AUDIT REPORT

DALLAS COUNTY

DISTRICT CLERK CIVIL AND FAMILY - FY 2021 AND FY 2022

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District Clerk Civil and Family - FY 2021 and FY 2022

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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 - FY 2021 and FY 2022**" 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,

Wendwessen Stefanos

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EXECUTIVE SUMMARY

A review of District Clerk Civil and Family for fiscal years 2021 and 2022 revealed:

Summary of Significant Observations

Computer Receipts, Adjustments and Deposits: Significant observations includes:

- 112 tills totaling $1,846,794.48 were deposited between four and 26 business days after the creation dates. This resulted in delayed revenue recognition to the general ledger.
- 11 District Clerk Texfile tills totaling $388,953.38 did not have "Date Closed" entered resulting in a default close date of 01/01/1900. This resulted in inaccurate reports and the inability to determine if tills were timely included with Odyssey deposits.
- 141 computer receipts were voided without issuing replacement receipts.
    - This includes 11 cash receipts totaling $627. This increased the potential risk that funds may be misappropriated.
- 142 transactions were voided due to duplicate receipts being processed. This increased the potential risk that funds may be misappropriated.

Repeat Observations from Previous Audits:

- **Reverse Charges, Charge Reductions, Credits and Manual IT**: Repeat observations includes:
    - Explanations for receipt reversals not noted in Odyssey.
    - Reversals/adjustments processed by non-supervisory employees.
    - Receipt reverse charges and manual overrides backdated.

- **Manual Receipts:** Manual receipt numbers not recorded in the Odyssey Comment field.

- **Special Fund Disbursements:** Delays in recording disbursements to Odyssey.

- **Cash Management and Mail Payments:** Mail payments were recorded on the mail log and receipted in Odyssey by the same person.

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, 2020 through September 30, 2022.

The audit procedures may have included interviews with key process owners, observation of transactions processing, data analysis and sample testing of transactions. The main system used may have been reviewed and incorporated as part of the testing of transactions.

DETAILS

Reverse Charges, Charge Reductions, Credits, and Manual IT

Criteria

Standard internal control procedures related to assessment adjustment require that reverse charges and charge reductions be made such that both good internal controls and audit trails are maintained. Processing of financial transactions should reflect proper segregation of duties. Users with roles/rights to receipt or void payments can add additional charges; but not modify, reduce, or delete assessments. All corrections should include a complete and valid explanation in the Comment field.

Standard internal control procedures related to docketing credits and waivers in Odyssey require approved Affidavits of Inability to Pay and other credit waivers are notated on the Events tab in Odyssey.

Standard internal control procedures related to the manual override process require management to notify IT services timely when a change to the standard fee schedule is required. This enables fees to be properly assessed at the time of filing and eliminates the need for the manual override of assessments.

Review

A sample review of 40 out of 478 District Clerk Civil, Family, and Accounting manual override transactions processed during fiscal years 2021 and 2022 revealed:

- 40 manually overridden charges totaling $2,064 were backdated.

A sample review of 40 out of 19,988 reverse charges, charge reductions, and reverse charge reductions totaling $33,181,089.75 processed during fiscal years 2021 and 2022 revealed:

- 15 cases totaling $2,887.80 did not have a comment noted in Odyssey.
- 24 reverse charges totaling $4,038 were processed by a non-supervisory employee.
- Six reverse charges totaling $86.40 were backdated in Odyssey.

A sample review of 40 out of 3,216 credits totaling $974,411.43 applied to cases during fiscal years 2021 and 2022 revealed:

- Six cases with credits totaling $1,244 were not listed on the Events tab.

Cause/Effect

Incomplete internal controls over the assessment, charge reduction, and manual override processes, including management granting system roles that allow these transactions to be backdated have increased the risk for financial losses to Dallas County. Additionally, a lack of oversight over the updating of the Events tab when credit waivers are granted has resulted in inaccurate case and receivable balances.

Recommendation

Reverse Charges, Charge Reductions, Credits, and Manual IT

Management should:

- Establish written procedures for the processing of credits and waivers.
- Periodically review credits to ensure that the transactions are properly docketed in Odyssey.
- Establish written procedures for assessing charges and reducing assessments. 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.
- Request modifications 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.
- Periodically review transaction listing reports (especially with respect to manual overrides) to ensure that explanations for the changes are documented and reasonable.

Management Action Plan

- Supervisors will periodically review credits to ensure that the transactions are properly docketed in Odyssey.

Auditor's Response

- None

Cash Management and Mail Payments

Criteria

All monies received should be promptly receipted and deposited consistent with Local Government Code § 113.022.

Standard internal control procedures related to cash management require a segregation of duties between the distribution of funds and the receipting of payments.

Standard internal control procedures related to processing payments require receipts be verified for accuracy of amount, payment type, case number, and payer before issuing to a customer.

Review

Cash counts of the District Clerk Civil and Family for out of balance deposits received at the Treasurer's Office during fiscal years 2021 and 2022 revealed:

- One deposit received on July 13, 2021 was $16 less than the system control total due to a check that was not payable to Dallas County, or endorsed by the entity. The department did not review the check to ensure proper payee was listed before including it in a deposit.

  Status: The check not payable to Dallas County was removed from the deposit.

- One deposit received on November 04, 2021 was $505 less than the system control total due to an altered cashier's check. The department did not review the cashier's check to ensure it was written properly before including it in a deposit.

  Status: Treasurer made an adjustment to the deposit on November 11, 2021 for $505.

Cash counts performed at the District Clerk Civil and Family section on May 09, 2023 revealed:

- Cash totaling $173.94 that should have been returned to customers was located in the safe.
  - Funds were from registered mail transactions.
- One till was $1 more than the system control total.

Observation and employee inquiry during cash counts revealed:

- Two un-receipted checks due to undeliverable mail were returned to the District Clerk Civil and Family office.

Status: Department returned checks to the payer on May 24, 2023.

Cash count performed at the District Clerk Accounting section on May 12, 2023 revealed:

- One till was $10 more than the system control total.

  Status: Funds were deposited on May 17, 2023.

A sample review of 180 out of 2,152 mail payments totaling $32,915.75 listed on District Clerk Civil, Family and Accounting mail log for fiscal years 2021 and 2022 revealed:

- 29 mail payments totaling $3,693 listed on the department's log were missing information.
- 67 mail payments totaling $11,385.25 were recorded on the mail log and receipted in Odyssey by the same person.
- Four mail payments totaling $1,249 were receipted in Odyssey a day before being recorded on the mail log.
- One mail payment totaling $330 was receipted in Odyssey 22 days before being recorded on the mail log.
- Six mail payments totaling $1,676.92 were receipted into Odyssey between two and 18 days after recording on the mail log.
- One mail payment totaling $100 could not be located in Odyssey.

Cause/Effect

Lack of management oversight, clerical errors, and inadequate training related to cash management have resulted in delays in revenue recognition. Additionally, this may result in financial losses to Dallas County for unrecoverable amounts paid for services already rendered.

Recommendation

Cash Management and Mail Payments

Management should:

- Emphasize that staff total and balance the funds on hand to the system receipt control totals at the end of each business day. Receipt and deposit totals should be verified by supervisory personnel.
- Deposit any overages into the overage account.
- Assign the logging of checks on the mail log to an employee without receipting responsibilities.
- Review the mail log for completeness.

Management Action Plan

- The department will emphasize that staff total and balance the funds on hand to the system receipt control totals at the end of each business day. Receipt and deposit totals will be verified by supervisory personnel.
- The supervisor will take the necessary measures to deposit any overages into the overage account.

Auditor's Response

- None

Manual Receipts

Criteria

All monies received should be promptly receipted and deposited consistent with Local Government Code § 113.022.

Standard internal control procedures require that all manual receipts be accounted for and properly used, include supervisory review, be kept in numeric order, and have the corresponding computer receipt attached. Once the system is restored, the payments are posted to the system and the manual receipt numbers are entered into the Odyssey Comment field.

Review

A sample review of 60 out of 276 manual receipts posted to Odyssey by the District Clerk Civil, Family, and Accounting sections during fiscal years 2021 and 2022 revealed:

- Four manual receipts did not have computer receipts attached.
- 58 manual receipt numbers were not entered into the Odyssey Comment field.
- One cash manual receipt is missing the date.
- Payer name on one manual receipt was incorrectly posted in Odyssey.
- One credit card payment could not be located in Odyssey.

  Status: Department was unable to locate payment in Odyssey.

- 14 cash manual receipts totaling $557 were receipted in Odyssey between two and eight days after the original transaction.
- One manual receipt was not marked "Void".
- One voided manual receipt did not have a reason for the void noted.

- Six manual receipts were skipped in sequence.

Cause/Effect

Inconsistent supervisory application of recommended manual receipt procedures has resulted in incomplete financial records and a potential risk that funds may be misappropriated.

Recommendation

Manual Receipts

Management should:

- Periodically review manual receipt books for completeness and proper posting to Odyssey.
- Reconcile manual receipts to Odyssey receipts to ensure all transactions have been recorded.
- Establish written procedures for processing manual receipts.

Management Action Plan

- The manager will review the process and provide training to reconcile manual receipts to Odyssey receipts to ensure all transactions have been recorded.
- Monthly the manager will review receipts to verify adherence to manual and computer procedures.

Auditor's Response

- None

Financial Set-Up

Criteria

Standard internal control procedures require all set-up related to financial systems be end-dated or disabled once codes are no longer used to limit potential posting errors.

Review

A limited review of the Odyssey system financial setup related to active tills and user access for District Clerk Civil and Family during fiscal years 2021 and 2022 revealed:

- One active till associated to a user who is no longer employed with the department or Dallas County since December 30, 2022.

Cause/Effect

Inconsistent management review of the tills may lead to limited accountability for the posting of financial transactions to accounts belonging to terminated/transferred employees and increases 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 with District Clerk Civil and Family.
- 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

- The operation's managers and supervisors will periodically perform review of accounts to confirm timely deactivation for separated/transferred employees.

Auditor's Response

- None

Computer Receipts, Adjustments, and Deposits

Criteria

All monies received should be promptly receipted and deposited consistent with Local Government Code § 113.022.

Standard internal control procedures related to voids require that receipts be voided with a reason for the void recorded to the computer system and all voided copies retained. All voids should be reviewed daily by supervisory personnel at least one level above employee that voided the payment.

Standard internal control procedures related to proper cash handling indicate at the end of the business day, the system control totals should be compared to the funds on hand. 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.

Standard internal control procedures related to reversals and adjustments indicate corrections should be made such that both good internal controls and audit trails are maintained. Reversals and adjustments should be performed by supervisory employees.

Review

A review of all 580 District Clerk Civil and Family voided computer receipts processed during fiscal years 2021 and 2022 revealed:

- 438 computer receipts totaling $402,919.18 were voided more than 30 minutes after the original transactions.
- 31 computer receipts totaling $3,245.56 were voided between 12 and 23 hours after the original transactions.
- 46 computer receipts totaling $13,490 were voided between one and 20 days after the original transactions.
- 142 computer receipts totaling $6,516.46 were voided due to being duplicate payments.
- 141 computer receipts were voided without issuing replacement receipts. This included 11 cash receipts totaling $627.

A review of all Odyssey tills, closeouts, and deposits during fiscal years 2021 and 2022 revealed:

- 112 Odyssey tills totaling $1,846,794.48 were deposited between four and 26 business days after the till creation dates.
- 11 District Clerk Texfile tills totaling $388,953.38 did not have the "Date Closed" entered on the till resulting in a default close date of 01/01/1900.
- E-payments District Clerk till is assigned to multiple employees within the department.

A sample review of 73 out of 7,842 receipt adjustments/reversals created during fiscal years 2021 and 2022 revealed:

- 26 reversals/adjustments totaling $39,741.21 were not performed by a supervisor or manager.
- 10 cases did not have a reason noted for adjustment/reversal.

Cause/Effect

Lack of written procedures and inadequate employee training have 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 for appropriateness.
- Ensure reason for void, adjustment, or reversal is noted in Odyssey.

Management Action Plan

Department's improvement goals are the following:

- The supervisor will meet with the lead clerk to emphasize at the end of each business day that staff total and balance the funds on hand to the system receipt control that should be verified by supervisor.
- Daily the supervisor will review voided computer receipts' appropriateness to ensure notations and required receipt information is updated in the Odyssey system.
- The managers will verify each day that tills are closed and deposited timely.
- The Manager and supervisor will verify the reason for void, adjustment, or reversal is noted in Odyssey.
- The supervisor will provide additional training to address concerns related to 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.
- The manager will periodically review system reports and daily work for accuracy and staff compliance to established policies and procedures.

Auditor's Response

- None

Registered Mail Funds

Criteria

Per Government Code § 51.319, the District Clerk shall collect the fees for serving process 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 Local Government Code 118.131.

All monies received should be promptly receipted and deposited consistent with Local Government Code § 113.022.

Commissioner's Court Order 2020-0974 entitled Sheriff and Constable Fees dated September 15, 2020 sets the fee for citations or notices by registered or certified mail at $65 (plus the costs of registered or certified mail).

Commissioner's Court Order 2021-0934 entitled Sheriff and Constable Fees dated September 21, 2021 sets the fee for citations or notices by registered or certified mail at $65 (plus the costs of registered or certified mail).

Standard internal control procedures related to payments for registered mail require receipts be promptly issued for the amount of funds tendered, correct change given to customers, and any overages including change left by customers, be deposited to the over/short account.

Review

A review of the registered mail process and all 11 items listed on registered mail log and receipts issued during fiscal years 2021 and 2022 revealed:

- Nine instances in which the post office and Odyssey receipts were not attached to the copy of the citation.
- Three instances in which the funds totaling $22.92 were receipted into Odyssey between 22 and 56 days after the post office transaction date that was recorded on the Registered Mail log.
- Eight instances in which change totaling $153.94 received from post office was not receipted to Odyssey.

  Status: Change receipted on May 9, 2023 after auditor review.

- Three registered mail payments were not recorded on the department log.
- One registered mail request was recorded on the department's log twice.
- One registered mail request missing date of postal run.
- Registered mail funds are not receipted (computer or manual receipt) or documented in Odyssey until supervisor returns from the post office with change.

Cause/Effect

Incomplete controls over the processing of registered mail transactions have resulted in inaccurate financial records and increased the potential that funds may be misappropriated. Non-compliance with Dallas County Commissioner's Court orders has resulted in revenue loss to Dallas County due to the under-assessment of statutorily approved fees for citations processed by mail.

Recommendation

Register 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

- Managers will provide necessary training to ensure processes applicable for cash handling responsibilities and the processing of registered mail are thoroughly followed in a timely manner.

Auditor's Response

- None

Special Fund Disbursements

Criteria

Standard internal control procedures require all special fund disbursements 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 disbursement checks that are issued, voided, cancelled, or stale dated should be timely and accurately posted to the Odyssey Case Management system.

Review

A sample review of 40 out of 5,832 Special Fund 503 disbursements issued during fiscal years 2021 and 2022 revealed:

- Four disbursements totaling $576.00 were recorded to Odyssey four or more days after issuance.

Cause/Effect

Inconsistent supervisory review and clerical oversight related to special fund disbursement 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

- Daily the supervisor will 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.

Auditor's Response

- None

cc: Darryl Martin, Commissioners Court Administrator