



DALLAS COUNTY COUNTY AUDITOR

Memorandum

To: Honorable John F. Warren
County Clerk

From: Darryl D. Thomas
County Auditor

A handwritten signature in blue ink, appearing to read "Darryl D. Thomas", is written over the printed name. Below the signature, the initials "DDT" are written in blue ink.

Subject: Truancy East - Review for partial Fiscal Year 2014 (04/01/2014) through 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 Truancy East Court for partial fiscal year 2014 thru 2015 (04/01/14-09/30/15) with an internal control procedures walkthrough completed in 2017. 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 1011 during the 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 our 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 as well as case jackets.

A partial list of the review tests include:

- Accounted for numerical sequence of manual and computer generated receipts
- Traced amounts recorded on the receipts to the bank deposits
- Performed unannounced cash counts
- Reviewed assessed fees for compliance with applicable state laws and Commissioners Court orders
- Reviewed credits, charge reductions, and adjustments
- Reviewed and evaluated responses to the Internal Control Questionnaire (ICQ)
- 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 fiscal year 2014, the Truancy Court processed:

- 2,614 computer receipts totaling \$472,494
- 3,341 class C misdemeanors (failure to attend school and contributing to non-attendance)

During fiscal year 2015, the Truancy Court processed:

- 4,345 computer receipts totaling \$796,519.36
- 9,951 class C misdemeanors (failure to attend school and contributing to non-attendance)

FINDINGS:

Cash Management

Manual Receipts – A review of 150 manual receipts (includes all voided manual receipts) and a sample review of 40 manual receipts revealed: 99 manual receipts were skipped in sequence, not used, and were not marked ‘void’.

Department responses to the ICQ and inquiry of Truancy East staff revealed manual receipts are used when the bookkeeper and/or supervisor are unavailable; and the numeric sequence of receipts is not monitored when a change is made.

Computer Receipts – A sample review of computer receipts, a review of delays between computer receipt date and Odyssey deposit date, a sample review of 18 voided computer receipts, and a sample review of 11 payment adjustments/reversals revealed: one computer receipt was skipped in numerical sequence; both copies of five voided computer receipts were not retained by the court; eight instances of funds deposited more than three business days after the Odyssey receipt day; 11 adjustments and reverse adjustments were not entered by the Supervisor or Manager; and one reverse adjustment does not have a comment indicated on Odyssey..

Department responses to the ICQ, risks identified during the Internal Control Walkthrough, and inquiry of Truancy East staff revealed: the bookkeeper processes cash receipts and collections; numerical sequence of Odyssey receipts are not monitored, bookkeeper has rights to void transactions; functionality in Odyssey is not consistent across all sections making it is possible to back date payments in the Truancy East section and the rights / roles are not periodically reviewed for all personnel for all systems to ensure that access and functionality are appropriate; Truancy East office does not utilize a bank lockbox for U.S. mail deposits; the bookkeeper receipts all payments, reconciles tills, and prepares the Form 98 deposit; access to the safe containing the daily receipts is not under dual control; adjustment till is shared by multiple users (bookkeeper, supervisor, and manager); and Truancy East office does not use checklists to document the timely and accurate completion of significant or key daily/weekly/monthly tasks.

Fine / Court Costs / Fee Assessments – A sample review of initial filing fees/other county charges, reversed charges, charge reductions, and reverse charge reductions, and credits revealed: four cases where the fine amount was not assessed properly; 14 payment voids and adjustments were not

processed by supervisory personnel; 14 charge reductions/waivers were not performed by a Supervisor or Manager; and 12 cases did not have an explanation noted in the Financial tab.

Risks identified from the Internal Control Walkthrough and inquiry of Truancy East staff revealed: all cashiers have rights to backdate charges; Odyssey allows assessments to be systematically or manually added to a case based on Odyssey fee table. Currently, court cost, fines, and additional fees are added to the case at time of disposition. Fee assessments (including warrant fees, summons fees, time payment fees, and transaction fees) are manually entered and the method of assessing court costs, fine, and additional fees, such as warrant fees, as one charge transaction is causing multiple issues when the fine amount needs to be reduced or waived or when additional fees need to be reversed. Bookkeeper is unable to waive or reduce a portion of the charge transaction systematically without waiving or reducing a portion of all the fee codes in the charge transaction (including court costs).

Credit Cards – A review of credit card transactions and settled credit card deposits revealed: 34 credit card payments were not posted to Odyssey the next business day.

Risks identified from the Internal Control Walkthrough and inquiry of Truancy East staff revealed: credit card transactions are not posted to Odyssey until after a 48 hour waiting period; and there are currently no controls in place in the department to ensure that credit card transactions are entered into Odyssey on a timely basis.

NSF Checks – A review of NSF procedures, a sample review of four cases with NSF checks and Treasurer's Office NSF check list revealed: NSF checks were not flagged in Odyssey on two cases and on the NSF fee, four cases were not assessed in Odyssey.

Risks identified from the Internal Control Walkthrough and inquiry of Truancy East staff revealed: the original payment made with the NSF check or credit card chargeback is not reversed in Odyssey and the \$30 NSF fee is not assessed on the cases in Odyssey.

Disbursement / Escrow - A review of escrow activity revealed: two cases have an appearance bond in the escrow account that should have been refunded; and one case has funds in the escrow account that should be applied to case fees. Risks identified from the Internal Control Walkthrough and inquiry of Truancy East staff revealed: there is a lack of written procedures for disbursements; Oracle AP inquiry is not accessed to obtain final disbursement information; escrow disbursement information is not posted (check number, check amount, payee, and date) to Odyssey to accurately reduce the escrow balance.

Other/Miscellaneous:

Access and Security – Responses to the ICQ completed by Truancy East staff revealed: the safe combination and entry access is not immediately changed when a person having the combination leaves employment with the court or is no longer responsible for cash handling duties; and safe combination is located in an accessible place.

RECOMMENDATIONS:

Cash Management

Manual and Computer Receipts –

Manual receipts should be written only during system downtime reflecting the appropriate case number and amount paid. Once the system is restored, the payments should be posted to the system and the manual receipt number should be entered into the comment field. One copy of the manual receipt should also be attached to the computer receipt. All manual receipts should be accounted for and properly used, include supervisory review, used in sequential order, have the corresponding computer receipt attached, and posted and deposited daily, and timely.

A Policy and Procedures manual should be developed for cash handling responsibilities and training of current cash handling procedures reinforced.

Voids should require supervisory approval. No user should void their own issued receipt with voided receipts reviewed and initialed by a supervisor at the next level up. All copies of voided receipts should be retained, clearly marked 'void' and an explanation for the void documented.

Posting errors should be corrected on a timely basis. A supervisor should make such corrections to the fullest extent possible so that the revenues are accurately posted. All financial adjustment transactions should be associated to a specific till not designated for daily transactions and include appropriate information in the comment field.

At the end of the business day, the receipts should be totaled and compared to the funds on hand and system control totals. Receipt and deposit totals should be verified by a supervisor with verification evidenced by signature or initial on control documents.

Cash handling duties should be properly separated. Due to limited staff, compensating processes such as dual sign-off on receipt corrections, till balancing documents, and deposit forms should be implemented. Dual control should be implemented over the safe in which the cash receipts are stored.

Written supervisory approval should be required prior to processing adjustments to Odyssey. The Transaction Listing Report should be generated and reviewed by management to ensure the accuracy, appropriateness, timeliness, and deposit of adjustments. Management should evidence their review or approval.

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.*

Fines /Court Costs / Fee Assessments –

Odyssey training should be requested for all Truancy staff on the proper way to void payments, enter adjustments, charge reductions and waivers

Court costs, fees, and fines should be properly assessed/collected and timely deposited on all cases based on state laws, Commissioner Court orders, offense dates, offense types, etc. Ensure full assessment of court costs and fine amounts on Odyssey for defendants considered convicted as defined by Local Government Code, § 133.101.

Adjustments to assessments should be made so 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.

Credit for inability to pay should be used to reduce the case balance when there is a determination by the court of the defendant's indigency. Credits should automatically post to the Event screen. Partial payments should be systemically prorated to each state and local court costs / fee before recording amounts to fine or only one court cost. Manually prorating payments should be limited. Non-monetary credits for court approved community service and waiver of court costs and fines should be added in accordance with statute.

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 financial adjustments/corrections should include a complete and valid explanation in the comment field.

User roles grant rights to process manual overrides, charge reductions, credits, and charge reversals should be limited. User access requirements should correspond to least rights necessary to perform core job functions. Management should periodically review system reports including the Transaction Listing Report and daily work for accuracy, appropriateness, timeliness, and staff compliance to established policies and procedures. Management should evidence their review or approval. In addition, written procedures should be established for all the responsibilities of Truancy East's 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.) 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 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 V.T.C.A., L.G.C., § 113.022 and 113.021. 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.

A Policy and Procedures manual should be developed for credit card processing responsibilities and training of current procedures reinforced.

Management should periodically review 3rd party official jurisdiction reports, postings of Odyssey credit card activity, and the Court's credit card bank account for accuracy, timeliness of processing, and staff compliance to established policies and procedures. Credit card transaction ID number should be entered into the comment field in Odyssey receipting payments. Credit card settlement postings should be verified for accuracy of amount, payment type, case number, and payer.

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.*

NSF Checks –

A non-docket event and NSF flag should be added to the case on Odyssey once the department is notified of a NSF item by the County Treasurer. The flag should remain until funds are collected. A \$30 NSF fee should be assessed and added to the appropriate party's Odyssey financial tab.

Funds returned as NSF, stop payment, or account closed should be reversed within 30 days after notification if not paid in full.

NSF tracking list should be maintained and include all relevant information including applicable case number. NSF list should be reconciled to the Treasurer's Office NSF outstanding list. All discrepancies should be resolved. Management should implement a formalized, coordinated process with Treasurer's Office for handling NSF items and chargebacks.

Document and consider working with IT Services to define necessary Odyssey system modifications / procedures to use the case management system for tracking and reporting of outstanding NSF items.

Management Response: *The Truancy Court receives a NSF "hot check" list from the Treasurer's Office. Once the bookkeeper is aware of the NSF check the customer is contacted and collection efforts are initiated to obtain reimbursement of the NSF item. The customer is directed to call the Treasurer's Office. Odyssey is flagged and a \$30 NSF fee is assessed.*

Disbursement / Escrow Activity-

All escrow disbursements and cancellations should be timely and accurately posted to Odyssey.

Escrow balances should be reconciled against controls records (General Ledger). Escrow overpayment reports should be reviewed on a periodic basis and disbursements should be made to the appropriate

parties in a timely manner. The court should retain a copy of the RFP to ensure that duplicate payments do not occur.

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 passwords are not shared. The adjustment till is closed and reconciled daily.*

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; access to the safe and cash drawer should be restricted and changed as Dallas County employees which location and duties; each staff person should have their own unique key pad code that is not shared for office access; consider implementing dual control over the safe in which the cash receipts are stored; and develop and implement employee access check in/out procedures for keys, passes, office access, etc.

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: consistently following procedures related to manual receipts (including safekeeping manual receipt books in a locked location) and voiding of computer receipts; daily processing of accepted credit card payments; procedures to reduce fines or reverse additional fees without impacting court costs; completing a formal review of the process over the use of adjustment till and the use of adjustments (payments/charge), credits/waivers, and reversals; a formal NSF check process to flagged a case and reverse payments timely, and staff training on processing the use of ATO time off, financial transaction adjustments, and usage of an adjustment till, change security access to Truancy East and safe combinations immediately as well as when employees are no longer with the County or transfer to other duties or departments.

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, Commissioner's Court Administrator
Ryan Brown, OBE