



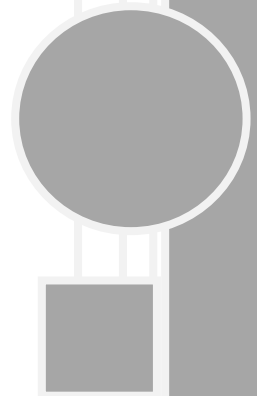
# AUDIT REPORT

DALLAS COUNTY

District Clerk Passports - FY2020 through FY2021

Darryl D. Thomas  
Dallas County Auditor

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District Clerk Passports - FY2020 through FY2021

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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 Passports - FY2020 through FY2021" 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 Passports Central, North and East locations for fiscal year 2020 revealed the significant observations listed below. **The issues identified in this report have been previously reported to the District Clerk's Office. Since these issues can still be considered high risk, we recommend that District Clerk management review the current processes to ensure that established guidelines are being followed.**

### Summary of Significant Observations

#### **Voided Computer Receipts**

- Computer receipts voided outside of normal business hours including receipts that were issued and voided by the same users.
- 35 Passport Central computer receipts totaling \$2,284 were voided outside of the business hours of 8:30 AM to 4:00 PM including 14 cash computer receipts totaling \$450 that were issued and voided by the same user.
- 5 Passport East computer receipts totaling \$338 were voided outside of the normal business hours of 8:30 AM to 4:00 PM, including two cash receipts totaling \$83 issued and voided by the same user were voided outside of normal business hours.
- 60 Passport North computer receipts totaling \$5,697.48 were voided outside of the normal business hours of 8:30 AM to 4:00 PM including nine cash computer receipts totaling \$303.
- Computer receipts were voided by non-supervisory employees.
- Customers were leaving with original computer receipts, which were later voided hours or days later and re-entered for different amounts or tender types.

#### **Systems and Security**

Prior Audit Status Update: Following the exceptions identified in the fiscal years' 2016 and 2017 Passports audit, a recommendation was made that the department install security cameras at all locations. The Auditor's Office was notified that cameras were installed at the East Passport location on September 15, 2020.

**Repeat Observations from Previous Audits**

- ☐ Deposits received in the Treasurer's Office not matching the system control total.
- ☐ Non-supervisory employees assigned supervisory roles in CWR.
- ☐ Manual receipts skipped in sequence and not mark "Void".
- ☐ Current non-supervisory Passport employees had Inquiry, Cashier, and Supervisor roles assigned in County-Wide Receipting (CWR).
- ☐ Receipts voided outside of normal business hours of 8:00 AM - 4:30 PM

**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, 2021.

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****Manual Receipts**

A review of all 42 manual receipts issued by the District Clerk Passport Central, East and North locations revealed three voided manual receipts were skipped in sequence and not marked "Void"; one manual receipt did not have the corresponding computer receipt attached; three manual receipts issued did not have the correct payor name listed on the CWR receipt; and 28 manual receipt numbers were not noted on the corresponding computer receipt in CWR.

Internal control procedures indicate all manual receipts should be accounted for, issued in numeric order, have the corresponding computer receipt attached, posted and deposited daily in accordance with Local Government Code, § 113.022 and be reviewed by a supervisor. Manual receipts should be verified for accuracy, including the amount, tender type, transaction date and payer name fields before issuing to a customer. All copies of a voided receipt should be retained, clearly marked "Void", and affixed with a reason for the void. Manual receipts should not be altered; instead, receipts should be voided and re-issued. Inconsistent employee training and supervisory review related to the manual receipt process has resulted in inaccurate and incomplete financial records and increased the potential for a loss of Dallas County revenue through the misappropriation of funds.

**Recommendation****Manual Receipts**

Management should:

- Limit the use of manual receipts to CWR system downtime.
- Establish written procedures for processing manual receipts.
- Train employees on manual receipting procedures.
- Periodically review manual receipt books for completeness and proper posting to CWR.

**Management Action Plan**

- Supervisor will conduct additional training beginning April 18, 2022 to address manual and cash handling receipting for all Passport Staff.

**Auditors Response**

- None

**System and Security**

A review of the District Clerk Passport's authorized users and their assigned rights and roles in County Wide Receipting (CWR) revealed five current non-supervisory Passports employees have supervisor roles assigned in CWR.



The County-Wide Receipting (CWR) Administration manual as of June 29, 2010 defines the function and appropriate assignment of Inquiry, Cashier and Supervisor user roles in CWR: the Inquiry role supports on-line inquiry, which is limited to reporting capabilities; the Cashier role issues receipts and accepts payments. A cashier can be assigned to multiple deposit sources but should not also be assigned the Supervisor role; and the Supervisor role allows an individual to close out receipting periods, adjust fee amounts, cancel receipts and prepare deposits. While a person assigned the role of Supervisor may also be assigned the role of Cashier, it is expected that they will only create transactions infrequently.

Best practices for internal control include adequate segregation of duties between personnel authorized to receipt payments, void payments and prepare the deposit, so that no one user performs two or more business processes that could result in a compromise of the integrity of the process or allow that person to commit and conceal fraud. Lack of management oversight and insufficient staffing levels have resulted in an inadequate segregation of duties such that Passport employees were granted CWR system roles which allowed them to concurrently perform all duties associated with accepting payments, issuing receipts, adjusting fee amounts, canceling receipts, closing out receipting sessions and depositing the funds. This lack of segregation of duties combined with the active system access to CWR terminals by non-Passport employees increases the potential that funds may be misappropriated.

**Recommendation****Systems and Security**

Management should:

- Review assigned Passports system rights and roles to ensure users have only the rights necessary to perform their core job functions.
- Review staffing levels to ensure that an adequate number of employees are available to segregate duties.

**Management Action Plan**

- Review assigned Passports system rights and roles to ensure users have only the rights necessary to perform their core job functions.
- Update system roles to limit void capabilities to supervisory personnel.

**Auditors Response**

- None





### **Passport Central Computer Receipt Voids**

District Clerk Passport Central serves as a passport acceptance location for the U.S. State Department. Duties related to processing passport applications include reviewing the completeness and accuracy of passport documentation, maintaining records related to the passport applications processed, and collecting the passport fees. To record payments for passport applications, employees receipt two separate transactions: one transaction includes the U.S. State Department passport application fees, which are receipted as non-system fees and do not impact the daily deposit amount; and the other transaction includes the passport acceptance fee and amounts paid for passport photos and copy fees, which are retained by Dallas County.

During fiscal year 2020 and 2021, Passport Central issued 13,006 computer receipts totaling \$1,359,632.72. A review of all 77 Passport Central computer receipts voided during this time period revealed internal control weaknesses related to the entry and voiding of computer receipts:

- 48 computer receipts (62.3%) were voided by non-supervisory employees.
- 52 computer receipts (67.53%) were issued and voided by the same user.
- Seven processed voids were related to photo fees with the main reason indicated as "customer brought own photo".

Customers were leaving with original computer receipts, which were later voided and re-entered for different amounts or tender types. Seven computer receipts totaling \$497 were voided outside of the business hours of 8:30 AM to 4:00 PM including two cash computer receipts totaling \$146 and three credit card and non-system receipts totaling \$267 which were issued and voided by the same user. A review of the time difference between the issuance of original receipts and the voiding of the receipts revealed 16 computer receipt voids were not processed timely:

- Nine receipts were voided between 1 hour and less than 2 hours later.
- Four receipts were voided between 2 hour and less than 3 hours later.
- Three receipts were voided between 3 hour and less than 4 hours later.

Additionally, a sample review of 47 out of 77 computer receipt void for re-issuance revealed six transactions totaling \$818.60 were voided and not re-receipted.



Internal control procedures related to voids and proper cash handling indicate that receipts should be voided with a reason for the void recorded to the computer system and all voided copies should be retained; receipts should be verified for accuracy, including the amount, tender type and payer name fields before issuing to a customer; and system roles should enforce a segregation of duties such that employees cannot issue and void receipts. Compensating controls should be implemented for voids performed by non-supervisory employees. Corrections should be made such that both good internal control and audit trails are maintained. All payments should be receipted and deposited daily in accordance with V.T.C.A., L.G.C. § 113.02.

Lack of written receipt procedures and inadequate employee training has resulted in delays in revenue recognition and customers leaving with receipt documentation that does not correspond with deposited amounts. Inconsistent supervisory oversight of voided transactions and incompatible computer system roles has led to an inadequate segregation of duties that increased the potential that funds may be misappropriated.

**Recommendation**

**Passport Central Computer Receipt Voids**

Management should:

- Provide additional training to reduce the amount of voids.
- Update system roles to limit void capabilities to supervisory personnel.
- Establish compensating controls for review of voids at passport locations without a full-time supervisor on staff.
- Consider requesting additional staff for proper segregation of duties.
- Periodically review non-supervisory voids to ensure voids were appropriate.
- Establish written cash handling/receipt procedures that emphasize receipts are to be verified for accuracy of amount, payment type, and payer before issuing to a customer.
- Periodically review system reports and daily work for accuracy and staff compliance to established policies and procedures.

**Management Action Plan**

- Review assigned Passports system rights and roles to ensure users have only the rights necessary to perform their core job functions.
- Review staffing levels to ensure that an adequate number of employees are available to segregate duties.
- Provide additional training to reduce the amount of voids.
- Update system roles to limit void capabilities to supervisory personnel.



- Establish compensating controls for review of voids at passport locations without a full-time supervisor on staff.
- Consider requesting additional staff for proper segregation of duties.
- Periodically review non-supervisory voids to ensure voids were appropriate.
- Establish written cash handling/receipt procedures that emphasize receipts are to be verified for accuracy of amount, payment type, and payer before issuing to a customer.
- Periodically review system reports and daily work for accuracy and staff compliance to established policies and procedures.

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### **Auditors Response**

- None

### **Passport North Computer Receipt Voids**

District Clerk North passport serves as an acceptance location for the U.S. State Department. Duties related to processing passport applications include reviewing the completeness and accuracy of passport documentation, maintaining records related to the passport applications processed, and collecting the passport fees. To record payments for passport applications, employees receipt two separate transactions: one transaction includes the U.S. State Department passport application fees, which are receipted as non-system fees and do not impact the daily deposit amount; and the other transaction includes the passport acceptance fee and amounts paid for passport photos and copy fees, which are retained by Dallas County.

During fiscal years 2020 and 2021, Passport North issued 18,388 computer receipts totaling \$1,957,251.78. A review of all 112 Passport North computer receipts voided during this time period revealed internal control weaknesses related to the entry and voiding of computer receipts:

- Four computer receipt voids were voided by a non-supervisory employee.
- 28 computer receipts were issued and voided by the same user.
- Seven processed voids were related to photo fees with the main reason indicated as "customer brought own photo".

Customers were leaving with original computer receipts, which were later voided and re-entered for different amounts or tender types. Eight computer receipts totaling \$3,040 were voided outside of the normal business hours of 8:30 AM to 4:00 PM including one non-system receipt totaling \$220 that was issued and voided by the same user.



A review of the time difference between the issuance of original receipts and the voiding of the receipts revealed 30 computer receipt voids were not processed timely:

- One receipt was voided after more than 16 hours.
- One receipt was voided between 7 hours less than 8 hours.
- 13 receipts were voided between 5 hours less than 7 hours.
- One receipt was voided between 3 hours less than 5 hours..
- 14 receipts were voided between 1 hour and less than 3 hours.

A sample review of 46 out of 112 computer receipt voids for re-issuance revealed six transactions totaling \$739 were voided and not re-issued.

Internal control procedures related to voids 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; receipts should be verified for accuracy, including the amount, tender type and payer name fields before issuing to a customer; and system roles should enforce a segregation of duties such that employees cannot issue and void receipts. Compensating controls should be implemented for voids performed by non-supervisory employees. Corrections should be made such that both good internal control and audit trails are maintained. All payments should be receipted and deposited daily in accordance with V.T.C.A., L.G.C. § 113.02.

Lack of written receipt voiding procedures and inadequate employee training has resulted in delays in revenue recognition and customers leaving with receipt documentation that does not correspond with deposited amounts. Inconsistent supervisory oversight of voided transactions and incompatible computer system roles has led to an inadequate segregation of duties that increased the potential that funds may be misappropriated.

**Recommendation**

**Passport North Computer Receipt Voids**

Management Should

- Provide additional training to reduce the amount of voids.
- Update system roles to limit void capabilities to supervisory personnel.



- Establish compensating controls for review of voids at passport locations without a full-time supervisor on staff.
- Consider requesting additional staff for proper segregation of duties.
- Periodically review non-supervisory voids to ensure voids were appropriate.
- Establish written cash handling/receipt procedures that emphasize receipts are to be verified for accuracy of amount, payment type, and payer before issuing to a customer.
- Periodically review system reports and daily work for accuracy and staff compliance to established policies and procedures.

### **Management Action Plan**

- Review assigned Passports system rights and roles to ensure users have only the rights necessary to perform their core job functions.
- Review staffing levels to ensure that an adequate number of employees are available to segregate duties.
- Provide additional training to reduce the amount of voids.
- Update system roles to limit void capabilities to supervisory personnel.
- Establish compensating controls for review of voids at passport locations without a full-time supervisor on staff.
- Consider requesting additional staff for proper segregation of duties.
- Periodically review non-supervisory voids to ensure voids were appropriate.
- Establish written cash handling/receipt procedures that emphasize receipts are to be verified for accuracy of amount, payment type, and payer before issuing to a customer.
- Periodically review system reports and daily work for accuracy and staff compliance to established policies and procedures.

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### **Auditors Response**

- None
- **Passport East Computer Receipt Voids**
- District Clerk East passport serves as an acceptance location for the U.S. State Department. Duties related to processing passport applications include reviewing the completeness and accuracy of passport documentation, maintaining records related to the passport applications processed, and collecting the passport fees. To record payments for passport applications, employees receipt two separate transactions: one transaction includes the U.S. State Department passport application fees, which are receipted as non-system fees and do not impact the daily deposit amount; and the other transaction includes the passport acceptance fee and amounts paid for passport photos and copy fees, which are retained by Dallas County.



- During fiscal years 2020 and 2021, Passport East issued 16,845 computer receipts totaling \$1,676,206.49. A review of all 148 Passport North computer receipts voided during this time period revealed internal control weaknesses related to the entry and voiding of computer receipts:
  - 34 computer receipts (23%) were voided by a non-supervisory employee.
  - 37 computer receipts (25%) were issued and voided by the same user.
  - Eight processed voids were related to photo fees with the main reason indicated as "customer brought own photo".
  - Customers were leaving with original computer receipts, which were later voided and re-entered for different amounts or tender types. 48 computer receipts totaling \$4,119.96 were voided outside of the normal business hours of 8:30 AM to 4:00 PM including one cash receipt totaling \$196, 18 credit card, check, non-system receipts totaling \$1,423 that were issued and voided by the same user.
- A review of the time difference between the issuance of original receipts and the voiding of the receipts revealed 58 computer receipt voids were not processed timely:
  - 12 receipts were voided between 5 hours and less than 7 hours.
  - 16 receipts were voided between 3 hours and less than 5 hours.
  - 30 receipts were voided between 1 hour and less than 5 hours.
  - A sample review of 50 out of 148 computer receipt voids for re-issuance revealed three transactions totaling \$119 were voided and not re-issued and two cash transactions were voided and re-issued for a lower amount totaling \$107.
- Internal control procedures related to voids 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; receipts should be verified for accuracy, including the amount, tender type and payer name fields before issuing to a customer; and system roles should enforce a segregation of duties such that employees cannot issue and void receipts. Compensating controls should be implemented for voids performed by non-supervisory employees. Corrections should be made such that both good internal control and audit trails are maintained. All payments should be receipted and deposited daily in accordance with V.T.C.A., L.G.C. § 113.02.





- Lack of written receipt voiding procedures and inadequate employee training has resulted in delays in revenue recognition and customers leaving with receipt documentation that does not correspond with deposited amounts. Inconsistent supervisory oversight of voided transactions and incompatible computer system roles has led to an inadequate segregation of duties that increased the potential that funds may be misappropriated.

### **Recommendation**

#### **Passport East Computer Receipt Voids**

Management Should:

- Provide additional training to reduce the amount of voids.
- Update system roles to limit void capabilities to supervisory personnel.
- Establish compensating controls for review of voids at passport locations without a full-time supervisor on staff.
- Consider requesting additional staff for proper segregation of duties.
- Periodically review non-supervisory voids to ensure voids were appropriate.
- Establish written cash handling/receipt procedures that emphasize receipts are to be verified for accuracy of amount, payment type, and payer before issuing to a customer. Periodically review system reports and daily work for accuracy and staff compliance to established policies and procedures.

### **Management Action Plan**

- Review assigned Passports system rights and roles to ensure users have only the rights necessary to perform their core job functions.
- Review staffing levels to ensure that an adequate number of employees are available to segregate duties.
- Provide additional training to reduce the amount of voids.
- Update system roles to limit void capabilities to supervisory personnel.
- Establish compensating controls for review of voids at passport locations without a full-time supervisor on staff.
- Consider requesting additional staff for proper segregation of duties.
- Periodically review non-supervisory voids to ensure voids were appropriate.
- Establish written cash handling/receipt procedures that emphasize receipts are to be verified for accuracy of amount, payment type, and payer before issuing to a customer.
- Periodically review system reports and daily work for accuracy and staff compliance to established policies and procedures.

### **Auditors Response**

- None

**DALLAS COUNTY**



**COUNTY AUDITOR**

cc: Darryl Martin, Commissioners Court Administrator