

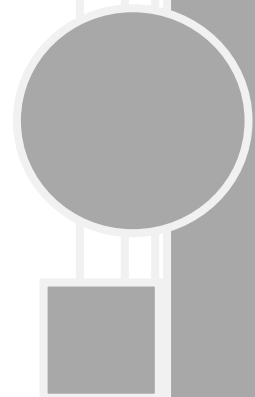


AUDIT REPORT

DALLAS COUNTY

DISTRICT CLERK PASSPORTS - FY2019

Darryl D. Thomas
Dallas County Auditor
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DISTRICT CLERK PASSPORTS - FY2019

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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 - FY2019**" 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 2019 revealed the significant observations listed below:

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, 2018 through September 30, 2019.

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 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 2019, Passport Central issued 17,617 computer receipts totaling \$1,698,707.64. A review of all 143 Passport Central computer receipts voided during this time period revealed internal control weaknesses related to the entry and voiding of computer receipts:

- 124 computer receipts were voided by non-supervisory employees
- 133 computer receipts were issued and voided by the same user
- 12 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. Thirty-five 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 and 18 credit card, check, and non-system receipts totaling \$1,736 which were also 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 26 computer receipt voids were not processed timely:

- 15 receipts were voided between one hour and less than three hours after issuance of the original receipt
- Six receipts were voided between three hours and less than 5 hours after the issuance of the original receipt
- Four receipts were voided between five hours and less than 7 hours after the issuance of the original receipt
- One receipt was voided between seven hours and less than 8 hours after the issuance of the original receipts

Additionally, a sample review of 50 out of 143 computer receipt void for re-issuance revealed seven transactions totaling \$1,037 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

- A meeting was conducted with the Passport staff of all three offices on November 9, 2020 regarding the voids that were processed during FY2019. During the meeting, a review of procedures regarding voids not performed by a supervisor or manager were discussed. This process has never been performed solely by the supervisor or manager because of the three office locations. Going forward, this task will be assigned to the supervisor or manager to perform to ensure compliance.
- Going forward, the Passport Money Handling Procedure manual will undergo a revision to clearly emphasize the verification process before a receipt is signed by the customer. In addition, clerks will receive training that will emphasize verifying office location.
- A meeting was conducted with the Passport Staff to discuss an explanation for the voids outlined in the report. The clerks were reminded of the precautionary measures that are implemented in the department to curtail this issue. In addition, written instructions and safeguards will be revised to improve this matter going

forward.

Auditors Response

None

Passport East Computer Receipts Voids

District Clerk 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.

During fiscal year 2019, Passport East issued 22,659 computer receipts totaling \$2,020,767.78. A review of all 168 Passport East computer receipts voided during this time period revealed internal control weaknesses related to the entry and voiding of computer receipts:

- 20 computer receipt voids were voided by a non-supervisory employee.
- 25 computer receipts were issued and voided by the same user.
- 12 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. 70 computer receipts totaling \$8,373 were voided outside of the normal business hours of 8:30 AM to 4:00 PM; including two cash computer receipts totaling \$83 and three credit card and non-system receipts totaling \$255 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 54 computer receipt voids were not processed timely:

- 28 receipts were voided between one hour and less than three hours after issuance of the original receipt.
- Nine receipts were voided between three hours and less than five hours after the issuance of the original receipt.
- 11 receipts were voided between five hours and less than seven hours after the issuance of the original receipt.
- Six receipts were voided between seven hours and less than eight hours after the issuance of the original receipts.

A sample review of 50 out of 168 computer receipt voids for re-issuance revealed six transactions totaling \$595 were voided and not re-issued.

A sample review of 10 credit card transactions revealed one credit card payment did not have the transaction ID listed on the CWR receipt, the customer's name is listed in the field.

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

- A meeting was conducted with the Passport staff of all three offices on November 9, 2020 regarding the voids that were processed during FY2019. During the meeting, a review of procedures regarding voids not performed by a supervisor or manager were discussed. This process has never been performed solely by the supervisor or manager because of the three office locations. Going forward, this task will be assigned to the supervisor or manager to perform to ensure compliance.
- Going forward, the Passport Money Handling Procedure manual will undergo a revision to clearly emphasize the verification process before a receipt is signed by the customer. In addition, clerks will receive training that will emphasize verifying

office location.

- A meeting was conducted with the Passport Staff to discuss an explanation for the voids outlined in the report. The clerks were reminded of the precautionary measures that are implemented in the department to curtail this issue. In addition, written instructions and safeguards will be revised to improve this matter going forward.

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 year 2019, Passport North issued 23,570 computer receipts totaling \$2,205,702.54. A review of all 192 Passport North computer receipts voided during this time period revealed internal control weaknesses related to the entry and voiding of computer receipts:

- 29 computer receipt voids were voided by a non-supervisory employee.
- 75 computer receipts were issued and voided by the same user.
- 13 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. 60 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 and 21 credit card, check, and non-system receipts totaling \$1,912.48 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 50 computer receipt voids were not processed timely:

- 30 receipts were voided between one hour and less than three hours after issuance of the original receipt.
- 6 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.

- 4 receipts were voided between seven hours and less than 8 hours after the issuance of the original receipts.

A sample review of 50 out of 192 computer receipt voids for re-issuance revealed four cash transactions were re-issued for a total of \$28 less than the original receipt amount; and 10 transactions totaling 994 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

- A meeting was conducted with the Passport staff of all three offices on November 9, 2020 regarding the voids that were processed during FY2019. During the meeting, a

review of procedures regarding voids not performed by a supervisor or manager were discussed. This process has never been performed solely by the supervisor or manager because of the three office locations. Going forward, this task will be assigned to the supervisor or manager to perform to ensure compliance.

- Going forward, the Passport Money Handling Procedure manual will undergo a revision to clearly emphasize the verification process before a receipt is signed by the customer. In addition, clerks will receive training that will emphasize verifying office location.
- A meeting was conducted with the Passport Staff to discuss an explanation for the voids outlined in the report. The clerks were reminded of the precautionary measures that are implemented in the department to curtail this issue. In addition, written instructions and safeguards will be revised to improve this matter going forward.

Auditors Response

None

Manual Receipts

A review of all 44 manual receipts issued by the District Clerk Passport Central, East and North locations revealed one voided manual receipt was not properly filled out and could not be located in CWR; four voided manual receipts were skipped in sequence and not marked "Void"; 12 manual receipts did not have the corresponding computer receipt attached; and 30 manual receipt numbers were not noted on the corresponding computer receipt; one CWR receipt did not have the correct payee name; and one manual receipt was not entered 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

- A meeting was conducted with the Passport Staff to discuss manual receipting and procedures. Going forward, the manual receipt section of the Passport Money Handling Procedure manual will undergo a revision and clearly, outline procedures that help emphasize the verification of our manual processes.

Auditors Response

None

Systems and Security

A review of the District Clerk Passport's authorized users and their assigned rights and roles in County Wide Receipting (CWR) revealed four 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. 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, 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

No response received

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 \$6. 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 and clerical errors 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

- Going forward, the Passport Money Handling Procedure manual will undergo a revision to clearly emphasize the verification process before a receipt is signed by the customer. In addition, clerks will receive training that will emphasize verifying office location.

Auditors Response

None

cc: Darryl Martin, Commissioners Court Administrator