

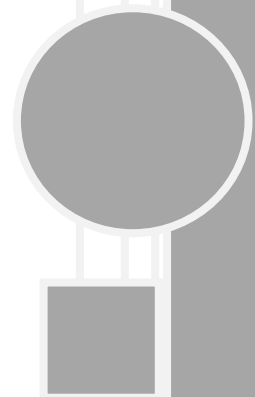


# AUDIT REPORT

DALLAS COUNTY

DISTRICT CLERK PASSPORTS - FY2018

Darryl D. Thomas  
Dallas County Auditor  
ISSUED: March 18, 2020  
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# DISTRICT CLERK PASSPORTS - FY2018

## TABLE OF CONTENTS

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|   |    |
|---|----|
| 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 |
| Manual Receipts.....                                  | 13 |
| Systems and Security .....                            | 14 |
| Cash Count .....                                      | 15 |

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 - FY2018**" Report. In order to reduce paper usage, a hard copy will not be sent through in-house mail except to the auditee.

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

Respectfully,

*Darryl D. Thomas*

Darryl D. Thomas  
County Auditor

## **EXECUTIVE SUMMARY**

A review of District Clerk Passports Central, North and East locations for fiscal year 2018 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.
  - 70 computer receipts totaling \$4,202.34 were voided outside of the normal business hours of 8:30 AM to 4:00 PM including 27 cash computer receipts totaling \$1,028 that were issued and voided by the same user.
  - 50 Passport North computer receipts totaling \$3,820.00 were voided outside of the normal business hours of 8:30 AM to 4:00 PM, including nine cash computer receipts totaling \$383 and 12 credit card and non-system receipts totaling \$1,153.00 that were issued and voided by the same user.
  - 48 Passport East computer receipts totaling \$4,462.89 were voided outside of the normal business hours of 8:30 AM to 4:00 PM including 15 cash computer receipts totaling \$716 and 10 credit card, check and non-system receipts totaling \$786 that were issued and voided by the same user.
- The majority of voids processed were related to photo fees with the main reasons indicated as "customer brought their own photo" or "no photo".
- Customers were leaving with original computer receipts, which were later voided hours or days later and re-entered for different amounts or tender types.
- Computer receipts were voided by non-supervisory employees.

**Auditor's Note:** The aforementioned issues were initially identified in our FY 16-17 Audit. As a result, it was determined that a District Clerk employee was misappropriating funds and was subsequently terminated. Since the prior audit, the District Clerk's Office has been working to make improvements over cash receipting and improving internal controls.

#### **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).

#### **Repeat observations from Previous Audits:**

- Deposits received in the Treasurer's Office not matching the system control total.
- System access not terminated/updated for persons no longer employed by Dallas County or whose job duties no longer require access.
- Non-supervisory employees assigned supervisory roles in CWR.

- Manual receipts skipped in sequence and not mark "Void".
- Manual receipts voided without retaining all void copies.
- Altered manual receipts.

**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, 2017 through September 30, 2018.

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 year 2018, Passport Central issued 18,110 computer receipts totaling \$1,595,361. A review of all 225 Passport Central computer receipts voided during this time period revealed internal control weaknesses related to the entry and voiding of computer receipts:

- 175 out of 225 computer receipt voids were voided by a non-supervisory employee.
- 202 out of 225 computer receipts were issued and voided by the same user.
- 22 out of 225 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. Seventy computer receipts totaling \$4,202.34 were voided outside of the normal business hours of 8:30 AM to 4:00 PM including 27 cash computer receipts totaling \$1,028 and 30 credit card, check, and non-system receipts totaling \$2,584.34 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 66 computer receipt voids were not processed timely:

- 35 receipts were voided between one hour and less than three hours after issuance of the original receipt.
- 14 receipts were voided between three hours and less than 5 hours after the issuance of the original receipt.
- 10 receipts were voided between five hours and less than 7 hours after the issuance of the original receipt.
- 7 receipts were voided between seven hours and 20 hours after the issuance of the original receipts.

A sample review of 50 out of 225 (22%) computer receipt voids for re-issuance revealed one cash transaction was re-issued for \$12 less than the original receipt amount and nine transactions totaling \$568 were voided and not re-issued including two cash transactions totaling \$13.

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 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.

### **Recommendation**

#### **Passport Central Location 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**

- Since November 2018, the process for voiding receipts has changed for all three passport locations. During the voiding procedures, clerks are required to notify the supervisor or lead clerk. The supervisor or lead clerk will verify the reason for the void and ask the clerk to enter the correct transaction. The voided receipt will reference the new receipt, notes written, and signatures are required from supervisor or lead clerk.



- Since November 2018, the process for voiding receipts after business hours has changed. The written Passport Close of Business manual instructs the offices to close daily after the last customer transaction. Since July 2018, user with multiple voids is no longer employed with the District Clerk's office.
- Since January 2019, a review of non-supervisory voids are required. Once a month, voids are addressed and verified for time, references, notes, who voided, and signature. The written Passport Money-Handling Procedures identify who is responsible for voiding receipts in our three office locations.
- Since September 2019, the process for voiding photos currently underwent a revision. The written Passport Photo Policy states, 'Agents must verify who took the photo'. During peak season, a pre-screening role is assigned to a clerk. IF the pre-screening clerk takes the photo, a non-transaction receipt slip is required attached to the application. The receipt slip indicates, how many photos taken for receiving clerk to charge.

### **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 year 2018, Passport North issued 20,061 computer receipts totaling \$1,723,646. A review of all 208 Passport North computer receipts voided during this time period revealed internal control weaknesses related to the entry and voiding of computer receipts:

- 75 computer receipts were voided by non-supervisory employees including 68 computer receipts voided by a non-supervisory employee was completed by one individual.

Customers were leaving with original computer receipts, which were later voided and re-entered for different amounts or tender types; 56 computer receipt voids were not processed timely including

- 53 computer receipts were voided between one hour and seven hours after issuance of the original receipt.
- 2 computer receipts were voided 17 and 18 hours after the original receipts were issued.
- 1 receipt that was voided two days after the original receipt was issued.

One-hundred nine computer receipts were issued and voided by the same user. Fifty computer receipts totaling \$3,820 were voided outside of the normal business hours of 8:30 AM to 4:00 PM, including nine cash receipts totaling \$383 and 12 credit card, check and non-system receipts totaling \$1,153 that were issued and voided by the same user. Twenty processed voids were related to photo fees with the main reason indicated as "customer brought their own photo".

A sample review of 50 of the 208 (24%) computer receipt voids for re-issuance revealed nine transactions totaling \$784 were voided and not re-issued including \$59 cash transactions.

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 Location 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**

See: Management Action Plan for 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 year 2018, Passport East issued 21,866 computer receipts totaling \$1,834,716. A review of all 163 Passport East computer receipts voided during this time period revealed internal control weaknesses related to the entry and voiding of computer receipts:

- 75 out of 163 computer receipts were issued and voided by the same user.
- 68 out of 163 computer receipts were voided by non-supervisory employees.
- 64 out of 163 computer receipt voids were processed by two employees.
- 7 out of 163 processed voids were related to photo fees with the main reasons indicated as "no photo" or "customer brought their own photo".

Customers were leaving with original computer receipts, which were later voided and re-entered for different amounts or tender types; and 48 computer receipts totaling \$4,462.89 were voided outside of the normal business hours of 8:30 AM to 4:00 PM including 15 cash computer receipts totaling \$716 and 10 credit card, check and non-system receipts totaling \$786 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 39 computer receipt voids were not processed in a timely manner including:

- 38 computer receipts that were voided between one hour and seven hours after issuance of the original receipt.

- 1 receipt that was voided two days after the original receipt was issued.

A sample review of 50 out of 163 (31%) computer receipt voids for re-issuance revealed 11 transactions totaling \$1,177.89 were voided and not re-issued including three cash transactions totaling \$30.

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 Receipts 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**

See: Management Action Plan for Passport Central location.

### **Auditors Response**

None

## **Manual Receipts**

A review of 116 manual receipts from the District Clerk Passport Central, East and North locations revealed three manual receipts were skipped in sequence and not marked "Void" including one manual receipt that was missing the original (white) customer copy from the manual receipt book; one voided manual receipt did not have the white customer copy attached; one manual receipt amount was altered instead of being voided; the recorded amounts on two manual receipts do not match the amounts recorded in CWR; four manual receipts do not have the payer name recorded; one manual receipt was written with the name of the Passport clerk who issued the receipt in the payee line; and 13 manual receipts did not have a corresponding computer receipt attached including one manual receipt with a \$2 copy fee which could not be located 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 and timely in accordance with Local Government Code, § 113.022 and reviewed by 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**

- Since July 2018, the three Passport Offices are required to print a set (four receipts, two for filing and two for the customer) of CLASS receipts that require the signature and phone number of the applicant. The receipts are verified for accuracy of amount, payment type, and office location;
- Since November 2018, the manual receipts procedures underwent a revision. Through additional training and auditor's recommendations, manual receipt concerns were addressed during our 3rd Quarter Meeting in September 2019, and is included in our Money Handling Procedures.

## **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 one user no longer employed by Dallas County had active roles assigned in CWR; three 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 has Supervisor roles assigned in CWR. An inquiry on the installation of security cameras at all Passport locations revealed East Passport have not installed cameras. **Status: North and Central locations have security cameras installed.**

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. 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. 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.

## **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.
- Install security cameras at the East Passport location.

### **Management Action Plan**

- Since 2019, security cameras were installed at our Central and North Office locations. The East Passport Office cameras are scheduled for install in the 2nd Quarter of 2020.
- Since March 2020, CLASS System access for clerks no longer employed, removed/terminated by IT Service Desk.

### **Auditors Response**

None

### **Cash Count**

Cash counts of deposits received at the Treasurer's Office for the three Passport office locations revealed two cash deposit overages totaling \$20.50. All monies received should be promptly receipted and deposited consistent with Local Government Code, § 113.022. Any un-identified 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 inconsistent training related to cash management have increased the potential that funds may be misappropriated or that Dallas County may sustain financial losses for unrecoverable amounts paid for services already rendered.

### **Recommendation**

#### **Cash Count**

Management should:

- Establish written procedures for proper cash handling and reinforce procedures through employee training.
- Total and balance the funds on hand to the system receipt control totals at the end of each business day.
- Verify receipt and deposit totals before submitting to the Treasurer's Office.

**Management Action Plan**

Written procedures for deposit preparation were developed in August 2019.

**Auditors Response**

None

cc: Darryl Martin, Commissioners Court Administrator