



DALLAS COUNTY COUNTY AUDITOR

Memorandum

To: Honorable Felicia Pitre
District Clerk

From: Darryl D. Thomas
County Auditor

Darryl D. Thomas
WLTW

Subject: District Clerk Juvenile Section - Review for Fiscal Year 2015

Date: Issued: September 1, 2017
Released: October 17, 2017

Scope:

A review was performed in accordance with statutory guidelines on the financial records, reports, and internal controls of the District Clerk Juvenile section for Fiscal Year 2015 during the term of the Honorable Felicia Pitre with cash control procedures walkthrough completed in July 6, 2017.

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 Mainframe, JCMS, and Odyssey system.

A partial list of the review tests include:

- Performed unannounced cash counts
- Evaluated cash control procedures
- 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 voids and write-offs
- Examined special fund disbursements to determine if sufficient funds were collected, proper payees paid, and if posting to JCMS had occurred
- Submitted Internal Control Questionnaire (ICQ) and evaluated responses
- Examined Mainframe case activity reports
- Reviewed non-sufficient fund (NSF) activity

FINDINGS:

Cash Management

Financial Set-Up/System Controls – Responses to the ICQ and inquiries of District Clerk Juvenile staff revealed: the Mainframe system allows the File Desk clerk and other authorized persons the ability to backdate charges up to seven days; Mainframe (MF) and Odyssey user rights and roles do not prevent cashiers from voiding system generated receipts; inadequate separation of duties: employees assigned to collection and billing responsibilities are also responsible for receipting payments, assessing charges, and modifying charges; and an event is recorded to the Mainframe system when a customer is determined indigent; however, credits are not recorded against assessments due to limited system functionality.

Receipts-Manual/Computer – Review of manual receipts and manual receipts procedures revealed: instances of voided receipts without the reason for the void noted; manual receipt numbers not entered into the MF/JCMS systems as a reference comment once a computer receipt is issued; one receipt was altered to lower amount instead of properly voided; and, 27 manual receipts written for social study fees are deposited without computer receipt issuance and are not posted to the MF/JCMS system.

Review of Mainframe and JCMS computer receipts and deposit/closeout procedures including a sample review of 50 Mainframe and 294 JCMS voided receipts revealed: instances of voided receipts without the reason for the void noted; original copies of mainframe receipt voids not retained; three voided Mainframe computer receipt voids are missing from the daily receipts and could not be reviewed; and, four voided Mainframe computer receipts with replacement receipts issued more than three days after the original date of the voided computer receipt.

Responses to the ICQ, inquiry of District Clerk Juvenile staff and completion of an internal control walkthrough revealed: funds for manual receipts written by the Letot staff for payments received at that facility are not timely transferred to the District Clerk Juvenile section for deposit; only verbal approval is required to post voids/reversals in the Mainframe and Odyssey system; and, access to the safe containing the daily receipts is not under dual control.

Assessments – A sample review of initial filing fees/other county charges, write offs/transfers and error/re-entry reports revealed: court cost fees were not properly assessed.

A sample review of 10 mailed payments logged in mail log revealed: nine payments logged in the mail log did not contain a computer receipt number to reference to mainframe/JCMS to verify.

E-Filing – A sample review 12 of e-filing transaction payment files during fiscal year 2015 revealed: 11 (92%) of daily e-filings receipted to the Mainframe three or more business days after the E-file submission date, including eight (67%) daily e-filings deposited to the Treasurer's office five or more business days from the date of e-file submission.

A sample review of five e-filed cases without payment of filing fees revealed: two e-filed cases with fees waived did not have an *Affidavit of Inability to Pay* notated on the Mainframe system; five e-filed cases were not credited for Inability to Pay on the Mainframe.

A sample review of 20 e-filed payment transactions during fiscal year 2015 revealed all 20 (100%) e-filed payment transactions receipted to the Mainframe three or more business days after the e-file submission date.

NSF

A review of the department's procedures for handling non-sufficient funds (NSF), including a sample review of one corresponding cases, related receipts and the outstanding NSF check list revealed: one original receipt associated with an NSF check was not reversed in JCMS nor was the \$30 NSF fee assessed; NSF check payments are not reversed in Mainframe system; and NSF checks are not flagged in the Mainframe due to system limitations

RECOMMENDATIONS:

Cash Management

Financial Set-Up/System Controls – 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. Limit voids and reversal rights to supervisor or manager once written documentation, which details the void or reversal, has been reviewed and approved. Consider eliminating the backdating capability to ensure that financial reports and accounting records are more accurately reported.

Management Response: *Management will review user's roles and rights every quarter to ensure that clerks have the proper roles and rights to perform their core job functions. A manager/supervisor has to authorize all voided system generated receipts by entering their username and passcode in the Odyssey system. A manager/supervisor is required to authorize all manual voided receipts before the clerks can proceed. Additionally, our division has eliminated the backdating capability to ensure financial reports and accounting records are accurately reported.*

Receipting/Depositing – All monies received should be promptly receipted and deposited consistent with state law, Local Government Code, § 113.022. Receipts should be verified for accuracy of amount, payment type, case number, and payer before issuing to a customer. The supervisor should periodically scan manual receipt books and computer receipts issued for proper usage. Receipts should never be altered, but properly voided. No user should void their own issued receipt without being reviewed/ initialed by a supervisor at the next level up. All copies of a void receipt should be retained clearly marked "void" and affixed with a reason for the void. A dual control process (more than one staff member to open) over opening the safe should be considered.

Management Response: *Management will verify manual receipt books and computer generated receipts more frequently to ensure accuracy and processes are completed timely. A dual control process has been established and practiced by the division regarding opening/closing the safe.*

Assessments – Monitor assessment, collection, and prorating of court costs, fines, and fees in compliance with applicable state laws or Commissioners Court orders and applicable fee schedules based on the file date. Assigned duties for handling financial transactions including: creating assessments, receipting payments, and adjusting or writing-off assessments should reflect a proper segregation of duties. Supervisory personnel should periodically review exception reports and transaction logs (especially with respect to credits and write-offs) to ensure that explanation for the change is documented and reasonable.

Management Response: *Management will review assessments, collection, and prorating of court costs, fines, and fees to guarantee compliance with applicable state laws or Commissioner Court orders and applicable fee schedules based on the file dates, in addition to, frequently reviewing exception reports and transaction logs.*

E-Filing – The eFileTexas.gov inbox should be reviewed daily to accept or reject submitted filings. All e-filing submissions should be promptly receipted and deposited timely in accordance with Local Government Code, § 113.022. E-filing tills should reconciled against eFileTexas.gov daily reports, closed, and added to the appropriate deposit daily with a separate deposit Form 98 submitted to the County Treasurer. A Policy and Procedures manual should be developed for e-file handling responsibilities and current procedures reinforced. Detailed procedures ensure that e-file revenues should be matched in the proper accounting period and balanced timely.

Management Response: *During the period March, 2015, to September, 2016, the staff members in the Juvenile Division implemented Odyssey DMS and, as a result, there was a delay in daily transactions and work assignments. Currently, the department has trained staff members, and is fully staffed, and has streamlined processes. As a result, work is being processed timely and accurately.*

NSF Checks – A NSF flag should be added to the case once the department is notified of an NSF item by the County Treasurer. Original payment transaction for funds returned as NSF, stop payment, or account closed should be reversed within 30 days after notification if not paid in full with a \$30 NSF fee assessment added.

Management Response: *The Collections Department is now backing off returned payments in Techshare and collecting the fees. The Trust Department was handling the Collections of NSF prior to 2016.*

SUMMARY:

The report is intended for the information and use of the department. While internal controls and financial reports were reviewed, all matters of a material weakness may not have been identified. 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.

Priority areas of risk which need to be addressed include: proper system controls and roles/rights within the Odyssey courts system (mainframe discontinued September, 2016); adequate separation of assigned duties for personnel handling financial transactions; complete end-to-end user testing prior to sign-off and ‘production’ changes; remittance of central adoption registry fees to the Department of State Health Services; and, prompt receipt and deposit of e-filing submissions.

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

Cc: Darryl Martin, Commissioners Court Administrator