

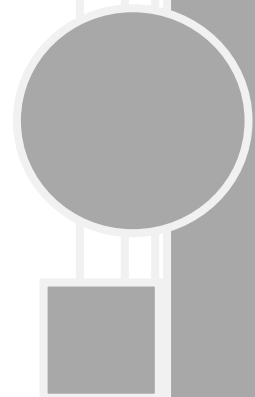


AUDIT REPORT

DALLAS COUNTY

DISTRICT CLERK PASSPORTS FY2016 & FY2017

Darryl D. Thomas
Dallas County Auditor
ISSUED: October 15, 2018
RELEASED: January 30, 2019



DISTRICT CLERK PASSPORTS FY2016 & FY2017

TABLE OF CONTENTS

MANAGEMENT LETTER.....	3
EXECUTIVE SUMMARY	4
INTRODUCTION	6
DETAILS	7
Passport Central Location Computer Receipt Voids	7
Passport North Location Computer Receipt Voids	9
Passport East Computer Receipts Voids	11
Systems and Security.....	14
Manual Receipts	16
U.S. Passport Transmittal Logs.....	17
Cash Management.....	18
Credit Card Processing	19
Marriage License.....	20

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 FY2016 & FY2017**" Report. In order to reduce paper usage, a hard copy will not be sent through in-house mail except to the auditee.

If you prefer that released reports be emailed to a different (or additional) recipient, please inform me of the name and the change will be made.

Respectfully,

A handwritten signature in blue ink, reading "Darryl D. Thomas".

Darryl D. Thomas
County Auditor

EXECUTIVE SUMMARY

A review of District Clerk Passports Central, North and East locations for fiscal years 2016 and 2017 revealed the significant observations listed below:

Summary of Significant Observations

- **Voided Computer Receipts:** Significant number of computer receipts voided outside of normal business hours. Computer receipts were issued and voided by the same user.
 - 265 Passport Central computer receipts totaling \$20,430.32 were voided outside of the normal business hours of 8:30 AM to 4:00 PM including 60 cash computer receipts totaling \$2,843 that were issued and voided by the same user.
 - 193 computer receipts totaling \$18,674.17 were voided outside of the normal business hours of 8:30 AM to 4:00 PM, including 30 cash receipts totaling \$1,334 and 33 credit card, check and non-system receipts totaling \$4,852.21 that were issued and voided by the same user.
 - 175 Passport East computer receipts totaling \$14,278.66 were voided outside of the normal business hours of 8:30 AM to 4:00 PM including 18 cash computer receipts totaling \$597 and 27 credit card, check and non-system receipts totaling \$2,782 that were issued and voided by the same user.
 - Payee information was not consistently recorded to the County-Wide Receipting (CWR) system resulting in an incomplete audit trail.
- **Voided Computer Receipts:** The majority of voids processed were related to photo fees with the main reasons indicated as "customer brought their own photo" or "no photo".
- **Voided Computer Receipts:** Customers were leaving with original computer receipts, which were later voided hours or days later and re-entered for different amounts or tender types.
- **Voided Computer Receipts:** Computer receipts were voided by non-supervisory employees.
- **Voided Computer Receipts:** Customers are not provided with adequate privacy when processing passport applications.
- **System/Security:**
 - Current non-supervisory Passport employees and users no longer employed in the District Clerk Passport had Inquiry, Cashier, and Supervisor roles assigned in County-Wide Receipting (CWR).
 - The vault where the Central Passports daily deposit amounts are stored is not under dual control and the funds are accessible to other District Clerk sections.
- **U.S. Transmittal Logs:** The Passport Central and North locations were missing copies of transmittal logs submitted to the State Department.

Repeat observations from Previous Audits:

- In previous years, the review of District Clerk Passports was completed as a part of the District Civil and Family audit. Accordingly, there are no separately identifiable repeat observations from the previous audit as it pertains to Passports.

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, 2015 through September 30, 2017.

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

Passport Central Location 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.

Prior to processing a passport application, the passport agent verifies that the applicant has all required documents and reviews the application to ensure all fields are accurate. If needed, the customer can obtain passport photos and copies of documents at the Passport Central location for a fee. After all documents are verified, the passport agent will inform the customer of the amount due. Only money orders are accepted for non-system receipts related to the U.S. State Department passport application fees. Cash, credit card or check payments are accepted for the County passport acceptance fee and amounts collected for photos and copies.

During fiscal years 2016 and 2017, Passport Central issued 48,702 computer receipts totaling \$4,387,673.32. A review of all 586 Passport Central computer receipts voided during this time period revealed internal control weaknesses related to the entry and voiding of computer receipts: two Passport Central employees (one of whom was a supervisor) processed 525 out of 586 (89.6%) of computer receipt voids including \$8,462 cash receipt voids; payee information was inconsistently recorded to the County-Wide Receipting (CWR) system resulting in an incomplete audit trail; 132 voids processed were related to photo fees with the main reason indicated as "customer brought own photo"; 177 computer receipts were voided by non-supervisory employees; and 279 computer receipts were issued and voided by the same user.

Customers were leaving with original computer receipts, which were later voided and re-entered for different amounts or tender types; 265 computer receipts totaling \$20,430.32 were voided outside of the normal business hours of 8:30 AM to 4:00 PM including 60 cash computer receipts totaling \$2,843 and 53 credit card, check, and non-system receipts totaling \$4,396.32 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 323 computer receipt voids were not processed on a timely basis; six computer receipts were voided between three and four days after the issuance of the original receipts; 19 receipts were voided two days after the issuance of the original receipt; 23 receipts were voided between 11 hours and less than 24 hours after the issuance of the original receipts; 95 receipts were voided five to 11 hours after issuance; and 180 receipts were voided between one and five hours after issuance of the original receipt.

A sample review of 62 out of 586 (10.6%) computer receipt voids for re-issuance revealed eight cash transactions were re-issued for \$197 less than the original receipt amount including one cash receipt issued December 31, 2015 for \$140, which is the acceptance fee amount for four applicants. The receipt was voided and re-issued on January 4, 2016 for \$35.00 cash, which is the acceptance fee amount for one applicant. The void reason indicates "assessed wrong amount included non-system fee", however, the corresponding non-system fee receipted on December 31st was issued for \$410, the costs for four applicants. Additionally, 17 transactions totaling \$1,465.66 were voided and not re-issued including \$258 of cash transactions.

Additional test of details were performed on all voids processed by the top two void users in the Central Passport location. The expanded reviewed revealed: 31 cash transactions were re-issued for \$477 less than the original receipt amount; 23 cash receipts totaling \$584 were voided and not re-issued; and 20 Passport Central transactions were receipted to the Passport East location. This creates a high risk for misappropriation of funds since new transactions could not be identified.

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. 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 increases the potential that funds may be misappropriated. **Status: After a review of voided transactions by the County Auditor's Office and the Dallas County Sheriff's Office, the Process Support Supervisor admitted to misappropriating funds and was terminated by Dallas County. During fiscal years 2016 and 2017, the supervisor processed a total of \$35,634.38 voids between the Passport Central, North and East locations including \$17,808.32 in voids that were processed outside of normal business hours.**

Recommendation

Passport Central Location Computer Receipt Voids

Management should:

- 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.
- 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.
- Update system roles to limit void capabilities to supervisory personnel.
- Periodically review supervisory voids to ensure voids were appropriate.
- 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.

- Provide additional training to reduce the amount of voids.

Management Action Plan

Written cash handling/receipt procedures have been established emphasizing the verification of receipts prior to giving to the customer. The tills are closed daily and the deposit is completed the same day. The deposit is stored in the lock box for the department and then stored in the main vault until the following morning. The deposit is taken to the Trust Department for final processing. A written procedure for voiding receipts has been established. The supervisor has provided training to both lead clerks in the North and East Passport Offices, in addition to training of support staff. A procedure has been established for notifying the clerk if a photo was taken by the passport office. In addition to any copies that were made. This document will assist the clerk in assessing the correct fees that should be charged, alleviating the need to void a transaction. The Chief Deputy will conduct a monthly review of the supervisory voids to ensure the voids are processed appropriately. On October 22, 2018, the Department of State conducted a site visit and training on the procedures for passport acceptance. The Supervisor will continue to conduct onsite training and the department has quarterly scheduled training for all members of the staff in one location.

Auditors Response

None

Passport North Location Computer Receipt Voids

District Clerk Passport North 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.

Prior to processing a passport application, the passport agent verifies that the applicant has all required documents and reviews the application to ensure all fields are accurate. If needed, the customer can obtain passport photos and copies of documents at the Passport North location for a fee. After all documents are verified, the passport agent will inform the customer of the amount due. Only money orders are accepted for non-system receipts related to the U.S. State Department passport application fees. Cash, credit card or check payments are accepted for the County passport acceptance fee and amounts collected for photos and copies.

During fiscal years 2016 and 2017, Passport North issued 50,915 computer receipts totaling \$4,596,287.82. A review of all 882 Passport North computer receipts voided during this time period revealed internal control weaknesses related to the entry and voiding of computer receipts: two Passport North employees processed 659 out of 882 (75%) of computer receipt voids including \$9,275 in cash receipt voids; payee information was inconsistently recorded to the County-Wide Receipting (CWR) system resulting in an incomplete audit trail; 135

voids processed were related to photo fees with the main reason indicated as "customer brought their own photo"; 338 computer receipts were voided by non-supervisory employees; two receipts were voided because a clerk processed the transactions under another employee's credentials; and 378 computer receipts were issued and voided by the same user.

Customers were leaving with original computer receipts, which were later voided and re-entered for different amounts or tender types; 193 computer receipts totaling \$18,674.17 were voided outside of the normal business hours of 8:30 AM to 4:00 PM, including 30 cash receipts totaling \$1,334 and 33 credit card, check and non-system receipts totaling \$4,852.21 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 receipts revealed 164 computer receipt voids were not processed on a timely basis: three computer receipts were voided 18, 20 and 22 hours after the original receipts; 29 computer receipts were voided between five hours and nine hours after issuance of the original receipt; 74 computer receipts were voided between three hours and five hours after issuance of the original receipt; and 58 computer receipts were voided between one hour and less than three hours after issuance of the original receipt.

A sample review of 40 out of 882 (4.5%) computer receipt voids for re-issuance revealed 12 cash transactions were re-issued for \$143 less than the original receipt amount including one cash receipt that was voided and re-issued for \$12 less than the original receipt amount seven hours after the initial entry with the void reason indicating that "customer had own photo". Seven transactions totaling \$185 were voided and not re-issued, \$148 of which were cash receipts including: one \$35 cash receipt voided approximately nine hour after issuance of the original receipt with the void reason indicating "did not process - customer did not have proper ID"; one \$26 cash receipt for the Dallas County passport acceptance fee and a copy fee was voided more than eight hours after the issuance of the original receipt with a void reason indicating that "customer changed mind and did not want to proceed"; however, the related non-system fee for the passport application was processed; and one \$25 cash receipt for the Dallas County passport acceptance fee was voided more than five hours after the issuance of the original receipt with the void reason indicating that "customer was not of age".

The review of void activity for Passport Central identified the top two void users (one of whom was a supervisor) for the Central location; these users also had access to receipt and void at the Passport North location. The Passport North review was expanded to include all void transactions that were processed by these two users and the related re-issued receipts. The expanded review revealed activity for one of these users including eight cash transactions re-issued for \$42 less than the original receipt; 18 transactions were issued and voided by the same user; seven receipts were voided between three and six hours after the issuance of the original receipt; and one receipt issued March 21, 2017 was voided and re-issued March 22, 2017 for \$1 less than the original receipt amount with a void reason that indicated "customer had own photocopy".

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. 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 increases the potential that funds may be misappropriated. **Status: After a review of voided transactions by the County Auditor's Office and the Dallas County Sheriff's Office, the Process Support Supervisor admitted to misappropriating funds and was terminated by Dallas County. During fiscal years 2016 and 2017, the supervisor processed a total of \$35,634.38 voids between the Passport Central, North and East locations including \$17,808.32 in voids that were processed outside of normal business hours.**

Recommendation

Passport North Location Computer Receipt Voids

Management should:

- 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.
- 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.
- Update system roles to limit void capabilities to supervisory personnel.
- Periodically review supervisory voids to ensure voids were appropriate.
- 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.
- Provide additional training to reduce the amount of voids.

Management Action Plan

See Management's Action Plan for the Passport Central Location.

Auditors Response

None

Passport East Computer Receipts Voids

District Clerk Passport East 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.

Prior to processing a passport application, the passport agent verifies that the applicant has all required documents and reviews the application to ensure all fields are accurate. If needed, the customer can obtain passport photos and copies of documents at the Passport East location for a fee. After all documents are verified, the passport agent will inform the customer of the amount due. Only money orders are accepted for non-system receipts related to the U.S. State Department passport application fees. Cash, credit card or check payments are accepted for the County passport acceptance fee and amounts collected for photos and copies.

During fiscal years 2016 and 2017, Passport East issued 50,163 computer receipts totaling \$4,450,891.33. A review of all Passport East computer receipts voided during this time period revealed internal control weaknesses related to the entry and voiding of computer receipts: three Passport North employees processed 205 out of 441 (46%) of computer receipt voids including \$2,871 in cash receipts voids; payee information was inconsistently recorded to the County-Wide Receipting (CWR) system resulting in an incomplete audit trail; 75 voids processed were related to photo fees with the main reasons indicated as "customer brought their own photo" or "no photo"; 262 computer receipts were voided by non-supervisory employees; and 343 computer receipts were issued and voided by the same user.

Customers were leaving with original computer receipts, which were later voided and re-entered for different amounts or tender types; 175 computer receipts totaling \$14,278.66 were voided outside of the normal business hours of 8:30 AM to 4:00 PM including 18 cash computer receipts totaling \$597 and 27 credit card, check and non-system receipts totaling \$2,782 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 receipts revealed 164 computer receipt voids were not processed on a timely basis: two receipts were voided 17 hours after the original receipt; four computer receipts were voided between nine and 10 hours after issuance of the original receipt; 41 computer receipts were voided between five and nine hours after issuance of the original receipt; 37 computer receipts were voided between three and five hours after issuance of the original receipt; and 57 computer receipts were voided between one hour and less than three hours after issuance of the original receipt.

A sample review of 22 out of 441 (5%) computer receipt voids for re-issuance revealed five cash transactions were re-issued for \$99 less than the original receipt amount including two cash receipts voided and re-issued for \$13 and \$38 less than the original receipt amounts four hours after initial entry with the void reasons indicating there "was only three applicants not four" and "customer had own photo"; one cash receipt voided and re-issued for \$3 less than the original receipt amount six hours after initial entry with the void reason indicating that "applicants brought copies"; and one cash receipt voided and re-issued as a credit card transaction approximately six hours after the initial entry. Eight transactions totaling \$525 were voided and not re-issued, \$150 of which were cash transactions including: one \$37 cash receipt voided approximately eight hours after issuance of the original receipt with the void reason indicating "applicant decided to go to regional office"; one \$37 cash receipt voided approximately seven hours after issuance of the original receipt with the void reason indicating "customer did not want to continue process"; and one \$12 cash receipt voided approximately five hours after issuance of the original receipt with the void reason indicating customer "did not want photo".

The review of void activity for Passport Central identified the top two void users (one of whom was a supervisor) for the Central location; these users also had access to receipt and void at the Passport East location. The Passport East review was expanded to include all void transactions that were processed by these

two users and the related re-issued receipts. The expanded review revealed activity for these two users including 11 receipts that were re-issued for \$348 less than the original receipt amount of which nine receipts were for cash totaling \$236. Three receipts for the U.S. State Department non-system fees were processed, however, the three corresponding receipts related to fees retained by Dallas County totaling \$88 cash were voided approximately four to six hours after issuance of the original receipt with a void reason indicating "did not process". On September 13, 2016, ten receipts were issued under the Passport East terminal instead of the Passport Central terminal. Five of these receipts related to the passport acceptance fee and photo fees were subsequently voided and re-issued under the Central terminal the next business day. However, the remaining five receipts related to the non-system passport application fees were not voided and re-issued under the Central terminal.

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. 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 increases the potential that funds may be misappropriated.

Status: After a review of voided transactions by the County Auditor's Office and the Dallas County Sheriff's Office, the Process Support Supervisor admitted to misappropriating funds and was terminated by Dallas County. During fiscal years 2016 and 2017, the supervisor processed a total of \$35,634.38 voids between the Passport Central, North and East locations including \$17,808.32 in voids that were processed outside of normal business hours.

Recommendation

Passport East Computer Receipts Voids

Management should:

- 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.
- 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.
- Update system roles to limit void capabilities to supervisory personnel.
- Periodically review supervisory voids to ensure voids were appropriate.
- 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.
- Provide additional training to reduce the amount of voids.

Management Action Plan

See Management's Action Plan for the Passport Central location.

Auditors Response

None

Systems and Security

A review of the District Clerk Passport's authorized users and the assigned rights and roles in County Wide Receipting (CWR) revealed eight users no longer employed by Dallas County had active roles assigned in CWR; one former Passports employee, who currently works in the Dallas County Clerk's Office, had active Passport Inquiry, Cashier and Supervisor roles assigned in CWR; nine employees assigned to another division in the District Clerk's Office had active Passport Inquiry, Cashier and Supervisor roles assigned in CWR; and four current non-supervisory Passports employees had Inquiry, Cashier and 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.

Observation of the processing of passport applications at the North, East, and Central locations revealed that passport applications are stored in unlocked drawers during business hours including while employees are on break or at lunch. Additionally, customers are not provided with adequate privacy when processing passport applications; while the Passport department's current process is to create physical distance between the customers waiting in line and the customers being served by multiple clerks at the counter, any personally identifiable information being exchanged can be overheard by the other customers at the counter. An observation related to cash management was that the vault where the Central Passports daily deposit amounts are stored is not under dual control. Central Passport funds in the vault are also accessible by the District Clerk Civil and Family and District Clerk Administration sections.

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. Access to the receipting system should be disabled promptly for terminated employees; employees moving to other Dallas County departments; and employees whose job duties no longer require

access to the Passport CWR terminals. The Passport Agent's Reference Guide (PARG) requires employees to store applications and documents under lock and key when away from their workstations. The PARG also requires acceptance facilities to create an area where customers are afforded privacy when applying for passports. As it relates to securing the daily deposits, access to the vault should be under dual control.

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, cancelling 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. Further, the lack of management oversight and insufficient employee training related to safeguarding customers' personally identifiable information could potentially result in the inadvertent disclosure of private information and the suspension or termination of Dallas County from the passport acceptance program.

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.
- Request user access for former employees or employees reassigned to other areas be disabled.
- Train employees on procedures to properly safeguard customers' personally identifiable information including securing applications during breaks and at lunch.
- Create separate areas for customers and clerks to privately complete the processing of passports.
- Require that two persons are present when accessing funds stored in the vault.
- Contact the Dallas County Security Department to install surveillance cameras in the vault and on the customer counter.

Management Action Plan

All former employees have been deleted from the County Wide Receipting. Upon separation from employment with Dallas County, the department submits a Notice of Separation to the Human Resources department. The Human Resources department then submits the required forms to IT, to remove the employees name from the system. Once

the Notice of Separation has been submitted, the department does not follow up to determine if someone has been removed. A meeting with Human Resources and IT will be scheduled to discuss this ongoing issue. On September 20, 2018, a walkthrough with the Marshal's Office was conducted to determine the placement of cameras for each office. A briefing has been submitted and the installation of cameras is scheduled for 2019. On October 22, 2018, staff received training from the Department of State and from the Supervisor regarding securing applications and personal information for customers. The separation of duties for staff and supervisors has been established and is currently in place. The build out of the Passport Office has not changed in the past 12 years in Central, and even longer in the East and North Office. Staff does their best to work with customers regarding privacy; however, it is very difficult when there are multiple individuals seeking to get their passport at the same window. There are now dual controls in the vault that are monitored daily. Each department has their own secured combination lock box to secure their money inside of the department vault.

Auditors Response

None

Manual Receipts

A review of 319 manual receipts revealed that the District Clerk Passport Central, East and North locations lack adequate internal controls over the manual receipting process resulting in manual receipts not being recorded in the comment field of the computer receipt; 12 manual receipts that were skipped in sequence and not marked "void"; one manual receipt that was missing all three copies from the manual receipt book; six manual receipt amounts that were altered including three manual receipt amounts that were altered to \$108 less than the original amount; and fifteen manual receipts that did not contain a reason for the void.

Additionally, the review of manual receipts issued by Passport Central revealed eight manual receipts that were written with the name of the Passport clerk who issued the receipt in the payee line and five manual receipts that did not have a corresponding computer receipt attached. The department was asked to identify the computer receipts for these transactions. The receipt payee name for three of these manual receipts totaling \$283 did not match the payee name on the corresponding computer receipts provided by the department. The department was unable to identify corresponding computer receipts for the two remaining manual receipts which were issued for \$156.

Internal control procedures indicate all manual receipts should be accounted for, issued in numeric order, have the corresponding computer receipt attached, are posted and deposited daily and timely in accordance with Local Government Code, § 113.022 and include supervisory review. 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.

Inadequate employee training related to the manual receipt process and lack of supervisory oversight has resulted in inaccurate and incomplete financial records and increases 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 Odyssey.

Management Action Plan

Staff has been trained on the proper procedures for completion of manual receipts in the County Wide Receipting system. The supervisor is required to review the manual receipt book monthly to ensure the receipts are processed accordingly and that staff has not altered, voided, or reissued a receipt.

Auditors Response

None

U.S. Passport Transmittal Logs

Per U.S. Code of Federal Regulations § 51.22, employees of the clerk of any state court of record are authorized by the U.S. State Department to serve as passport acceptance agents. Passport acceptance agents are not authorized to retain copies of executed applications, nor release passport application information to anyone other than the applicant and the U.S. State Department; however, the passport locations are required to maintain copies of transmittal logs, which record all of the applications received at the Passport offices. The original transmittal logs and all applications are mailed to the U.S. State Department to be processed. As outlined in the Passport Agent Reference Guide (PARG), copies of the transmittal logs are to be retained by the Passport department for at least 24 months before being destroyed.

Due to a scope limitation imposed by the passport acceptance rules outlined in the U.S. Code of Federal Regulations § 51.22 and in the PARG, which restricts viewing of the information on the transmittal logs to only authorized passport agents, the auditor was precluded from directly reviewing the transmittal logs. The number of applications submitted was derived based on the number of the acceptance fees receipted by each passport location. This number was compared to the daily transmittal log summary count totals as communicated verbally by a passport employee. Inquiries were made of Passports personnel regarding identified variances.

A sample review of passport acceptance fee transactions revealed: the Passport Central location was missing six days of transmittal logs accounting for 204 processed applications; the Passport North location was missing two days of transmittal logs accounting for 29 processed applications; on February 14, 2017, the Passport

Central location did not collect the acceptance fee of \$25 from one applicant; and on August 1, 2017, the Passport East location did not record one applicant on the transmittal log.

Transmittal logs should be properly completed, reviewed, and retained for a minimum of 24 months before being destroyed as required by the U.S. State Department. The statutorily approved passport acceptance fee of \$25 should be collected from customers at the time that a passport application is processed and collected fees should be promptly receipted and deposited consistent with Local Government Code § 113.022. Lack of management oversight and review of the passport application process as it relates to transmittal logs and the collection of acceptance fees has resulted in incomplete financial records and a loss of acceptance fee revenue. This control weakness could potentially result in an additional loss of passport acceptance fee revenue should Dallas County be suspended or terminated from the passport acceptance program for non-compliance with U.S. State Department regulations.

Recommendation

U.S. Passport Transmittal Logs

Management should:

- Establish written procedures for the passport acceptance process.
- Periodically review employee adherence to the written procedures.
- Reinforce the importance of accurately completing transmittal logs.
- Compare acceptance fee revenue receipted to the number of applications on the transmittal log.

Management Action Plan

The Department of State has provided written procedures and provided training on submitting and maintaining transmittal logs. Due to the recent misappropriation of funds, the transmittal logs were either destroyed or misplaced. The Supervisor is responsible for auditing the transmittal logs to ensure they are current and secured.

Auditors Response

None

Cash Management

Cash counts performed at the Dallas County North, East, and Central Passport office locations by Internal Audit staff during fiscal years 2016 and 2017 revealed amounts that were over/short the amount on the receipt control total including two immaterial cash variances.

Cash counts of deposits received at the Treasurer's office for the three Passport office locations revealed amounts totaling \$93 less than the receipt control totals. **Status:** Deposits were corrected the next business day.

All monies received should be promptly receipted and deposited consistent with State Law, Local Government Code, § 113.022. Any unidentified overages should be deposited to the overage/shortage account daily. Daily collections and change funds should be recounted by supervisory personnel with review evidenced by initial or signature on deposit forms. Receipts should be verified for accuracy of amount, payment type, case number, and payer before issuing to a customer.

Lack of management oversight, clerical errors and inadequate training related to cash management increase the potential that funds may be misappropriated and may result in financial losses to Dallas County for unrecoverable amounts paid for services already rendered.

Recommendation

Cash Management

Management should:

- Establish written procedures for proper cash handling and reinforce procedures through employee training.
- Standardize department cash handling processes related to drawer shortages.
- Determine whether employees will be responsible for replacing funds related to cash shortages.
- Train employees to total and balance the funds on hand to the system receipt control total at the end of each business day. Receipt tapes for check totals should be calculated using the written legal amount and verified against the receipt control total. Receipt and deposit totals should be verified by supervisory personnel.

Management Action Plan

Written procedures have been established regarding cash handling. Staff has received a copy of and has also been trained on the cash handling procedures. The procedures are applicable to each office. Staff is responsible for all cash shortages as stated in the policy. Ongoing training and review is being conducted to ensure that staff is in compliance.

Auditors Response

None

Credit Card Processing

A sample review of credit card deposits revealed 10 out of 30 POS (point of sale) credit card deposit tills were not closed on the business day the transactions were receipted. Three credit card deposits were receipted for \$122 less than the daily settlement report total including one \$35 credit card which was processed on February 8, 2018 at 7:36 AM, outside of normal business hours, and added to the deposit for the business day of February 4, 2018; two \$25 credit card payments related to one customer were voided; one of these payments

was re-issued with a cash tender type; the re-issuance of the other \$25 credit card payment could not be identified; and one \$37 credit card payment was voided in CWR because the customer did not want to complete the application process; however, the transaction was included on the daily credit card settlement report because the department did not void the payment in the POS system prior to closing the deposit. The amount was subsequently refunded through the Treasurer's Office.

The department does not have written procedures for receipting and/or depositing credit card transactions. All credit card transactions should be deposited timely 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. Due to a lack of management oversight of the credit card process, there is a delay in credit card revenue recognition. Potentially, revenue that is never recognized through the deposit process will not be available to meet the budgetary needs of Dallas County.

Recommendation

Credit Card Processing

Management should:

- Establish written procedures for processing credit card transactions.
- Reconcile the POS (point of sale) credit card settlement report and CWR credit card receipts daily. Transactions should be reviewed for accuracy, timeliness of processing, and staff compliance to established policies and procedures.

Management Action Plan

The Department has written procedures for credit cards and is used throughout the department. All Points of Sales are reviewed by the Trust/Accounting Department daily.

Auditors Response

None

Marriage License

A review of all deposits related to the issuance of marriage licenses at the North and East Passport offices during fiscal years 2016 and 2017 revealed 90 delays of four or more business days between the receipt dates and the deposit dates which included 88 deposits delayed four to six business days; one deposit delayed seven business days; and one deposit delayed 11 business days. Best practices related to internal control over the deposit process indicate that the system control total should be compared to the funds on hand at the end of each business day. Corrections should be made such that both good internal control and audit trails are maintained. Receipt and deposit totals are verified by a supervisor with verification evidenced by signature or initial. All monies received should be promptly receipted and deposited properly, and timely in accordance with V.T.C.A., L.G.C. § 113.022. Lack of management oversight of the marriage license deposit process has resulted in delayed revenue recognition and increases the potential that funds may be lost or misappropriated.

During fiscal years 2016 and 2017, the District Clerk Passport North and East offices issued marriage licenses on behalf of the County Clerk's office. The Passport offices processed the marriage license applications and

generated receipts through the Recording AiLIS System. At the end of the day, the Passport offices reconciled their total funds to the system control totals; however, the offices did not have access to the Oracle Deposit Management System (DMS) template to create marriage license deposits. Instead, each Passport office filled out a manual deposit form, which was submitted with the funds collected for marriage licenses to the Treasurer's Office to create the DMS deposit. As of March 2017, the District Clerk North and East Passport offices no longer process marriage licenses.

Recommendation

Marriage License

If Passports resumes issuing marriage licenses in the future, management should:

- Ensure collected funds are submitted to the County Treasurer the next business day after receipt or no later than the fifth business day.
- Ensure all cash drawers are closed and deposited daily.
- Obtain access to the deposit management system to directly generate marriage license deposits.
- Establish written procedures for the marriage license deposit process.

Management Action Plan

As of March, 2017, the department no longer processes marriage licenses.

Auditors Response

None

cc: Darryl Martin, Commissioners Court Administrator