

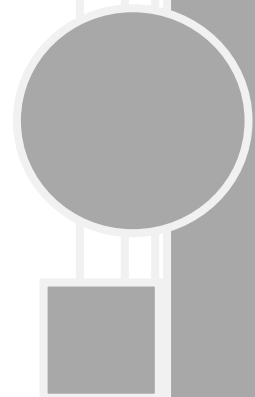


AUDIT REPORT

DALLAS COUNTY

DISTRICT CLERK CIVIL AND FAMILY FY2018

Darryl D. Thomas
Dallas County Auditor
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DISTRICT CLERK CIVIL AND FAMILY FY2018

TABLE OF CONTENTS

MANAGEMENT LETTER.....	3
EXECUTIVE SUMMARY	4
INTRODUCTION	5
DETAILS	6
Computer Receipts and Deposits.....	6
Reverse Charges and Manual Overrides.....	7
Special Fund Disbursements	9
Registered Mail Funds.....	9
Financial Set-Up	11
Cash Management	12
Manual Receipts.....	13
Credit Card and E-Filing Transactions.....	13

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 FY2018**" 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 year 2018 revealed the significant observations listed below:

Summary of Significant Observations

- Receipts voided more than 30 minutes after the original transaction, including receipts that were re-issued with a different tender type or a lesser amount.
- Department received cash without issuing receipts.
- Cases with change due to customers from registered mail fees were receipted to Odyssey 30 or more days after the registered mail was processed.
- Department did not collect the statutorily approved fees for the service of citations by mail.

Repeat Observations from Previous Audits:

- All significant observations were repeated.
- Delays in recording disbursements to Odyssey
- Deposits received in the Treasurer's Office not matching the system control total
- Manual receipts issued out of sequence
- Manual receipt numbers not recorded in the Odyssey Comment field
- Explanations for reversals not noted in Odyssey
- Reversals/adjustments processed by non-supervisory employees
- Reverse charges and manual overrides back-dated.
- Delays in posting/depositing credit card and E-File transactions.

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, 2017 through September 30, 2018.

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

Computer Receipts and Deposits

A review of all 381 District Clerk Civil and Family computer receipts voided during fiscal year 2018 revealed four voided computer receipts did not have an explanation noted; 251 computer receipt were voided more than 30 minutes after the original transaction including 15 receipts originally issued for \$577.74 in cash; 121 computer receipts were voided and re-issued with a different tender type including 44 receipts that were originally receipted for \$25,283.36 in cash; six computer receipts were voided and re-issued more than 30 minutes after original transaction for a lesser amount; one re-issued receipt was backdated to the original receipt date; seven computer receipts voided and re-issued one day after the original receipt date; three voided computer receipts were re-issued 20 or more days after the original receipt date; and one cash payment voided and no new receipt was issued.

A sample review of receipt adjustments/reversals created during fiscal year 2018 revealed two cases did not have an explanation noted for the adjustment and 23 reversals/ adjustments were not performed by a supervisor or manager.

A sample review of tills, closeouts, and deposits during fiscal year 2018 revealed transactions for four days totaling \$289,761.37 were deposited in Odyssey two or more business days after the initial Odyssey transaction date; the E-payment till is assigned to multiple employees; 29 tills were deposited more than 3 business days after creation date; one till has not been deposited; two tills were re-opened after the original close date; and one adjustment till is used to issue receipts and make adjustments.

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 controls 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 delayed revenue recognition and inaccurate receivable reports. Inconsistent supervisory oversight of transaction voids, reversals and adjustments increased the potential that funds may be misappropriated.

Recommendation

Computer Receipts and 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 voided computer receipts to verify appropriateness.

Management Action Plan

The supervisor will perform routine assessments of system reports and daily work for accuracy and staff compliance to establish policies and procedures. All voided receipts require Supervisor/Manager approval in the Odyssey system. The Supervisor/Manager will ensure that the receipts are properly voided with a reason for the void recorded to the computer system and retention of all voided copies. E-File and E-Payment deposits are not prepared until the funds arrive at our depository institution. With one exception, the four referenced deposits were created within two business days of arrival. The single exception, deposited three business days after arrival, related to a date when extensive research was required due to the absence of a transaction from the reports received from Tyler Technologies. This was still well within the five days referenced in the Local Government Code. The E-Payment till is quite intentionally designed for use by multiple District clerk employees to segregate these transactions from all others and to facilitate reconciliation.

Auditors Response

None

Reverse Charges and Manual Overrides

A sample review of reverse charges and charge reductions created during fiscal year 2018 revealed eight transactions did not have an explanation noted; 17 reversals were not processed by the supervisor or manager; and two reverse charges were backdated in Odyssey. A review of all manual overrides revealed four assessments were backdated in Odyssey.

Best practices related to reverse charges and charge reductions indicate adjustments to assessments should be made so 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. 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. Standard fee schedules should be used with manual overrides restricted in use.

Incomplete internal controls over the assessment, charge reduction, and manual override processes, including management granting system roles that allow these transactions to be backdated, may result in incomplete/inaccurate case balances and increase the potential that funds may be misappropriated.

Recommendation

Reverse Charges and Manual Overrides

Management should:

- Limit user roles granting rights to process charge reductions, credits, reversals and manual overrides. User access requirements should correspond to the least rights necessary to perform core job functions.
- Establish written procedures for all the responsibilities of District Clerk's personnel in order to strengthen the office's internal control and improve efficiency. (This is especially critical for those responsible for financial activities such as assessing charges, reducing assessments, and/or receipting payments). 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.
- 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

Currently all clerks located in the Civil/Family Intake section have the ability to perform reversals for charge transactions. A weekly meeting is conducted with employees to discuss these occurrences to ensure that an explanation for the change is documented and reasonable. Written procedures for all responsibilities of District Clerk's personnel will be drafted in order to strengthen the office's internal control and improve efficiency.

Auditors Response

None

Special Fund Disbursements

A sample review of 20 Special Fund 503 disbursements issued during fiscal year 2018 revealed seven disbursements were recorded to Odyssey four or more days after issuance including two disbursements recorded 268 and 175 days after issuance; one case does not have the disbursement number recorded in Odyssey; and three Special Fund checks have not been recorded to Odyssey in excess of six months. **Status: Checks posted to Odyssey on August 2, 2019, but were backdated to original date; 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 increased the potential that duplicate disbursements may be issued.

Recommendation

Special Fund Disbursements

Management should:

- Generate a daily Odyssey Transaction Listing report for disbursements
- Compare the Odyssey Transaction Listing 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.

Management Action Plan

Since the end of FY18, an additional layer of review has been added to the disbursement process. It should be noted that the ten exceptions referenced represent less than 1/8 of 1% of the approximately 8,150 checks produced during that period.

Auditors Response

None

Registered Mail Funds

A review of the registered mail process and registered mail receipts issued during fiscal year 2018 revealed three cases with registered mail fees were listed on the department's Registered Mail log; however, neither documentation nor receipts could be located. Additionally, the Department did not require a customer signature for three cases on the Registered Mail log that indicate the change due was "Picked Up by Customer; three cases with registered mail U.S. Postal receipts retained by the department were not found on the department's log; department received cash without issuing receipts; six cases with change due to customers from registered mail fees were receipted to Odyssey 30 or more days after the registered mail was processed; and department did not collect the statutorily approved fees for the service of citations by mail.

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. 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 increased the potential that funds may be misappropriated.

District Clerk Civil and Family is only collecting \$35 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 09/19/17 sets the fee for citations or notices by registered or certified mail at \$65 (plus the costs of registered or certified mail). Under-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.

Recommendation

Registered Mail Funds

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.
- Train staff on the required fees for serving citations by registered mail.

Management Action Plan

Our office have made notes of the following recommendations and our office will explore them further in the future:

- Creating a USPS.com account;
- Purchasing a scale to weigh documents and use the cost calculator on the U.S.

Postal Services website to assess the correct cost;

- Contact Financial Audit to set-up a 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.

Auditors Response

None

Financial Set-Up

A limited review of the District Clerk Civil, Family, and Accounting/Trust financial setup and user access in the Odyssey case management system revealed 14 active tills associated to users that were no longer employees in the District Clerk Civil, Family, and Accounting/Trust sections. **Status: After being notified by Internal Audit, management de-activated the tills.** Best practices indicate all set-ups related to financial systems should be end-dated or disabled once codes are no longer used to limit potential posting errors. Limited management review of the user access lists could lead to limited accountability for the posting of financial transactions to accounts belonging to terminated/transferred employees and increased the risk that funds may be misappropriated.

Recommendation

Financial Set-Up

Management should:

- End-date and check mark the inactive box to terminate Odyssey user's accounts. All assigned cashier stations and tills should be de-activated when users are no longer employed in the Civil, Family, and Trust sections.
- Request user access for ex-employees or reassigned employees be disabled with follow-up occurring to ensure user account was disabled.
- Periodically perform review of accounts to confirm timely deactivation for separated / transferred employees.

Management Action Plan

Our office submitted request forms to terminate Odyssey user accounts for all ex-employees to deactivate tills and assigned cashier stations. Going forward, this best practice has been established for the department to ensure that all necessary Odyssey accounts, cashier stations, and tills have been deactivated. Management will perform routine system review checks to confirm timely deactivation for separated/transferred employees.

Auditors Response

None

Cash Management

Cash counts of District Clerk Civil and Family deposits received at the Treasurer's Office during fiscal year 2018 revealed two deposits did not match the system control total due to checks that were receipted using the numerical amount instead of the legal written amount: one check was receipted for \$71 more than the system control total and one check was receipted for \$47.52 less than the system control total.

A review of department processes related to the check mail log revealed two cashiers are responsible for both recording entries on the check mail log and receipting the checks.

All monies received should be promptly receipted and deposited consistent with Local Government Code, § 113.022. Best practices related to cash management indicate that there should be a segregation of duties between custody and distribution of checks and the receipting of those checks. Receipts should be verified for accuracy of amount, payment type, case number, and payer before issuing to a customer. Checks should also be receipted for the legal written amount. Lack of management oversight, clerical errors, and inadequate training related to cash management have resulted in delays in revenue recognition and may result in financial losses to Dallas County for unrecoverable amounts paid for services already rendered.

Recommendation

Cash Management

Management should:

- Assign the logging of checks on the mail log to an employee without receipting responsibilities.
- Establish written policies and procedures for cash handling responsibilities, which emphasize that receipts are issued for all money received and checks are to be receipted for the written legal amount.
- Emphasize that staff 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

Written procedures regarding cash management for the Civil/Family Intake department have been developed. Additionally, a check mail log was created for the section. The functions of recording entries on the log and receipting the checks are performed by separate individuals.

Auditors Response

None

Manual Receipts

A review of all 128 District Clerk Civil, Family, and Trust manual receipts issued during fiscal year 2018 revealed one DC Trust manual receipt was used out of sequence and 24 manual receipt numbers were not noted in the Odyssey Comment field. Internal control procedures indicate that all manual receipts should be accounted for and properly used, include supervisory review, kept in numeric order, have the corresponding computer receipt attached, posted and deposited daily in accordance with Local Government Code, § 113.022. Once the system is restored, the payments are posted to the system and the manual receipt numbers are entered into the Odyssey Comment field. Inconsistent supervisory enforcement of recommended manual receipting control procedures has resulted in incomplete financial records.

Recommendation

Manual Receipts

Management should:

- Establish written procedures for processing manual receipts.
- Periodically review manual receipt books for completeness and proper posting to Odyssey.

Management Action Plan

The Supervisors will perform routine assessments of manual receipt books for completeness and proper posting to the Odyssey system.

Auditors Response

None

Credit Card and E-Filing Transactions

A sample review of 20 credit card transactions and eight credit card deposits processed during fiscal year 2018 revealed two credit card transactions were posted to Odyssey two days after the settlement date; one credit card payment was not located in Odyssey; and credit card transactions related to three business days were deposited four or more days after the initial receipt date.

A sample review of 10 E-file deposits during fiscal year 2018 revealed two E-Filing tills deposited more than three days after receipt date.

All credit card and E-filing transactions should be deposited 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. 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 of the credit card and E-filing process has resulted in delayed revenue recognition and inaccurate case balances.

Recommendation

Credit Card and E-Filing Transactions

Management should:

- Establish written procedures for processing online credit card transactions.
- 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, credit card settlement reports, 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

A policy and procedures manual for e-Filing responsibilities have been developed for the department. Managers/Supervisors will perform routine assessments of the e-File Texas.gov financial activity, credit card settlement reports, 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. Not infrequently, e-File payments will automatically post to Odyssey on a date subsequent to the date on which the related funds were received, resulting in the requirement to link those days together for reconciliation purposes, thus delaying processing. We would welcome any effort to resolve this flaw in the interface between e-File Texas and Odyssey.

Auditors Response

None

cc: Darryl Martin, Commissioners Court Administrator