AUDIT REPORT

DALLAS COUNTY

DISTRICT ATTORNEY - FY 2023

Timothy J. Hicks, CPA
County Auditor

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District Attorney - FY 2023

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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 Creuzot
District Attorney
Dallas, Texas

Attached is the County Auditor's final report entitled "**District Attorney - FY 2023**" Report. In order to reduce paper usage, a hard copy will not be sent through in-house mail.

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,

Timothy J. Hicks

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EXECUTIVE SUMMARY

A review of the District Attorney's Office for fiscal years 2023 revealed the significant observations listed below:

Summary of Significant Observations

- **Escheatment of Funds:** Restitution funds totaling $88,692 were not escheated to the State Comptroller's Office or the Dallas County Treasurer's Office per statute.

Repeat Observations from Previous Audits:

- **Computer Receipts:** Delays in timely receipting and depositing funds existed.
- **Odyssey Hot Checks Receipts and Adjustments**: Non-supervisor employees performed adjustments.
- **Deposits and Voided Computer Receipts**: A mail log was not utilized for payments received through the mail.
- **Escheatment of Funds:** Restitution funds were not escheated to the State Comptroller's Office or the Dallas County Treasurer's Office per statute.

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:

- Ensure compliance with statutory requirements
- Evaluate internal controls
- Verification of accuracy and completeness of reporting
- Review controls over safeguarding of assets

This audit covered the period of October 1, 2022 through September 30, 2023.

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

Odyssey Hot Checks Receipts and Adjustments

Criteria

Per Local Government Code § 113.022, "all monies received should be promptly receipted and deposited with the county treasurer on or before the next regular business day after the date on which the money is received. If this deadline cannot be met, the money must be deposited without exception on or before the fifth business day after the day on which the money was received."

Standard internal control procedures related to assessment adjustments require that void payments and charge reductions be made such that both good internal controls and audit trails are maintained. Processing of financial transactions should reflect proper segregation of duties. Users with roles/rights to receipt or void payments can add additional charges; but not modify, reduce, or delete assessments. All corrections should include a complete and valid explanation in the Comment field.

Review

A sample review of 10 out of 110 adjustments and payment voids processed during fiscal year 2023 revealed:

- Eight adjustments and/or payment voids totaling $9,496 were performed by a non-supervisory employee.
- One case did not have a reason noted for the adjustment in the Odyssey Hot Check system.

A sample review of 20 County Wide Receipting (CWR) receipts associated with hot checks cases revealed:

- 14 CWR computer receipts totaling $90,540 were entered into the Odyssey Hot Check system between 20 and 53 business days.

Cause/Effect

This was due to incomplete internal controls over the assessment and receipting of payments in the Odyssey Hot Check case management system.

The delay in posting payments to the Odyssey Hot Check case management system increased the risk of inaccurate case and receivable balances.

Recommendation

Odyssey Hot Checks Receipts and Adjustments

Management should:

- Ensure adjustments and payment voids in the Odyssey Hot Check system are performed by the appropriate supervisory staff.
- Ensure receipts are entered in the Odyssey Hot Check system in a timely manner.

Management Action Plan

- The District Attorney's Office is committed to the strengthening of its internal controls around the Odyssey Hot Checks system. It's important to note one of the CWR receipt numbers falls outside the scope of this audit. Most of the delays were attributable to personnel changes and staff turnover.
- The office is committed to ensuring that only supervisory staff is authorized to process adjustments and voids. This in turn will enhance oversight and reduce the risk of errors.
- Since the period of review in this audit, the deposit process, including the delivery time to the Treasurer's Office, has been reinforced to ensure completion within the required five-day statutory limit. Going forward, the office will monitor compliance and require that the Odyssey system is carefully maintained and monitored by the Checks Division supervising personnel to ensure accuracy and efficiency.
- All staff will again be advised and trained on the critical importance of promptly and timely receipting payments and the necessary follow-up in tracking them. A necessary outcome of this training will be to provide clear and adequate explanations for all adjustments. We remain committed to improving the monitoring of these processes and to making necessary process adjustments to safeguard financial integrity.

Auditor's Response

- None

Escheatment of Funds

Criteria

Per Property Code 72.101, personal property is presumed abandoned if, for longer than three years: (1) the location of the owner of the property is unknown to the holder of the property;

and (2) according to the knowledge and records of the holder of the property, a claim to the property has not been asserted or an act of ownership of the property has not been exercised.

Review

A review of the District Attorney's restitution fund activity deposited in an external bank account revealed:

- 137 checks issued over three years totaling $29,923 had not been researched for refunding to applicable parties or escheatment to the State Comptroller or County Treasurer.
    - The account balance as of September 30, 2023 was $187,315.

A review of the District Attorney's non-check restitution fund activity deposited in an external bank account:

- 90 checks issued over three years totaling $58,769 had not been researched for refunding to applicable parties or escheatment to the State Comptroller or County Treasurer.
    - The account balance as of September 30, 2023 was $151,945.

Status: District Attorney's office no longer deposits funds in the external bank accounts. DA started depositing funds with the Dallas County Treasurer's Office in August 2022.

Cause/Effect

This was due to the department's lack of written procedures related to escheating funds to the State Comptroller or County Treasurer.

This has resulted in the department not being in compliance with unclaimed property statutes.

Recommendation

Escheatment of Funds

Management should:

- Establish written policies and procedures related to the escheatment of funds.
- Perform due diligence and send notice to individuals informing them the holder has the property.
- Routinely escheat funds in accordance with unclaimed property statute.

Management Action Plan

- The District Attorney's Office recognizes and acknowledges the importance of timely reviewing accounts to comply with the State's escheatment considerations, requirements and protocols. The District Attorney's Office:
  - Has established comprehensive written policies and procedures to ensure that funds are escheated timely and in accordance with applicable state law.
  - No longer deposits funds in the external bank accounts. The office now processes restitution payments are now through accounts maintained by the Dallas County Treasurer's Office.
  - Will continue to conduct internal reviews of all outstanding restitution funds to identify funds that are ready for escheatment to the State.
  - Will continue to train on and monitor these practices until they are standard.

Auditor's Response

- None

Financial Set-Up

Criteria

Standard internal control procedures require that access to the receipting system be disabled promptly for terminated employees, employees transferring to other Dallas County departments, and employees whose job duties no longer require access to the District Attorney terminal.

Review

- A comparison of all users with County Wide Receipting financial related access to the Oracle Employee list of active District Attorney employees revealed:
- One user who transferred to another County department on February 10, 2024 had an active District Attorney Cashier and Inquiry roles assigned in CWR.

Status: The user's roles were disabled by IT Services on July 08, 2024.

Cause/Effect

This was due to inconsistent management review of user rights and a lack of follow-up with IT services to ensure user rights associated with former employees were deactivated.

This may lead to limited accountability for the posting of financial transactions to accounts belonging to terminated/transferred employees and increase the risk that funds may be misappropriated.

Recommendation

Financial Set-Up

Management should:

- Request user access for former employees or reassigned employees be disabled with follow-up occurring to ensure user account was disabled.
- Periodically perform review of active accounts to verify appropriateness and timely deactivation for separated/transferred employees.

Management Action Plan

- The District Attorney's Office, like all other Dallas County departments, experiences routine staff turnover. During these times of staff transition, the office routinely strives to take all necessary measures and steps to notify all key management personnel and to timely suspend or disable access to impacted accounts. It was by employee oversight that this move was not handled per protocol. The office recognizes the importance of compliance in this regard and will re-emphasize to all staff.
- As well, the office has implemented a notification process in collaboration with Human Resources and IT to ensure that when as employee leaves the office or division for any reason, we promptly revoke all access to financial systems. We recognize the critical importance of safeguarding all financial systems and we are committed to ensuring that only authorized personnel have access.

Auditor's Response

- None

Deposits and Voided Computer Receipts

Criteria

Per Local Government Code § 113.022, all monies received should be promptly receipted and deposited with the county treasurer on or before the next regular business day after the date on which the money is received. If this deadline cannot be met, the money must be deposited without exception on or before the fifth business day after the day on which the money was received.

Per Dallas County Code Sec 74-691, official receipts shall be written or generated immediately for all collections made in the official capacity of the various offices of the county.

Standard internal control procedures require that payments received through the mail are logged/recorded prior to distributing to individual departments to receipt.

Review

A sample review of 25 daily receipt transactions traced to the deposits processed during fiscal year 2023 revealed:

- Eight receipts totaling $4,834 were included in a deposit between six and 14 days after the initial transaction.

A review of all 46 District Attorney voided computer receipts totaling $92,395 processed during fiscal year 2023 revealed:

- Four (9%) receipts totaling $59,168 were voided by the same employee who issued the original receipt.
- 40 computer receipts totaling $35,145 were voided between 30 minutes and five days after the original transaction.
    - Six computer receipts totaling $10,416 were voided between one and five days after the original transaction.
    - Two computer receipts totaling $1,095 were voided between 17 hours and 22 hours after the original transaction.
    - Six computer receipts totaling $4,324 were voided between five hours and less than seven hours after the original transaction.
    - Seven computer receipts totaling $11,691 were voided between three hours and less than five hours after the original transaction.
    - 16 computer receipts totaling $4,324 were voided between one hour and less than three hours after the original transaction.
    - Three computer receipts totaling $3,295 were voided between 30 minutes and one hour after the original transaction.

A walk through of the District Attorney's procedures and a discussion with staff revealed:

- The Civil section does not prepare a deposit daily.
- A mail log is not utilized for payments received through the mail.

Cause/Effect
This was due to inconsistent management oversight over the receipting and depositing process.

This has resulted in delayed revenue recognition and increased the potential that funds may be lost or misappropriated.

Recommendation
Deposits and Voided Computer Receipts

Management should:

- Ensure collected funds are submitted to the County Treasurer the next business day after receipt or no later than the fifth business day.
- Develop and enforce written procedure related to the receipting and depositing process.
- Emphasize that checks are to be receipted in CWR as soon as the funds are tendered.
- Review voided computer receipts for appropriateness.
- Implement a process for logging payments received through the mail.
- Periodically review the mail log to confirm payments received were receipted.

Management Action Plan

- The District Attorney's Office acknowledges the significance of ensuring that all deposits and receipt documentations are handled correctly through appropriate segregation of responsibilities and timely.
- The office further understands the importance of logging the receipt of payments received by mail.
- Immediate steps will be taken to ensure that the office implements appropriate segregation of responsibilities to avoid the same clerk accepting and voiding payments. Going forward, all voids must be processed and/or approved at the time of the transaction by the supervisor on duty. No supervisor will be permitted to void transactions that they initiated. Said policies will be documented and reduced to writing. All staff responsible for receiving payments, whether in person or by mail, as well as those responsible for processing refunds will be duly advised of these policies and held to account for adherence.

Auditor's Response

- None

Credit Card Transactions and Deposits

Criteria

Per Local Government Code § 113.022, all monies received should be promptly receipted and deposited with the county treasurer on or before the next regular business day after the date on which the money is received. If this deadline cannot be met, the money must be deposited without exception on or before the fifth business day after the day on which the money was received.

Review

A sample review of 20 out of 383 (5%) District Attorney online credit card transactions totaling $8,024 out of $40,988 processed during fiscal year 2023 revealed:

- Three online credit card transactions totaling $2,358 were receipted into the County Wide Receipting (CWR) system between two and 12 days after payment was submitted online.

A sample review of 10 online credit card deposits processed during fiscal year 2023 revealed:

- Seven deposits totaling $3,766 were deposited with the Treasurer's Office between 10 and 15 days after the initial transaction was made online.

A walk through of the department procedures and inquiry of District Attorney employees revealed:

- District Attorney Civil credit card payments are not receipted immediately.

Cause/Effect
This was due to inconsistent management oversight and a lack of procedures on the receipting and depositing of credit card payments.

This has resulted in delayed revenue recognition.

Recommendation
Credit Card Transactions and Deposits

Management should:

- Periodically review the posting of online credit card transactions and deposits for accuracy and timeliness of processing.
- Ensure staff compliance with established policies and procedures.

Management Action Plan

- The office will immediately require that all online credit card transactions and deposits be handled promptly. The goal shall be for all credit card payments to be entered into the system on the same business day, or as soon thereafter as practical. Going forward, the goal is to have all deposits submitted to the Dallas County Treasurer’s Office no more than five business days after receipt.
- To enhance compliance, we will focus on retraining and require formal status reports weekly to explain any anomalies explaining noncompliance.
- We are also implementing an internal periodic review of online credit card transactions to ensure accuracy and compliance with Dallas County policies.
- The goal is to continuously improve our processes and provide excellent service while maintaining accurate and timely financial reporting.

Auditor's Response

- None

cc: Darryl Martin, Commissioners Court Administrator