

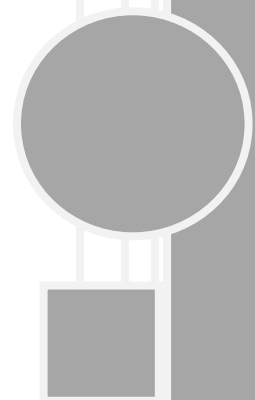


AUDIT REPORT

DALLAS COUNTY

DISTRICT CLERK CIVIL AND FAMILY - FY2019

Darryl D. Thomas
Dallas County Auditor
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DISTRICT CLERK CIVIL AND FAMILY - FY2019

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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 - FY2019**" 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,

Darryl D. Thomas

Darryl D. Thomas
County Auditor

EXECUTIVE SUMMARY

A review of District Clerk Civil and Family for fiscal year 2019 revealed the significant observations listed below:

Summary of Significant Observations

- Full cost for registered mail services not collected
- Employee traveling to Post Office not in proximity to work location to send registered mail
- 196 computer receipts were voided more than 30 minutes after the original transactions including 44 receipts that were originally receipted for \$1,589 in cash.

Repeat Observations from Previous Audits:

- Full cost for registered mail services not collected
- Employee traveling to Post Office not in proximity to work location to send registered mail
- Explanations for receipt reversals not noted in Odyssey
- Reversals/adjustments processed by non-supervisory employees
- Receipt reverse charges and manual overrides back-dated.
- Delays in posting/depositing credit card transactions
- Delays in recording disbursements to Odyssey
- Deposits received in the Treasurer's Office not matching the system control total
- Manual receipt numbers not recorded in the Odyssey Comment field
- Former employees with active tills

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, 2018 through September 30, 2019.

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

Registered Mail

A review of the registered mail process and registered mail receipts issued during fiscal year 2019 revealed three cases with registered mail documentation were not listed on the department's Registered Mail log; one instance an employee drove to a Post Office location not in proximity to Dallas County building to send registered mail; the registered mail log was not completely filled out for three cases; and three cases did not have enough funds collect to cover registered mail costs.

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

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

- Written instructions were created and implemented regarding the registered mail process. A meeting was conducted with the supervisor to remind her that all cases with a registered mail request must be documented on the Registered Mail Log and all information must be notated completely. Going forward, the main Post Office on I-30 will be the post office that we use for this process. We increased the deposit amount to \$35.00 (was \$25.00) in order to cover the registered mail costs.

Auditors Response

None

Computer Receipts and Deposits

A review of all 265 District Clerk Civil and Family computer receipts voided during fiscal year 2019 revealed 196 computer receipt were voided more than 30 minutes after the original transaction including 44 receipts originally issued for \$1,589 in cash; 26 computer receipts were voided and re-issued more than 30 minutes after original transaction for a lesser amount; 26 computer receipts were voided because duplicate receipts had been processed; and two original receipts issued were backdated to a prior date and then voided.

A sample review of receipt adjustments/reversals created during fiscal year 2019 revealed nine cases did not have an explanation noted for the adjustment and 30 reversals/ adjustments were performed by non-supervisory employees.

A sample review of tills, closeouts, and deposits during fiscal year 2019 revealed transactions for four days totaling \$185,814.76 were deposited in Odyssey two or more business days after the initial Odyssey transaction date; the E-payment till is assigned to multiple employees; 16 tills were deposited more than 3 business days after creation date; two adjustment tills were used to issue receipts and make adjustments on six transactions; and check transactions for one business day deposited in excess of three business days after the computer receipt date.

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

Civil and Family Trust:

- Computer receipts voided more than 30-minutes after transaction: This can result from a long line of customers and/or the temporary unavailability of an officer authorized to void transactions. We will attempt to minimize these occurrences in the future.
- Computer Receipts voided because duplicate receipts processed: This usually results from the need to search for online transactions from previous dates that may have captured late. We will attempt to minimize this.
- Original Receipts were backdated: This resulted from a clerical error when recognizing income from re:SearchTX. We have altered our process to record a single monthly transaction rather than one for each day which should eliminate the possibility of a reoccurrence.
- Cases did not have an explanation for the adjustment: All charge reversals reflect either a reason or a comment.
- Reversals/Adjustments were not performed by a Supervisor: The majority of these

examples involve moving charges between parties on a case which is required on virtually all Family and seizure/forfeiture cases prior to billing. These two categories of cases represent the bulk of cases billed and supervisory intervention in the process would be impractical.

- Tills were deposited more than 3-days after creation date: This is a redundant finding from the FY18 audit.
- e-payment till was assigned to multiple employees: This is also a redundant finding from the FY18 audit.
- Two tills used to adjust six transactions: The Accounting/Collections Supervisor and Accountants have need on occasion to perform transactions and related adjustments. Utilizing separate tills could complicate necessary future research.
- Check transactions deposited in excess of three business days: A check included in this till was rejected by the Treasurer's Office, resulting in the removal of said till from the original deposit. After an unsuccessful attempt to receive it a replacement check from the maker, it was deleted from the till and a new deposit prepared.

Civil/Family Intake:

- Computer Receipts Voided: A meeting was conducted with the staff located in the Civil/Family Intake section regarding the 265 voids that were processed during FY2019. During the meeting, a review of procedures regarding voids was discussed. The clerks were reminded of the precautionary measures that are implemented in the department to curtail this issue.
- Receipt/Adjustment Reversals: A meeting was conducted with the Supervisor on the IV-D Department to discuss an explanation was not notated for adjustments. Safeguards will be implemented to improve this matter going forward.
- Reversals/Adjustments not performed by a Supervisor: A meeting was conducted with the Supervisor on the Tax Court and IV-D Department to discuss reversals/adjustments not performed by a Supervisor or Manager. This process was never performed solely by a Supervisor or Manager because there was no money being exchanged and the clerks perform the transaction to correct an error. Going forward, this task will be assigned to the Supervisor or Manager to perform to ensure compliance.

Auditors Response

None

Reversals, Adjustments, Credits, and Manual IT

A sample review of reverse charges and charge reductions created during fiscal year 2019 revealed eight transactions did not have an explanation noted; 18 reversals were not processed by a supervisor or manager; and three reverse charge transactions were back dated. A review of all manual overrides revealed 23 assessments were backdated in Odyssey including six transactions that were backdated 560 business days or more.

A sample review of 20 cases granted credit waivers for fees during fiscal year 2019 revealed three credits were not noted in the events tab 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.

Best practices related to docketing credits and waivers in Odyssey indicate that approved Affidavits of Inability to Pay and other credit waivers are notated on the Event tab in Odyssey. 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. 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, and lack of oversight over the updating of the Event tab when credit waivers are granted have resulted in inaccurate case and receivable balances and may result in revenue loss for Dallas County.

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

Reversals, Adjustments, Credits, and Manual IT

Management should:

- Establish written procedures for the processing of credits and waivers.
- Periodically review credit waivers to ensure that the transactions are processed in accordance with the state law and properly docketed in Odyssey.
- Request changes to the Odyssey set-up such that an entry is automatically posted to the Events tab when credits or waivers are entered in Odyssey Financials.

- 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.
- Ensure court costs and fees are properly assessed, collected, and timely deposited on all cases based on state laws and Commissioners Court orders.
- 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

Civil/Family Intake:

- Reversals not completed by a Supervisor: A meeting was conducted with the supervisor of the Tax Court and IV-D department to discuss reversals/adjustments not performed by a supervisor or manager. This process has never been performed solely by a supervisor or manager because there was no money being exchanged and the clerks perform the transaction to correct an error. Going forward, this task will be assigned to the supervisor or manager to perform to ensure compliance.

Civil and Family Trust:

- Cases did not have an explanation for reversal: All examples result from the need to move charges between parties prior to billing, as is required on virtually all Family and seizure/forfeiture cases, which represent the bulk of cases billed.
- Reversals completed by a Supervisor: The majority of these examples involve moving charges between parties on a case, which is required on virtually all Family and seizure/forfeiture cases prior to billing. These two categories of cases represent the bulk of cases billed and supervisory intervention in the process would be impractical.
- Reverse Charges were backdated: When moving charges between parties, as is usually required on Family and seizure/forfeiture cases, the original effective date is used.
- Credits were not noted in the Events Tab in Odyssey: It has never been our practice to add events related to financial transactions nor can we understand the rationale

for doing so. We do not recall a similar finding in previous audits.

Auditors Response

None

Credit Card Transactions

A sample review of 20 credit card transactions and 10 credit card deposits processed during fiscal year 2019 revealed three credit card transactions were posted to Odyssey two days after the settlement date. All credit card 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.

Recommendation

Credit Card Transactions

Management should:

- Establish written procedures for processing online credit card transactions.
- Periodically review the daily credit card settlement reports, posting of Odyssey credit card activity timeliness of processing, and staff compliance to established policies and procedures.

Management Action Plan

- The first and last transactions were performed after the 7:00 P.M. cutoff on the stated dates, so receipt of the funds was delayed by a day. The second transaction was performed on a Friday morning but not processed until the following Tuesday due to the fact that the reports were unavailable on Monday, as it was a bank holiday.

Auditors Response

None

Special Fund Disbursements

A sample review of 20 Special Fund 503 disbursements issued during fiscal year 2019 revealed three disbursements totaling \$1,266 were recorded to Odyssey four or more days after issuance including one disbursement that was posted after 17 business days; one case did not have the disbursement number recorded in Odyssey; and one Special Fund disbursement was not recorded to Odyssey.

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

- We issued approximately 5,000 checks in FY 2019 and make every effort to record them in an accurate and timely manner. Since FY 2019, we have taken steps to enhance the timeliness of this process.

Auditors Response

None

Cash Management

Cash counts of District Clerk Civil and Family deposits received at the Treasurer's Office during fiscal year 2019 revealed five deposits did not match the system control total due to checks that were receipted using the numerical amount instead of the legal written amount.

A review of department processes related to the check mail log revealed two cashiers were 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

- In all instances, a replacement check was procured or the deposit was voided and reprocessed without the check in question, so we are unclear as to how a discrepancy could still exist.
- Due to limited staff, dual control is not always practicable.

Auditors Response

None

Manual Receipts

A sample review of District Clerk Civil, Family, and Trust manual receipts issued during fiscal year 2019 revealed 20 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 implementation and supervisory oversight of manual receipt 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

- In all instances, the Odyssey receipt was attached to the manual receipt book but we will emphasize recording the manual receipt number in Odyssey.

Auditors Response

None

Financial Setup

A limited review of the District Clerk Civil, Family, and Accounting/Trust financial setup and user access in the Odyssey case management system revealed two active tills associated to users that were no longer employees in the District Clerk Civil, Family, and Accounting/Trust sections. Best practices indicate all set-up 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 Setup

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

- Both tills have been deleted along with two others associated with former employees. We have suggested to IT that the process of deleting obsolete users should include till records.

Auditors Response

None

cc: Darryl Martin, Commissioners Court Administrator