



AUDIT REPORT

DALLAS COUNTY

DISTRICT CLERK JUVENILE FY2016

Darryl D. Thomas
Dallas County Auditor

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JUVENILE FY2016

TABLE OF CONTENTS

MANAGEMENT LETTER.....	3
EXECUTIVE SUMMARY.....	4
INTRODUCTION.....	5
DETAILS.....	6
Manual Receipts.....	6
Computer Receipt, Closeout/Deposit and Cash Count.....	7
E-Filing Transactions	8
Special Fund 503 check incorrectly posted.....	9

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 Felicia Pitre
District Clerk
Dallas, Texas

Attached is the County Auditor's final report entitled "**Juvenile FY2016**" 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

Sample review of financial transactions and internal control procedures for compliance with statutes, Dallas County policies and best practices revealed the significant observations listed below. Juvenile is currently on the Odyssey System. The system limitations noted in the report, as well as in the repeat observation, do not exist in the current system.

Summary of Significant Observations

- Delays in depositing funds
- Original copies of voided receipts not retained

Repeat observations from Previous Audits:

- Social studies fees are not posted to the mainframe

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:

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

Manual Receipts

A review of 103 manual receipts and manual receipts procedures revealed: inconsistent supervisory enforcement of recommended manual receipting procedures resulted in one instance of a voided receipt without the reason for the void noted; one receipt altered to a higher amount instead of properly voiding; and two manual receipts recorded to the mainframe four or more days after initial issuance. Non-adherence to proper manual receipting procedures results in delayed revenue recognition and increases potential for funds to be misappropriated.

Internal control practices regarding receipts indicate manual receipts are written only during system downtime, reflecting the appropriate case number and amount paid. Once the system is restored, the payments are to be posted to the system and the manual receipt numbers entered into the comment field. Additionally, all manual receipts are to be accounted for, properly used including evidence of supervisory review, kept in numeric order, have the corresponding computer receipt attached, and are posted and deposited daily in accordance with Local Government Code, § 113.022.

Due to system limitations manual receipt numbers are not entered into the mainframe system as a reference comment once a computer receipt is issued; and all manual receipts written for social study fees are deposited without computer receipt issuance and are not posted to the mainframe. Review of manual receipts also revealed instances of manual receipts numbers not referenced in TechShare, though the system is capable of capturing this information and one receipt entered with the incorrect manual receipt number. These departures from proper manual receipting procedures result in incomplete financial records.

Recommendation

Manual Receipts

- Management should reinforce and retrain staff on proper internal control procedures regarding manual receipts.
- The Juvenile Department's transition from the mainframe to the Odyssey case management system in September, 2016, allows for more system functionality. As such, Social study fees should be integrated into the Odyssey courts system with computer receipts issuance replacing manual receipts. Additionally, the manual receipt number for any receipt issued during system downtime can be entered in the case Event tab.

Management Action Plan

A meeting and refresher training session was conducted with the clerks regarding the procedures for manual receipts. Effective March, 2017, the Social Study fee is now integrated into the Odyssey System to allow a computer receipt to be generated instead of using manual receipts. Prior to this date, customers were given a written receipt for all social study fee transactions. Also, effective in August, 2017, if the system is down once the system is back online the manual receipt numbers will be entered under the comment field

as a reference. Management will also 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.

Auditors Response

None

Computer Receipt, Closeout/Deposit and Cash Count

Control procedures related to computer receipts indicate that all monies received should be promptly receipted and deposited properly and timely in accordance with Local Government Code, § 113.022. Additionally, receipts should be properly voided with a reason for the void recorded to the computer system and all copies of voided receipts retained. All voids should be reviewed daily by supervisory personnel at least one level above the employee that voided the payment.

Review of mainframe and Juvenile Case Management System (JCMS) computer receipts and deposit/closeout procedures including a sample review of 94 mainframe and 234 JCMS voided receipts revealed: the original copy of voided mainframe receipts are not retained; one voided mainframe computer receipt with replacement receipt issued more than three days after the original date of the voided computer receipt; and 10 instances where the computer receipt number was not recorded to the mail log. Inconsistent employee training and application of computer result control procedures results in an incomplete audit trail for financial records and increases the potential for misappropriation of funds.

At the end of the business day, the system control totals should be compared to the funds on hand. Corrections should be made so that both good internal control and audit trails are maintained. Receipt and deposit totals are verified by a supervisor with verification evidenced by a signature or initial on the control documents which are retained in accordance with Records Retention guidelines. Control documents presented are signed-off on by both the cashiers and the cashiers' supervisor. All payments should be receipted and deposited in accordance with V.T.C.A., L.G.C. § 113.022.

Daily reconciliation of the department's receipted transactions revealed 11 delays of four or more business days between receipt date and Oracle DMS 98 deposit approval date. Inconsistent management oversight of the deposit process results in delayed revenue recognition and potential for misappropriation of funds.

Recommendation

Computer Receipt, Closeout/Deposit and Cash Count

- Voids should require supervisory approval. No user should void a receipt they issued without the receipt being reviewed/initialed by a supervisor at the next level up. All copies of voided receipts should be retained (the latter of Records Retention requirements or audit completion date).
- Procedures and documentation 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.

- Supervisory personnel periodically review exception reports and transaction logs (especially with respect to receipt deletions, lowered amounts, and payment type changes) to ensure that the explanation for the change is documented and reasonable.

Management Action Plan

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.

Auditors Response

None

E-Filing Transactions

All e-filing submissions should be promptly receipted and deposited timely in accordance with Local Government Code, § 113.022. A sample review of 12 e-filing transaction payment files during fiscal year 2016 for timely deposit revealed four instances of daily e-filings deposited five or more business days after the e-file submission date, including two instances that were receipted to the mainframe seven or more days after the initial submission date. Review of an additional 20 e-filed payment transactions during fiscal year 2016 for timely receipting to the mainframe revealed all (100%) e-filed payment transactions were receipted three or more business days after the e-file submission date.

Non-integrated financial systems for e-filed cases require manual processing to deposit funds. The lack of integration and inconsistent management oversight and staff training have resulted in delays in posting settled e-file amounts, which misstates case balances and may result in duplicate payments. The delays also negatively impact e-file reconciliation and revenue recognition.

A sample review of five e-filed cases without payment of filing fees revealed two e-filed cases with waived fees did not have an *Affidavit of Inability to Pay* documented on the mainframe system, however, documentation was found in the case jacket for one case. Three cases with filed *Affidavits of Inability to Pay* still reflect balances due. Clerical error and inconsistent docketing may result in additional staff time to research and resolve unprocessed activity.

Recommendation

E-Filing Transactions

- Written procedures should be developed for e-file handling responsibilities.
Detailed procedures ensure that e-file revenues should be matched in the proper

accounting period and balanced timely.

- Management should review e-file submissions to ensure amounts are receipted and deposited daily.

Management Action Plan

In September, 2016, 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, is fully staffed, and has streamlined processes. As a result, work is being processed timely and accurately. In addition, to the implementation of the Odyssey DMS the clerks enter all Affidavits of Inability Pay as an event. Effective January, 2017, the manager will ensure that all Affidavits of Inability to Pay reflect a zero balance by running monthly reports.

Auditors Response

None

Special Fund 503 check incorrectly posted

A review of Special Fund 503 disbursements revealed one disbursement posted to TechShare for \$50 less than the issued amount. Financial systems are not integrated requiring manual entry of disbursement information and resulting in clerical errors. When supervisory review is not utilized as a compensating internal control, these errors are not identified and corrected causing the financial records to be inaccurately stated and potentially resulting in duplicate refund/restitution payments.

Recommendation

Special Fund 503 check incorrectly posted

- Supervisors should compare the daily Fund 503 District Clerk Register of Approved checks to the TechShare Victim Payment/Refund Transactions report.

Management Action Plan

Techshare has upgraded and implemented a feature that will not allow the customer to pay more than what the victim is due. The clerk will receive an immediate alert if they try to enter more than the amount due.

Auditors Response

None

cc: Darryl Martin, Commissioners Court Administrator