



DALLAS COUNTY COUNTY AUDITOR

Memorandum

To: Honorable John F. Warren
County Clerk

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

Subject: Truancy North Center - Review Performed for Partial Fiscal Year 2014 (04/2014) 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 North Court for fiscal years partial 2014 thru 2015 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 4033 during the complete audit period and are directly supervised by the County Clerk). (Judicial appointments, agreements with school districts, and truancy programs effectiveness are under the purview of the County Judge and 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 JP Accounting System (JPAS), Odyssey case management system, 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 fiscal year 2014 (April 1, 2014 – September 30, 2014) the Truancy Court processed:

- 2,533 computer receipts totaling \$373,798.18
- 3,206 class C misdemeanors (failure to attend school and parents contributing to truancy)

During fiscal year 2015, the Truancy Court processed:

- 3,740 computer receipts totaling \$505,796.25
- 7,347 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 twelve manual receipts at the end of a receipt book were not used before beginning a new receipt book.

A sample review of computer receipts, computer receipt procedures, and adjustments revealed: one computer generated receipt was skipped in sequence; one-time payment fee assessed prior to the expiration of 30 days past judgment; two voided computer receipts without retention of both copies of the original receipt; entry of adjustments not limited to the supervisor or manager, and not properly performed in the adjustment till; and cash payment voided and re-receipted for \$100 less than original payment amount. A comparison of Odyssey transaction receipt dates and Oracle deposit dates revealed one delay exceeding 3 business days.

A review of departmental processes and responses to the ICQ revealed: incomplete controls; lack of separation of duties over the receipting, balancing, and deposit process; and lack of written procedures.

Assessments / Reductions / Waivers / Credits – A sample review of cases with assessments and a sample review of adjustments (reversed charges, charge reductions, waivers and reverse charge reductions): one instance of an incorrect assessment; ten instances of court costs being reduced rather than the fine; and adjustments limited to 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; and, fine schedules not updated in Odyssey resulting in clerks using the Judge's additional fine category to manually input the correct fine amount. Truancy 9-2 does not maintain a mail log.

Credit Card – A review of settled credit card transactions revealed: credit card payments are not receipted to Odyssey daily; however, transactions are typically posted weekly on Fridays. **Status:** Department began posting transactions on a daily basis in March, 2016.

Processing/Reporting

Collection/Billing – A review of departmental processes and responses to the ICQ revealed: a lack of separation of duties between the billing and the collections functions.

Other/Miscellaneous

System Controls - A review of financial related setup/system controls revealed two truancy tills assigned to former employees have not been end dated.

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. Voids should require supervisory approval. Access to cash should be 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.

Policy and procedures manual should be developed for cash handling responsibilities and 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.*

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 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. 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). 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.*

Processing/Reporting

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. There should be a separation of duties between the billing and collection functions.

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: *All tills have been deactivated for former employees of Truancy Court and modified for current employees that have modified roles.*

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.

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