



AUDIT REPORT

DALLAS COUNTY

District Clerk Civil and Family - FY2020

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Dallas County Auditor

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District Clerk Civil and Family - FY2020

TABLE OF CONTENTS

MANAGEMENT LETTER	3
EXECUTIVE SUMMARY.....	4
INTRODUCTION	5
DETAILS	6

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
Dallas County District Clerk
Dallas, Texas

Attached is the County Auditor's final report entitled "District Clerk Civil and Family - FY2020" Report. In order to reduce paper usage, a hard copy will not be sent through in house mail except to the auditee.

In 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 2020 revealed the significant observations listed below:

Summary of Significant Observations

1. 205 computer receipts were voided more than 30 minutes after the original transactions including 39 receipts that were originally receipted for \$1,186 in cash.
2. 19 transactions were voided more than 11 hours after original transaction.
3. 17 computer receipts were voided and re-issued more than 30 minutes after original transaction for a lesser amount totaling \$8,644.36.
4. 63 transactions were voided due to duplicate receipts being processed.

Repeat Observations from Previous Audits:

1. Explanations for receipt reversals not noted in Odyssey
2. Reversals/adjustments processed by non-supervisory employees
3. Receipt reverse charges and manual overrides back-dated.
4. Deposits received in the Treasurer's Office not matching the system control total
5. Manual receipt numbers not recorded in the Odyssey Comment field
6. Delays in recording disbursements to Odyssey
7. Delays in posting/depositing credit card 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, 2019 through September 30, 2020.

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, Adjustments and Deposits**

A review of all 259 District Clerk Civil and Family computer receipts voided during fiscal year 2020 revealed 205 computer receipts were voided more than 30 minutes after original transaction including 39 receipts originally issued for \$1,186 in cash; 19 transactions were voided more than 11 hours after original transaction; 17 computer receipts were voided and re-issued more than 30 minutes after original transaction for a lesser amount totaling \$8,644.36; 63 transactions were voided due to duplicate receipts being processed; one voided receipt did not have an explanation noted; and three voided receipts were re-receipted between one to three days later.

A sample review of receipt adjustments/reversals created during fiscal year 2020 revealed 13 cases did not have an explanation noted for the adjustment and 27 reversals/ adjustments were performed by non-supervisory employees.

A sample review of tills, closeouts, and deposits during fiscal year 2020 revealed transactions for three days totaling \$339,184.22 were deposited in Odyssey two or more business days after the initial Odyssey transaction date; the E-payment till is assigned to multiple employees; and 16 tills were deposited more than three business days after creation 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, Adjustments 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.
- Periodically review system reports and daily work for accuracy and staff compliance to established policies and procedures.
- Ensure collected funds are submitted to the County Treasurer the next business day after receipt or no later than the fifth business day.
- 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 in the computer system timely and retention of all voided copies.
- The staff will be counseled to include explanations on all adjustments other than those related to check disbursement.

Auditors Response

None

Manual Receipts

A review of all District Clerk Civil, Family, and Trust manual receipts issued during fiscal year 2020 revealed 80 manual receipt numbers were not entered into the Odyssey comment field; three manual receipts did not have the corresponding computer receipt attached; one manual receipt was missing the date; and two manual receipts are dated after the Odyssey computer receipt date.

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

The Supervisor will perform routine assessments of the mail check log to ensure that all information is notated correctly and timely.

Auditors Response

None

Cash Management

Cash Counts of District Clerk Civil and Family deposits received at the Treasurer's Office during fiscal year 2020 revealed one deposit did not match the system control total due to a check being made payable to another entity instead of Dallas County; and one deposit did not match the system control total due to the check being receipted for the numeric amount instead of legal amount.

Cash Counts performed at the office on June 21, 2021 revealed one till did not match the system control total due to a credit card transaction being posted to the wrong till. **Status update:** Credit card corrected in office and posted to correct till; and two tills did not match the system control total due to change not given to customer.

A sample review of 30 mail payments listed on department's check log revealed department's mail log was not fill out completely for seven mail payments; and one cashier was 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.
- Review the mail log for completeness.
- 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.
- Deposit any overages into the overage account.

Management Action Plan

The Supervisor will perform routine assessments of the mail check log to ensure that all information is notated correctly and timely.

Auditors Response

None

Special Fund Disbursements

A sample review of 20 Special Fund 503 disbursements issued during fiscal year 2020 revealed one disbursement totaling \$687.50 was recorded to Odyssey four days after issuance. All Special Fund disbursements issued, voids, cancelations, and stale dated checks should be timely and accurately posted to the Odyssey courts system. Inconsistent supervisory review and clerical oversight over the checks posted to the financial system has resulted in delay in posting checks to the system and financial records are not accurately stated.



Recommendation

Special Fund Request

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

As previously stated, our Accounting Department issued almost 7,000 checks in FY 2020, many of which must be posted to multiple cases. On occasion, delays in entering disbursements into Odyssey can result from staffing shortages.

Auditors Response

None

Credit Card and E-file Transactions

A sample review of 20 credit card transactions and 10 credit card deposits processed during fiscal year 2020 revealed three credit card transactions were posted to Odyssey two days after the settlement date.

A sample review of 10 E-file deposits during fiscal year 2020 revealed one e-filing till was deposited six days after e-file capture date.

All credit card and E-file 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 and E-file Transactions

Management should:

- Establish written procedures for processing online credit card and E-file 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.



- Periodically review the daily eFileTexas.gov financial activity, posting of Odyssey E-filing activity, and E-filing tills for accuracy, timeliness of processing, and staff compliance to established policies and procedures.

Management Action Plan

- Errors in eFile processing can result in a transaction posting to Odyssey on a date subsequent to receipt of funds, thus necessitating that those days be linked in a single deposit. Sometimes, this will recur repeatedly, thus requiring that several days of transactions be combined.
- The ePayments tills are assigned to multiple employees by design in order to segregate these transactions.
- The staff will be counseled to include explanations on all adjustments other than those related to check disbursement.

Auditors Response

None

Reverse Charges, Charge Reductions, Credits and Manual IT

A sample review of reverse charges and charge reductions created during FY2020 revealed nine cases did not have an explanation noted and 15 reversals were not processed by a supervisor or manager. A sample review of 20 manual overrides revealed 20 assessments were backdated in Odyssey, including 19 that were backdated 138 days or more. A sample review of 20 cases granted credit waivers for fees during FY2020 revealed two 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

Reverse Charges, Charge Reductions, 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

The staff will be counseled to include explanations on all charge reversals and reductions.

Auditors Response

None

cc: Darryl Martin, Commissioners Court Administrator