and deposits and has reiterated that a proper receipt fund is essential. Policy requires that all money received is properly processed, deposited, and accounted for and a receipt is issued each time payments are received. For internal control purposes, the receipts must be chronologically numbered. Management periodically checks accounts for all receipts to ensure that receipts are not being issued out of sequence.

### **Auditors Response**

None

### **Manual Receipts**

A review of all manual receipts issued during FY2017 revealed: one manual receipt issued for cash was altered to a lower amount and the receipt was entered into Odyssey system six days after issuance; six manual receipts were issued containing payment information which had bled through from previous manual receipts; three manual receipts differ in the amount listed in the description section of the receipt from the total amounts; one manual receipt issued for a lower amount than entered in Odyssey; 18 manual receipt numbers were not entered into the comment field listed in the Odyssey system, including 11 manual receipts that were entered into Odyssey between two and seven business days after issuance; one manual receipt was not marked void and did not contain an explanation for the void. Discussions with Truancy staff revealed manual receipts are issued when the bookkeeper or a supervisor is not available or if a customer provides a payment after the daily till has been closed out.

Per Local Government Code, § 113.022, all monies received should be promptly receipted and deposited no later than the fifth day after the day money was received. Internal control procedures related to manual receipts indicate; receipts should not be altered and manual receipts should only be written when the system is down. Once the system is restored, the payments are posted to the system and the manual receipt number is entered into the comment field. The lack of employee training and written manual receipt procedures has resulted in delayed revenue recognition and increases the potential that funds may be lost or misappropriated.

### **Recommendation**

#### **Manual Receipts**

Management should develop and enforce manual receipt control procedures that include the following criteria:

- Manual receipts written only during system downtime reflecting the appropriate case number and amount paid. Once the system is restored, the payments are posted to the system and the manual receipt number is entered into the Odyssey financial Comment field.
- All manual receipts accounted for and properly used, include supervisory review, kept in numeric order, have the corresponding computer receipt attached and are posted and deposited daily, and timely in accordance with Local Government Code,

§ 113.022 and Code of Criminal Procedure, § 103.004.

- Receipts are not altered, but properly voided and affixed with a reason for the void with retention of all voided copies.

Management should also :

- Cross-train employees to process Odyssey receipts.
- Open a new Odyssey till to receipt payments received after the daily deposit has been closed out.

**Management Action Plan**

The Truancy Court Manager has established a written Manual Receipt process. The Truancy Court Manager completed an Odyssey form for Truancy Courts 9-1 and 9-2. The designated Courts currently have an additional clerk for bookkeeping purposes when either the Supervisor or bookkeeper is out of the office.

**Auditors Response**

None

cc: Darryl Martin, Commissioners Court Administrator