

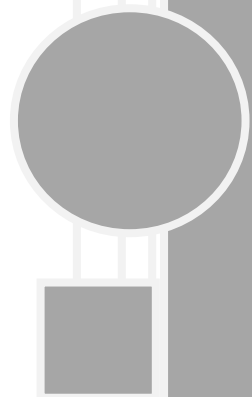


AUDIT REPORT

DALLAS COUNTY

DISTRICT CLERK CIVIL AND FAMILY FY2016 -2017

Darryl D. Thomas
Dallas County Auditor
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DISTRICT CLERK CIVIL AND FAMILY FY2016 -2017

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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 Felicia Pitre
District Clerk
Dallas, Texas

Attached is the County Auditor's final report entitled "**District Clerk Civil and Family FY2016 -2017**" 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 blue ink, reading "Darryl D. Thomas".

Darryl D. Thomas
County Auditor

EXECUTIVE SUMMARY

A review of District Clerk Civil and Family for fiscal years 2016 and 2017 revealed the significant observations listed below:

Summary of Significant Observations

Registered Mail

- Department is not collecting the statutorily approved fees for the service of citations by registered mail.
- Employees travel to post office locations up to 22 miles away to send registered mail during business hours.
- As of March 08, 2018, cash totaling \$240.14 identified by staff as change due to customers who paid for registered mail was located in the vault including \$98.13 in cash that cannot be associated with a specific case or payer.

Manual Receipts Issued by Records Section

- The Records section is issuing manual receipts after the Collections window closes for the day. There were delays of up to 24 days in posting the manual receipts to Odyssey.
- Manual receipts for cash were altered to lower amounts instead of issuing a new receipt.
- Instances of the Records section receiving funds without issuing an official Dallas County receipt.

Computer Receipts/ Closeout

- Two clerks processed 367 out of 721 (51%) total computer receipt voids.
- 108 voided cash payments totaling \$4,006.20 were not re-entered in Odyssey.
 - Seven cash receipts were voided 15 minutes or more after the original transaction.
 - 33 of the cash voids were related to notary services.
- 19 cash receipts totaling \$4,585 were re-receipted one or more days after the original transaction including six receipts which had tender types changed from cash to check.

Repeat observations from Previous Audits:

- District Clerk releasing disbursements the same day the checks are printed by the Treasurer's Office.
- Employees walking to Treasurer's Office to pick up checks with no security.
- Special fund checks were not posted to Odyssey in a timely manner.
- E-filing tills deposited three or more business days after receipt.

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, 2017.

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

Delay in Credit Card Deposits

A sample review of 10 day's deposited online credit card transactions revealed six deposits were not processed the next business day. All credit card transactions should be deposited timely in accordance with Local Government Code, § 113.022 and 113.021. Accounting and system control procedures require daily reconciliation and balancing of collected funds, including supervisory review. Online credit card transactions should be receipted the next business day after the credit card settlement report indicates that the transaction successfully processed. Non-integrated financial systems requiring manual intervention to receipt online credit card payments to Odyssey and a lack of management oversight of the credit card process has resulted in a delay in recognizing revenue due to Dallas County.

Recommendation

Delay in Credit Card Deposits

- Management should establish written procedures for processing online credit card transactions.
- Management should periodically review the credit card settlement report and CWR for accuracy, timeliness of processing, and staff compliance to established policies and procedures.

Management Action Plan

Each business day, the cashier's run a report in an attempt to capture all online credit card payments for the previous day(s). However, there is a delay in some of these payments being captured, so the protocol is to run the report for the previous three days. These payments must then be posted to Odyssey for deposit on the following business day. Unless Chase can eliminate capture delays and/or Odyssey posting can be automated, it is not feasible to reduce these delays. The imminent implementation of Point-of-Sale transactions should reduce the number of online payments.

Auditors Response

None

Manual Overrides

Proper assessment procedures indicate that court costs should be assessed at the time a case is filed using the standard system fee schedule. Management is to notify IT services timely when a change to the standard fee schedule is required. A review of all manual overrides revealed 20 assessments were backdated in Odyssey. The fees were not properly assessed at the time of filing, requiring a manual override of the standard fee schedule. Incomplete internal controls over the manual override process, including management granting system roles that allow these transactions to be backdated, have resulted in inaccurate case and receivable balances and may result in revenue loss for Dallas County.

Recommendation

Manual Overrides

- Management should limit user roles/rights to process manual overrides. User access requirements should correspond to least rights necessary to perform core job functions.
- Court costs and fees should be properly assessed, collected, and timely deposited on all cases based on state laws and Commissioners Court orders.
- Supervisory personnel should periodically review transaction listing reports (especially with respect to manual overrides) to ensure that an explanation for the change is documented and reasonable.

Management Action Plan

At one time, it was the practice to collect prepaid deposits into escrow for citation service. Once served the return was to be forwarded to the Accounting department to move the funds from escrow into the correct account. Unfortunately, a significant number of returns bypassed Accounting. Many years ago, Audit asked Accounting to research and resolve this, which is a very labor-intensive effort that continues today. Such overrides will continue until this project requested by Audit is completed. Governmental entity plaintiffs are generally not required to pay filing fees. Ultimately, these fees are usually borne by the defendant/respondent, which requires that the fees be moved from one party to another by a billing clerk. This is not an indication that the fee amount was incorrect, and the sheer volume of cases billed renders it impractical for this to be performed solely by managers and/or supervisors.

Auditors Response

The District Civil and Family manual overrides response does not address the backdating of the manual overrides. The backdating of charges affects the financial reporting of receivables. Any manual overrides should be completed using the current date.

Fees Improperly Assessed

A sample review of initial filing fees for 30 civil and 30 family cases revealed proper fees were not assessed on parent-child relationship cases; when assessments were transferred from the original petitioner to the respondent, costs were assessed to additional court ordered costs instead of the appropriate court cost breakdown. Court costs and fees should be assessed in compliance with statute and Commissioners Court orders. Incomplete internal controls and a lack of management oversight of the assessment process has resulted in inaccurate case balances which inhibits accurate receivable analysis and could potentially result in a loss of Dallas County commission revenue from the State of Texas due to inaccurate quarterly reporting.

Recommendation

Fees Improperly Assessed

Management should:

- Periodically review court costs and fees to ensure funds are assessed, collected, and deposited in compliance with statute and Commissioners Court orders.
- Assess the cost-benefit of implementing system modifications to further automate the fee assessment process to transfer costs from plaintiffs to respondents.
- Discontinue the use of the "additional court cost" fee type on parent-child cases when transferring costs from plaintiffs to respondents.
- Train staff to assess statutorily required case filing fees to the responsible party.

Management Action Plan

At one time, the protocol was to reestablish the original filing fee for the respondent. However, this caused the case to be re-opened, resulting in issues for District Clerk and District Court staff. Several years ago, the solution of assessing additional court-ordered fees was implemented to resolve this. We would concur with the recommendation to pursue an enhancement to Odyssey to enable the transfer of assessed fees between parties.

Auditors Response

None

Reverse Charges Posting Errors

A sample review of reverse charges and charge reductions revealed: eight cases did not have an explanation noted, eighteen reversals were not processed by the supervisor or manager, and three cases with reverse charges were backdated in Odyssey. Best practices related to reverse charges and charge reductions indicate adjustments to assessments should be made that both good internal control and audit trails are maintained; processing of financial transactions should reflect proper segregation of duties such that users with roles/rights to receipt or void payments are able to add additional charges, but not modify, reduce, or delete assessments; and all corrections should include a complete and valid explanation in the comment field. Incomplete internal controls over the assessment and reduction process and an inadequate segregation of duties increases the potential that funds may be misappropriated.

Recommendation

Reverse Charges Posting Errors

- Written procedures should be established for the assessment adjustment responsibilities of the District Clerk Civil and Family section personnel in order to strengthen the office's internal control and improve efficiency. These procedures and the employees' adherence to them in the performance of their work should be

periodically reviewed by the appropriate supervisory staff in order to effectively maintain good internal control.

- User roles granting rights to process charge reductions and charge reversals should be limited.

Management Action Plan

As stated previously, it is impractical for charge reversals/reductions to be performed solely by managers/supervisors due to the volume of cases billed. Regarding charge adjustments which relate to the intricacies of the Attorney General cases, we will do our best to ensure appropriate explanations in the future.

Auditors Response

In their response, District Clerk management indicated that it is impractical for charge reversals/reductions to be performed solely by manager/supervisors due to the volume of cases billed. While this may be true, it is still incumbent upon management to ensure that all charge reversals/reductions are appropriate. This may be accomplished by periodically reviewing charge reversals/reductions.

Manual Receipts

A review of 157 manual receipts (16 Civil and 141 Trust/Accounting) revealed: the District Clerk Civil section has multiple manual receipt books in use at one time; two manual receipts issued by the Civil section were not recorded in Odyssey; one manual receipt issued by the District Clerk Trust section was used out of sequence; and three manual receipts voided by the Trust department did not have an explanation noted.

A sample review of 29 manual receipts revealed the manual receipt numbers for 23 receipts issued by the Trust and Civil sections were not entered in the Odyssey comment field; 12 department copies of manual receipts that did not have the corresponding computer receipt attached; two manual receipts posted to Odyssey two or more days after issuance including one receipt with a 27 day delay in posting to Odyssey; and one department copy of the manual receipt that did not have the corresponding computer receipt attached. This receipt was entered into Odyssey with a different tender type than on the manual receipt.

Internal control procedures indicate all manual receipts should be accounted for and properly used, include supervisory review, kept in numeric order, have the corresponding computer receipt attached, and posted and deposited daily, and timely in accordance with Local Government Code, § 113.022. All copies of a void receipt should be retained clearly marked "void" and affixed with a reason for the void. A lack of written policies and procedures related to the manual receipt process and lack of supervisory oversight has resulted in inaccurate and incomplete financial records and increases the potential for a loss of Dallas County revenue through the misappropriation of funds.

Recommendation

Manual Receipts

Management should:

- Establish written procedures for processing manual receipts and notary fees.
- Limit the use of manual receipts to Odyssey system downtime.
- Management should periodically review manual receipt books for completeness and proper posting to Odyssey.

Management Action Plan

Manual receipts will no longer be issued after 4:00 PM and the delays in posting manual receipts to Odyssey will cease. Cashiers will close their Odyssey tills at 3:00 PM and 4:00 respectively, then open a new Odyssey till that carry over until the next day to reduce the use of manual receipts. Effective immediately, manual cash receipts will no longer be altered. New receipts will be issued. Effective immediately, we will make our best effort to eliminate funds being received by the Records Department without the issuance of an official Dallas County receipt.

Auditors Response

None

Computer Receipts and Closeout/Deposits

A review of Odyssey computer receipts and deposit/closeout procedures including 721 voided receipts revealed: 110 voided cash receipts totaling \$4,006.20 were not re-issued including seven cash receipts that were voided 15 minutes or more after the original transaction; 33 cash receipt voids were related to notary services; 19 cash receipts totaling \$4,585 were re-receipted one or more days after the original transaction including six cash receipts that were re-issued as check payments; delays in recognizing revenue from six check payments due to not identifying check errors prior to receipting; and two clerks processed 367 out of 721 (51%) voids.

A sample review of 257 voided computer receipts revealed the original receipt was not retained for 109 out of 257 (42%) voided transactions.

A sample review of tills, closeouts, and deposits revealed: transactions for two days totaling \$55,571.79 were deposited in Odyssey two or more days after the Odyssey transaction date; and four instances of tills closed in Odyssey but not included in a deposit in a timely manner.

A sample review of adjustment transactions for reverse void, reverse payment, adjustment, reverse miscellaneous payment; and/or reverse adjustment revealed: 10 reversals and/or adjustments that were not properly performed as a result of data entry errors, reversals performed in place of properly voiding

transactions, and the improper transfer of case fees between parties; six reversals/adjustments without a reason noted in the comment field; and 25 reversals processed by non-supervisory employees.

Internal control procedures related to voids, reversal, adjustments and proper cash handling indicate that receipts should be voided with a reason for the void recorded to the computer system and retention of all voided copies; all voids should be reviewed daily by supervisory personnel at least one level above employee that voided the payment; at the end of the business day, the system control totals should be compared to the funds on hand. Corrections should be made such that both good internal control and audit trails are maintained. Receipt and deposit totals are verified by a supervisor with verification evidenced by signature or initial on 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. § 113.02; adjustments and reversals should be performed by supervisory employees.

Lack of written procedures and inadequate employee training has resulted in delays in revenue recognition and inaccurate receivable reports. Inconsistent supervisory oversight of voids, reversals and adjustments of transactions increases the potential that funds may be misappropriated.

Recommendation

Computer Receipts and Close/Deposits

Management should:

- Establish written cash handling/receipt procedures that emphasize receipts are to be verified for accuracy of amount, payment type, case number, and payer before issuing to a customer.
- Ensure all tills are closed and deposited daily.
- Ensure collected funds are submitted to the County Treasurer the next business day after receipt or no later than the fifth business day.
- Periodically review system reports and daily work for accuracy and staff compliance to established policies and procedures.
- Review the voided transactions to ensure that the voids are appropriate.

Management Action Plan

All referenced transactions performed by the File Desk except for a voided receipt. This involved a case where a payment was reversed rather than voided, resulting in issues that took days to resolve.

Auditors Response

None

Special Fund Disbursements

A sample review of 40 Fund 503 checks revealed five disbursements were posted to Odyssey between four and 69 days after issuance; as of June 14, 2018, and two Special Fund checks have not been posted to Odyssey in excess of six months. All Special Fund disbursements should be accounted for, issued to the proper payee for the correct amount in a timely manner, and reference the relevant case information. Additionally, all Special Fund disbursements issued, voids, cancelations, and stale dated checks should be timely and accurately posted to the Odyssey courts system. Lack of management oversight over the reconciliation of non-integrated financial systems to timely identify and resolve clerical errors has resulted in inaccurate case balances and increases the potential that duplicate disbursements may be issued.

The Treasurer's Office is responsible for printing and distributing Fund 503 checks. As part of this county-wide internal control, disbursements are either mailed directly to the recipient or held for pick up by the recipient or the requesting department. As a business practice, the District Clerk Civil and Family section has an employee courier the checks from the Treasurer's Office to the department without any form of security. In some instances, the District Clerk Civil and Family section releases disbursements to customers the same day the checks are printed by the Treasurer's Office; these checks are not honored by the bank. Management override of county-wide internal controls related to disbursements potentially endangers the safety of county employees and risks damage to Dallas County's reputation related to checks not honored by the bank.

Recommendation

Special Fund Process

Management should:

- Generate a daily Odyssey Transaction Listing report for disbursements and compare the report to the disbursement file received from the Treasurer's Office to confirm all checks have been posted to Odyssey in the correct amounts and to the correct cases.
- Allow disbursement to be mailed directly to recipients from the Treasurer's Office or be held for pick-up at the Treasurer's Office.
- Develop written procedures for the disbursement process.

Management Action Plan

We will immediately cease the practice of releasing disbursements on the same day the check is produced. We pick checks up from the Treasurer's Office for the benefit of convenience to our customers. The checks we pick up have no cash mixed with them. We have been doing this for the benefit of our customers for the last 20 years. From a repeat customer standpoint, they really appreciate convenience. In addition, sometimes it cannot be avoided, but we will try very hard in the future to enter Special Fund checks into Odyssey as soon as possible.

Auditors Response

None

Un-Receipted Register Mail Funds

During a review of manual receipts, one \$25 cash receipt for registered mail could not be traced to receipting in Odyssey. Further inquiry of District Clerk Civil and Family staff regarding the receipt and inspection of U.S. Postal Service receipts located in the department vault identified multiple internal control weaknesses related to the registered mail process including: that the File Desk and the Document Production sections in District Clerk Civil and Family routinely receive \$25 cash payments from customers to process registered mail without issuing an official Dallas County receipt.

The department has designated four employees to courier the cash payments and documents to the post office and return with a receipt and change. If customers do not return to pick up their change when notified, the department keeps the change and the post office receipt in the vault; a total of \$240.14 in change due to customers for services related to registered mail was located inside multiple envelopes in the vault. The U.S. Postal Service receipts indicate the transactions were processed between March, 2016 and January, 2018. The department's practice is to label the change envelopes with customer contact information; however, there were funds in several unmarked envelopes totaling \$98.13 with no indication of an associated party or a U.S. Postal Service receipt. Upon inquiry, the department staff indicated these funds were related to registered mail services, but were unable to identify the associated case or payer. One post office receipt indicates total registered mail costs of \$59.26 with \$60 being tendered by a District Clerk Civil and Family employee, however, the notation on the change envelope contained in the District Civil and Family vault indicates only \$25 was collected from the customer. Funds related to one registered mail transaction were not deposited to the Dallas County over/short account, though, the customer indicated that the department could keep the change. The department does not maintain a log to track funds received from or refunded to customers for registered mail.

Envelopes containing other funds were found commingled among the registered mail envelopes inside the District Civil and Family vault including funds related to one voided \$6 cash payment for notary services and three cash payments of \$11 each related to witness fees. The case information for one of the witness fees indicates that the related subpoena was returned to the department unexecuted July 25, 2016.

Internal control procedures related to payments for registered mail indicate a receipt should be promptly issued for the amount of funds tendered, correct change given to customers, and all funds received properly secured, and deposited consistent with Local Government Code, § 113.022 and procedures recommended by the Dallas County Auditor. All receipts should be accounted for and properly used in order to affix responsibility, enhance cash control, and prevent assertion that monies were paid and a refund due. Manual receipts are 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 numbers are entered into the comment field. All manual receipts are accounted for and properly used, kept in numeric order, have the corresponding computer receipt attached, and are posted and deposited daily, and timely. Overages, including change left by customers, should be deposited to the over/short account. A lack of management oversight and incomplete controls over the processing of registered mail transactions has resulted in incomplete financial records and increases the potential that funds may be misappropriated.

District Clerk Civil and Family is only collecting \$25 from customers for processing registered mail and sending documents through the US Postal Service. Per Government Code Sec. 51.319 (2) when the District Clerk Civil

and Family section processes citations by certified or registered mail the fee charged should be the same fee that Sheriffs and Constables are authorized to charge for the service under section LGC 118.131.

Commissioners Court Briefings entitled *Sheriff and Constable Fees dated 09/15/15 and 09/20/16* sets the fee for citations or notices by registered or certified mail at \$65 (plus the costs of registered or certified mail). Non-assessment of statutorily approved fees due to a lack of management oversight and knowledge of Dallas County required fees for citations processed by mail has resulted in a loss of revenue to Dallas County.

Review of timestamp and location information on the U.S. Postal Service receipts and inquiry of staff revealed employees use their personal vehicles to drive to various post office locations during business hours to send registered mail. The closest U.S. Post Office to the District Civil and Family department is 0.8 miles away, which is a five minute commute by vehicle, however, employees are traveling up 22 miles, which translates to 30 minutes by vehicle to process these transactions. The review of post office receipts also indicated that some transactions are being processed after business hours. Lack of management oversight and incomplete controls related to the processing of registered mail has resulted in staff time expended to courier documents to the post office during business hours, which may result in additional employee mileage requests and gives rise to questions related to Dallas County's liability for transactions conducted by employees outside of business hours.

Recommendation

Un-Receipted Register Mail Process

Management should:

- Establish written policies and procedures for cash handling responsibilities and the processing of registered mail, which emphasize that receipts should be issued for all money received. No money should ever be accepted without immediately issuing an official Dallas County receipt.
- Create an USPS.com account to request registered mail, tracking and courier services through the U.S. Postal Service
- Purchase a scale to weigh documents and use the cost calculator on the U.S. Postal Services website to assess the correct cost to customers.
- Contact Financial Audit to set-up GL account for the collection of postage fees.
- Contact Accounts Payable to set up a U.S. Postal Service vendor account.
- Coordinate with IT Services/Tyler Technology to program Odyssey to accept the payments for registered mail coded to the postage account.
- Overpayments should be receipted to the overage/shortage account or the special fund 503 account and issue a special fund check to proper payee.
- Train staff on the required fees for serving citations by registered mail.

Management Action Plan

N/A to Trust/Accounting/Collection.

Auditors Response

We did not receive a response specific to the issues identified during our review of Civil and Family. In addition, The District Civil and Family Registered Mail process outlined in a memo dated June 4, 2018 does not address a primary audit concern that the department is causing Dallas County to lose revenue by undercharging for the service of citations by registered mail. District Civil and Family is charging customers \$25 for service by registered mail; however, the Dallas County Commissioners Court has set the rate at \$65 (plus the costs of registered or certified mail) for this service. Additionally, the department's process of not receipting payments for registered mail upon receipt from a customer represents an internal control weakness that increases the potential funds may be lost or misappropriated.

Cash Management

Cash counts performed at District Clerk Civil and Family by Internal Audit staff during fiscal years 2016 and FY2017 revealed deposit amounts that were over or short the amount on the receipt control total including two cash shortages totaling \$33 and one cash overage totaling \$10.10. During two of the cash counts, staff indicated they had been aware of the cash shortages/overages nearly a month.

Cash counts of District Clerk Civil and Family deposits received at the Treasurer's Office revealed: 12 checks were receipted using the numerical amount instead of the legal written amount including funds deposited totaling \$1,951.75 less than the receipt control total and funds deposited totaling \$45 more than the receipt control total. Additionally, the department accepted one \$23 check that did not have the routing number printed on the instrument.

All monies received should be promptly receipted and deposited consistent with Local Government Code, § 113.022. Any unidentified overages should be deposited to the overage/shortage account daily. Daily collections and change funds should be recounted by supervisory personnel with review evidenced by initial or signature on deposit forms. Receipts should be verified for accuracy of amount, payment type, case number, and payer before issuing to a customer. Checks should be receipted for the legal written amount. The department is to notify the Auditor's Office of shortages timely and consistent with Dallas County Code Sec. 74-692.

Lack of management oversight, clerical errors and inadequate training related to cash management have resulted in delays in revenue recognition; increased the potential that funds may be misappropriated; and may result in financial losses to Dallas County for unrecoverable amounts paid for services already rendered.

Recommendation

Cash Management

Management should:

- Establish written procedures for proper cash handling, which emphasize that checks are to be receipted for the written legal amount and the elements of a complete financial instrument.
- Standardize department cash handling processes related to drawer shortages between the sections of District Civil and Family; Determine whether employees will be responsible for replacing funds related to cash shortages.
- Total and balance the funds on hand to the system receipt control totals at the end of each business day. Receipt tapes for check totals should be calculated using the written legal amount and verified against the receipt control total. Receipt and deposit totals should be verified by supervisory personnel.

Management Action Plan

We will isolate and promptly resolve inevitable occasional cash overages/shortages. We will again emphasize the importance of receipting negotiable instruments for the written amount and verify that they bear a MICR line.

Auditors Response

None

E-Filing Deposits

A review of E-filing transactions revealed four E-filing tills with a three or more business day delay in depositing with the Treasurer's Office. All monies received should be promptly receipted and deposited properly, and timely in accordance with Local Government Code, § 113.022. E-filing tills should be reconciled against the eFileTexas.gov reports, closed, and added to the appropriate deposit daily with a separate deposit form 98 submitted to the County Treasurer. Inconsistent management oversight and inconsistent training have resulted in delayed revenue recognition and inaccurate case balances, which may cause duplicate payments requiring additional staff time to research and refund.

Recommendation

E-File Process

Management should:

- Develop a policy and procedures manual for e-filing responsibilities. Detailed procedures should ensure that e-file revenues are matched in the proper accounting period and balanced timely.

- Periodically review the daily eFileTexas.gov financial activity, posting of Odyssey e-filing activity, e-filing tills, and the District Clerk's e-Pay bank account for accuracy, timeliness of processing, and staff compliance to established policies and procedures.

Management Action Plan

Not infrequently, e-file payments will be automatically posted to Odyssey on a date subsequent to when funds were received, resulting in those dates being linked together for reconciliation purposes, thus delaying deposit processing. We would welcome any effort to resolve this flaw in the interface between e-file and Odyssey.

Auditors Response

None

Manual Receipts-Records/Copy Section

The District Clerk Civil and Family Records section generates work orders for customers requesting documents, which includes a listing of the documents and a calculation of the amount due. Customers then take the work orders to the Collections section to tender payment. After payment is received, the customer is issued an Odyssey receipt. The customer takes the receipt back to the Records section to receive the requested documents. This internal control process segregates custody and distribution of the records from the recording of payments in Odyssey; however, significant departures from this process were identified.

During a review of work orders, an official Dallas County manual receipt book was found in the custody of the Records section. Inquiry of Records section staff revealed that the manual receipt book had been given to the Records section by the District Civil and Family Administration section and that management had authorized the Records section to issue the receipts if a customer requested documents after 4:00 PM, when the Collections section had closed its cash drawers.

A review of manual receipts issued by the Records section between April 14, 2016 and November 28, 2017 and inquiry of staff revealed: 300 manual receipts were issued by the Records section; manual receipts were written when Odyssey was operational; manual receipt numbers are not entered in the Odyssey Comment field; and work orders were given to customers in place of an official Dallas County receipt after all of the manual receipts had been used.

A sample review of 20 out of 300 manual receipts were tested for proper posting to Odyssey which revealed: one manual receipt was not properly recorded with the amount received; two manual receipts were not issued in sequential order; and five manual receipts were not posted to Odyssey timely, including one manual receipt with a 24 day delay between issuance and posting to Odyssey.

A review of all voided and altered manual receipts revealed: one voided manual receipt did not contain an explanation for the void; one voided manual receipt was not marked void; and 11 manual receipts were altered including six cash receipts that were altered to a lower amount.

Best practices related to internal control over manual receipts indicate that all manual receipts are accounted for and properly used, include supervisory review, kept in numeric order, have the corresponding computer receipt attached, and posted and deposited daily, and timely in accordance with Local Government Code, § 113.022. Manual receipts are written only during system downtime, reflecting the appropriate case number and amount paid. Once the system is restored, the payments should be posted to the system and the manual receipt numbers are to be entered into the comment field. All copies of a void receipt should be retained clearly marked "void" and affixed with a reason for the void. An official Dallas County receipts should be issued for all money received. Manual receipts are not altered, but properly voided and affixed with a reason for the void with retention of all voided copies. Appropriate segregation of duties maintains the separation of the job functions of custody and distribution of the records and the receipting of payments.

Inconsistent enforcement of the department's internal control procedures and management's emphasis on customer service has led to an inadequate segregation of duties, which has resulted in incomplete financial records, delayed revenue recognition and increases the potential that funds may be misappropriated.

Recommendation

Manual Receipts -Records/Copy Section

Management should:

- Discontinue the issuance of manual receipts by the Records section.
- Implement alternatives for receipting payments for records after 4:00 PM that maintains an adequate segregation of duties such as:
 - Having the Collections section open a new till in Odyssey to receipt any payments received after 4:00 PM. The funds would be placed the in vault overnight and included with the next day's deposit.
 - Closing tills closer to 4:30 PM.
 - Stagger the Collections cashiers' schedules.

Management Action Plan

Manual receipts will no longer be issued after 4:00 PM and the delays in posting manual receipts to Odyssey will cease. Cashiers will close their Odyssey tills at 3:30 PM and 4:00 PM, respectively, and then open a new Odyssey till that will carry over until the next day to reduce the use of manual receipts. Effective immediately manual cash receipts will no longer be altered. New receipts will be issued. Effective immediately, we will make our best effort to eliminate funds being received by the Records Department without the issuance of an official Dallas County receipt.

Auditors Response

None

cc: Darryl Martin, Commissioners Court Administrator