



DALLAS COUNTY COUNTY AUDITOR

Memorandum

To: Honorable John F. Warren
County Clerk

From: Darryl D. Thomas *Darryl D. Thomas*
County Auditor *DDT*

Subject: Truancy Central Center
Review for Partial Fiscal Year 2014 (April 1, 2014) thru Fiscal Year 2015

Date: *Issued:* July 24, 2017
Released: September 8, 2017

Scope

A review was performed in accordance with statutory guidelines on the financial records, reports, and internal controls of the Central Truancy Court for fiscal years partial 2014 through fiscal year 2015 with an internal control procedures walkthrough completed on July 21, 2016. Operational functions such as court clerk and bookkeeping activities are under the purview of the County Clerk (clerical / bookkeeping staff budgeted under County Clerk department 4033 during complete audit period and directly supervised by County Clerk). (Judicial appointments, agreements with school districts, and truancy programs effectiveness under the purview of the County Judge were not included in operations / financial review.)

Review Procedures

Standard review procedures were followed to test the internal controls for cash, revenue, and other County assets. A random sampling of the total activity was selected for certain steps based on risk, dollar value of transactions, volume of transactions, and noted internal control weaknesses. Testing involved a review of the Odyssey Case Management system, Constable's warrant system (CW50), and case jackets.

A partial list of the review tests include:

- Performed unannounced cash counts
- Accounted for numerical sequence of manual and computer generated receipts
- Traced amounts recorded on the receipts to the bank deposits
- Reviewed assessed fees for compliance with applicable state laws and Commissioners Court orders
- Reviewed credits, charge reductions, and adjustments
- Submitted Internal Control Questionnaire (ICQ) and evaluated responses
- Evaluated internal control procedures
- Reviewed credit card activity for accurate and timely posting to Odyssey
- Reviewed non-sufficient fund (NSF) activity
- Examined escrow fund disbursements and associated fee dockets to determine if sufficient funds were collected, proper payees paid, and if posting to Odyssey had occurred

- Reviewed unpaid criminal cases for outstanding warrants of arrest
- Examined Odyssey case activity reports
- Reviewed time and attendance records for proper posting and compliance with County policies and procedures

Partial Statistical Listing

During partial (April 1, 2014) fiscal year 2014, the truancy court processed:

- 1,891 Computer receipts totaling \$253,806
- 2,602 class C misdemeanors (failure to attend school and parents contributing to truancy)

During fiscal year 2015, the truancy court processed:

- 2,423 Computer receipts totaling \$347,763
- 6,015 class C misdemeanors (failure to attend school and parents contributing to truancy)

FINDINGS

Cash Management

Receipts – Computer / Manual – A review of manual receipts and manual receipt procedures revealed: 27 manual receipts numbers not entered in the comment section in Odyssey once receipted to the system; one voided manual receipt was skipped in sequence and not marked void; and, two manual cash receipts were not voided due to a system backup.

A sample review of computer receipts, computer receipt procedures, and adjustments revealed: four voided computer receipts without retention of both copies of the original receipt; three computer receipts numbers were not voided out; three computer receipts were not properly performed on reverse payments or adjustments, which the reverse or adjustment should not been created due to staff entered the payment incorrectly; entry of an adjustment not limited to the supervisor or manager. One delay between receipt date and deposit date was due to an overage not coded to correct account. An 'adjustment', 'reverse counter payment', and 'reverse adjustment' were processed incorrectly rather than use designated adjusting entry types; one adjustment was not completed by a supervisor on transaction type 'reverse counter payment'.

A review of departmental processes and responses to the ICQ revealed: incomplete controls and a lack of separation of duties over the receipting, balancing, and deposit process; and, access to receipted funds in the safe are not under dual control upon observation.

Assessments / Reductions / Waivers / Credits – A sample review of 40 cases with assessments, a sample review of 20 adjustments (reversed charges, charge reductions, waivers and reverse charge reductions), and a sample review of 20 credits revealed: instances of errors in recording assessments, reductions, waivers, and credits; and, entry of reductions, waivers, and credits not limited to the supervisor or manager.

A review of departmental processes and responses to the ICQ revealed: incomplete controls and a lack of separation of duties over the assessment, reduction, waiver, and credit process; defendants do not

complete applications for payment plans; and, fine schedules not updated in Odyssey resulting in clerks using the Judge's additional fine category to manually input the correct fine amount.

Credit Cards – A review of 16 settled credit card transactions revealed: Eight transaction IDs were not posted to the Odyssey receipt financial comment field and credit card payments are not receipted to Odyssey.

Escrow Activity / Disbursement – A review of money in the escrow account and postings to Odyssey revealed: escrow disbursement checks totaling \$200 were not posted to the respective case numbers in Odyssey.

A review of departmental processes and responses to the ICQ revealed: Payees and amounts are not reviewed to ensure that payments are made only as authorized, and Oracle AP inquiry is not accessed to obtain final disbursement information.

Processing/Reporting

Criminal Fee Dockets – A sample review of 80 cases with delinquent time payment plans, final judgments and final dispositions for appropriate warrant issuance and/or recall revealed: Seventeen parent cases were delinquent on payment and a capias or "show cause" notice was not issued; ten cases have a warrant issued without assessment of the \$50 warrant fee; twenty closed cases with a directive to apprehend not reflected as recalled on CW50 though Odyssey Events tab reflects as returned unexecuted; ten dismissed with recalled warrants still reflected as outstanding on Odyssey; and twenty delinquent child cases without issuance of balance due letters. The issuance of warrants has declined due to the legislation and the decision of the judge on a case by case.

Case Filings – A review of the systemic sequential assignment of cases within the Odyssey case management system and Odyssey Case Index reports revealed: two (for all truancy courts) case numbers were skipped in sequence, "no match found" comment is shown when case numbers are entered in Odyssey; one case number was filed out of file year sequence; 166 cases were filed out of file date sequence; and thirteen cases were filed on weekend days.

Other/Miscellaneous

Access and Security – A review of departmental processes and responses to the inquiry revealed: all employees use the same access code for the key pad on the employee entrance.

RECOMMENDATIONS:

Cash Management:

Receipting / Depositing – All monies received should be promptly receipted and deposited consistent with state law, Local Government Code, § 113.022 and Code of Criminal Procedure, § 103.004. Receipts should be verified for accuracy of amount, payment type, case number, and payer before issuing to a customer. Receipts should not be altered, but properly voided and affixed with a reason for the void with retention of all voided copies. Voids should require supervisory approval. Access to cash limited to establish proper accountability and strengthen internal control.

All tills should be reconciled and closed daily and included on an Odyssey deposit through the Odyssey Managing Deposit functionality. Roles/rights with Odyssey adjustment functionality should be limited to the supervisor and/or manager for processing financial adjustment transactions in a separate 'adjustment' till.

Training of current cash handling procedures reinforced. Controls should be implemented for dual control over the safe in which the cash receipts are stored. All rights and roles should be periodically reviewed to ensure users have only the rights necessary to perform their core job functions. A proper segregation of duties reduces the risk of misappropriated funds

Management Response: *Manual receipts are utilized only when the system is down and the Supervisor and Bookkeeper are out of the office at the same time. Once the system is operational and, also when the Supervisor and Bookkeeper return, manual receipts are posted to Odyssey. The manual receipt numbers are posted in the comment field. The computer receipt and the manual receipt are affixed, along with the TR-case number. As a process, Supervisor and bookkeepers monitor receipts to ensure that receipts are in sequential order (numerical). In addition, both Supervisor and Bookkeeper count the money at the end of the business day. The Supervisor monitors the computer receipt tape and also checks the tills to ensure that all tills are reconciled and closed daily. The Bookkeeper deposits the money in the safe and the Supervisor checks to ensure that the deposits are safe and secured daily. A "voided receipt" form was created and must be signed by User and next level up on the management team. As a current process, Bookkeepers, Supervisors, and Managers utilize Cash Handling Procedures.*

Assessments – Monitor assessment, collection, and prorating of court costs, fines, and fees in compliance with applicable state laws including Code of Criminal Procedure Chapter 102 and Local Government Code Chapter 133 or Commissioners Court orders and applicable fee schedules based on offense date. Adjustments to assessments should be made that both good internal control and audit trails are maintained including compensating controls such as dual sign-off on adjustments, supervisory review and pre-approval, testing, and validation. 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). Charge reductions and assessment reversals should be limited to correction of errors and fine reductions. User roles granting rights to process manual overrides, charge reductions, credits, and charge reversals should be limited.

Management Response: *If the Court determines that the defendant is indigent, the Judge may complete a waiver form at his discretion. The Supervisor and Bookkeeper do not have the authority to reduce any portion of the fine and court cost. All credits or reductions are the at the Judge's discretion and entered into Odyssey. As a process, all employees log out of Odyssey when the desk is unsupervised.*

Credit Cards – All credit card submissions should be receipted and deposited timely in accordance with Local Government Code, § 113.022 and Code of Criminal Procedure, § 103.004. Settlement reports should be reviewed daily for accepted or rejected credit card payments. Credit card payments should be entered into Odyssey when the credit card transaction appears on the daily settlement report. Credit card payments should be reconciled against the settlement reports and added to the appropriate deposit daily with a separate Form 98 deposit submitted to the County Treasurer.

Management Response: *Credit Card transactions online are monitored daily and entered in Odyssey with the confirmation and case numbers. The comments are in the Events tab. Once the credit card*

payment is approved, the information is submitted in Odyssey with a “paid in full” or partial payment comment. The credit card payment is receipted with a balance due letter to the defendant and sent through U.S. mail.

Escrow Fund – All checks issued or canceled should be posted accurately and timely to Odyssey (reconciliation of Odyssey to GL) and verified/reviewed by the supervisor. Access to Oracle Financials AP Inquiry should be requested for authorized and designated personnel based on job responsibilities.

Management Response: *Use of the adjustment till in Odyssey is limited to Supervisors and Bookkeeper, only. The Supervisor and Bookkeeper each have a unique ID code and password. The user Id and password is not shared. The Adjustment Till is closed and reconciled daily.*

Processing/Reporting:

Criminal Fee Dockets – Outstanding warrants or directives should be recalled timely when cases are dismissed or otherwise disposed, payments are made in full, time is served, community service is performed, time payment plans are implemented/followed, or official notification / verification of a defendant’s death is received. Outstanding warrant reports should be periodically reviewed for accuracy. Separation of duties should be established limiting staff assigned to recall warrants with separate user IDs provided for each authorized employee.

Management Response: *Warrants and Directives are issued at the Judge’s discretion. The Judge can mail a defendant a balance due letter to initiate a payment.*

Collection/Billing – Established billing procedures should include: supervisory review; bill all receivables due Dallas County; and, process assessments, credits, waivers, and charge reductions in accordance with statutory authority including orders of the court, etc. Flag cases (including adding due dates) in Odyssey with unpaid balances and generate bills on a predetermined basis taking into consideration credits and court orders. Programming changes needed in order to use Odyssey billing/collection functionality without issues should be documented and communicated to IT Services.

Case Assignments – All case numbers are accounted for (with reason codes for missing numbers, deleted numbers, or numbers issued out of sequence, and timely documented), issued consecutively by case type, and properly and timely indexed to Odyssey. Supervisory personnel should test for accurate, proper and complete assignment of case numbers based on established departmental procedures. All rights and roles should be periodically reviewed to ensure users have only the rights necessary to perform their core job functions. Rights to expunge cases should be restricted to the Truancy Court Manager.

Other/Miscellaneous

Access and Security – All office access should be changed and updated immediately when Dallas County employees are terminated or transferred to other Dallas County locations and each staff person should have their own unique key pad code that is not shared for office access.

Management Response: *Once an employee is terminated from Truancy Court, the key access code on the floor and safe are changed.*

Summary

The report is intended for the information and use of the 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.

Highest areas of risk which need to be addressed include: daily processing of accepted credit card payments; separation of duties over the receipt, deposit, assessment, and adjustment processes; posting of charge reductions, credit waivers, and charge reversals; posting disbursements; and, procedures to reduce fines or reverse additional fees without impacting court costs.

Odyssey system updates and other actions required by H.B. No. 2398 (enacted by the 84th Legislature) should be implemented and tested prior to September 1, 2015.

Emphasis on outlined procedures should provide for improved departmental processes. Consideration of all issues and weaknesses should be incorporated by the Truancy court as a self-assessment tool. Adherence to and follow-through with the recommendations should strengthen internal control and compliance with Dallas County policies and procedures.

cc: Honorable Judge Clay Lewis Jenkins
Darryl Martin, Commissioners Court Administrator
Ryan Brown, OBE