



AUDIT REPORT

DALLAS COUNTY

TRUANCY COURT 9-2 FY 2016

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Dallas County Auditor

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TRUANCY COURT 9-2 FY 2016

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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 "**Truancy Court 9-2 FY 2016**" 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 cursive script, reading "Darryl D. Thomas".

Darryl D. Thomas
County Auditor

EXECUTIVE SUMMARY

Truancy 9-2 has significant control weaknesses as it relates to assigned system rights and roles and adjusting transactions:

Summary of Significant Observations

- Department does not maintain a manual receipt book log indicating which sections have received books
- Department personnel lack adequate training on proper receipting and depositing procedures.
- System rights and roles do not prevent non-supervisory staff from adjusting/waiving charges and assessments.

Repeat observations from Previous Audits:

- All significant observations are repeated from prior audit.

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, 2015 through September 30, 2016.

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

Financial Related Setup/System Controls

A limited review of financial related setup/system controls revealed two truancy tills associated to former employees have not been end dated. Department is not maintaining a manual receipt log indicating which sections have received manual receipt books.

Recommendation

Financial Related Setup/System Controls

- A terminated user's account should be end-dated and the inactive box check-marked. All assigned cashier stations and tills should be de-activated.
- User access for ex-employees or reassigned employees should be requested to be disabled with follow-up occurring to ensure user account was disabled.
- Management should review user access lists, periodically, to assess expected/necessary levels of control-access are valid.
- Terminated users should be removed timely (access disabled) by comparing weekly Termination report from HR to user access lists to affirm only authorized individuals have system access.

Management Action Plan

The Truancy Court Manager started doing this process after the finding and will therefore adhere to the business process for deactivating till access.

Auditors Response

None

Manual Receipts

A review of manual receipts and observation of manual receipting process revealed: multiple receipt books requested at a time, however each set is being used by a different Truancy Court and it is not possible to determine which court has a specific book(s) from the Receipt Books Issuance Log. Department does not have written procedures for manual receipts.

Recommendation

Manual Receipts

- All manual receipts should be 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 should not be altered, but properly voided and affixed with a reason for

the void with retention of all voided copies.

- Manual receipts should be 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 comment field. One copy of the manual receipt is attached to the computer receipt.

Management Action Plan

Management now has a log noting which receipt books have been issued to which courts to enable a thorough review of the manual receipts as needed. The process will be included in the Process and Procedures Manual and will ensure that all copies are adequately reviewed and retained.

Auditors Response

None

Computer Receipts & Closeout/Deposit

A sample review of computer receipts, computer receipt procedures, and adjustments revealed: two voided computer receipts without retention of both copies of the original receipt. A comparison of Odyssey transaction receipt dates and Oracle deposit dates revealed three instances of delays of four to ten business days; one deposit made using the wrong receipt coding by department.

Recommendation

Computer Receipts & Closeout/Deposit

- Procedures and documentation should incorporate compensating controls such as dual sign-off on voids, receipt corrections, supervisory review, testing, and validation. Receipts should be verified for accuracy of amount, payment type, case number, and payer before issuing to a customer.
- All copies of a void receipt should be retained, clearly marked "void" and affixed with reason for void in order to affix responsibility, enhance cash control and prevent potential assertion that monies were paid and refund due.
- At the end of the business day, the receipts should be totaled and compared to the funds on hand and system control totals. Corrections should be made such that both good internal control and audit trails are maintained. Receipt and deposit totals should be verified by a supervisor with verification evidenced by signature or initial on control documents which are retained in accordance with Records Retention guidelines.
- All payments should be receipted and deposited in accordance with Local Government Code, § 113.022 and Code of Criminal Procedure, § 103.004. Closeout

and balancing procedures should include deposit of checks the next business day after receipt.

- 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 along with management review, testing, and validation.

Other control recommendations include:

- 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 financial adjustment transactions, such as returned check, should be associated to a specific till not designated for daily transactions and include appropriate information in the comment field.
- 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.
- Odyssey adjustment roles/rights should be limited to the supervisor and/or manager.
- 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.
- Written procedures should be established for all the responsibilities of County Clerk Truancy personnel in order to strengthen the office's internal control and improve efficiency. These procedures and practice should be periodically reviewed by the appropriate supervisory staff for good internal control purposes.

Management Action Plan

The Supervisor has access to the adjustment till in Court 9-1 (South) and 9-2 (North), not the bookkeepers. The Supervisor and bookkeeper have adjustment tills in 4-B (Garland). Odyssey will not allow any staff to make their own adjustment; the next level up in Management has to enter their user ID and password. The adjustments are included in the daily transactions. A void form was created for the next level of management to sign off on all voids and a reason as to why the void was needed. The policy and procedures manual

will be revised and the procedure will require the retention of copies and timely entry.

Auditors Response

None

Fine/Court Costs/Fee Assessments

A sample review of 20 cases with assessments, a sample review of three adjustments (reversed charges, charge reductions, waivers and reverse charge reductions), and a sample review of one credit revealed: instances of errors in recording assessments, reductions, waivers, and credits; entry reductions, waivers, and credits not 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; 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.

Recommendation

Fine/Court Costs/Fee Assessments

- 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.
- 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.
- 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.
- 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).
- User roles grant rights to process charge reductions, credits, and charge reversals should be limited. User access requirements should correspond to least rights necessary to perform core job functions.
- Policy and procedures manual should be developed for assessment responsibilities and training reinforced.
- 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.

Procedures for updating fee schedule tables should include:

- Fee schedule tables updated each time a legislative change or a Commissioners Court order affects court costs and/or fees.
- Document and communicate to the IT Services Odyssey support team updates and corrections needed to the configuration tables in accordance with Change Management procedures.

Management Action Plan

Clerks do not have rights to waive charges or reversals. They may only document the Judge's decision that he writes on the judgment, file or the Waiver of Payment of Fines and Costs for Indigent Defendants. The clerks can only manually enter the appropriate fee codes, Odyssey generates the fee amount.

Auditors Response

None

Credit Card Transactions

A review of 13 settled credit card transactions revealed: credit card payments are not receipted to Odyssey daily; however, transactions are typically posted weekly on Fridays. New bookkeeper is instructed to post credit cards daily starting on 3/2016

Recommendation

Credit Card Transactions

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

Management Action Plan

Management will revise the policy and procedures manual for the credit card process.

Auditors Response

None

cc: Darryl Martin, Commissioners Court Administrator