



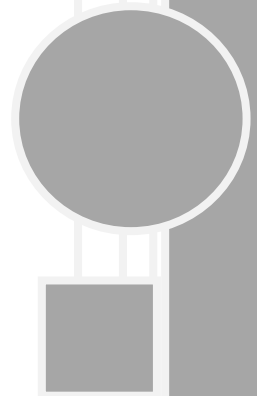
AUDIT REPORT

DALLAS COUNTY

DISTRICT CLERK PASSPORTS - FY 2022

Darryl D. Thomas
Dallas County Auditor

ISSUED: 3/31/2023
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District Clerk Passports - FY 2022

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This report is intended for the information and use of the agency/department. While we have reviewed internal controls and financial reports, this review will not necessarily disclose all matters of a material weakness. It is the responsibility of the department to establish and maintain effective internal control over compliance with the requirements of laws, regulations, and contracts applicable to the department



DALLAS COUNTY
COUNTY AUDITOR

MANAGEMENT LETTER

Honorable Felicia Pitre
District Clerk
Dallas, Texas

Attached is the County Auditor's final report entitled "**District Clerk Passports - FY 2022**" Report. In order to reduce paper usage, a hard copy will not be sent through in house mail except to the auditee.

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

Respectfully,

Darryl D. Thomas

Darryl D. Thomas
County Auditor

EXECUTIVE SUMMARY

A review of District Clerk Passports Central, North and East locations for fiscal year 2022 revealed the significant observations listed below.

Summary of Significant Observations

- None Identified

Repeat Observations from Previous Audits

- Computer receipts were voided by non-supervisory employees.
- 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).

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, 2021 through September 30, 2022.

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

System and Security

A review of the District Clerk Passport's authorized users and their assigned rights and roles in County Wide Receipting (CWR) revealed five employees no longer with the department had active Passport Inquiry, Cashier, and Supervisor roles assigned in CWR and one former employee transferred to another department had access to passport's proxy email account. **Status:** Proxy account was removed February 20, 2023 once the department was notified. 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 terminals. The lack of management oversight can increase the potential that funds may be misappropriated.

Recommendation

System and Security
Management should:

- Request user access for former employees be disabled with follow-up occurring to ensure user account was disabled.
- Periodically review all active CWR users to ensure terminated or transferred employees no longer have access/rights to the receipting system.
- Twice a year, request user access for former employees be disabled with follow-up occurring to ensure user account was disabled.
- Periodically review all active CWR users to ensure terminated or transferred employees no

Management Action Plan

- Review assigned Passports system rights and roles to ensure users have only the rights necessary to perform their core job functions quarterly.
- Periodically review all active CWR users to ensure terminated or transferred employees no longer have access/rights to the receipting system.
- Twice a year, request user access for former employees be disabled with follow-up occurring to ensure user account was disabled.

Auditors Response

- None

Manual Receipts

A review of all 68 manual receipts issued by the District Clerk Passport Central, East, and North locations revealed seven voided manual receipts were skipped in sequence and not marked



"Void". 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. Inconsistent supervisory review related to the manual receipt process has resulted in inaccurate and incomplete financial records.

Recommendation**Manual Receipts**

Management should:

- 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

- Update 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.

Auditors Response

- None

Passport Central Computer Receipt Voids

District Clerk Passport Central serves as a passport acceptance location for the U.S. State Department. The 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 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 the fiscal year 2022, Passport Central issued 13,367 computer receipts totaling \$1,585,607.48. A review of all 73 Passport Central computer receipts voided during this fiscal year revealed internal control weaknesses related to the entry and voiding of computer receipts:

- 11 computer receipts (15.07%) were voided by non-supervisory employees.



- 14 computer receipts (19.17%) were issued and voided by the same user.
- Five processed voids were related to photo fees with the main reason indicated being the "customer brought their own photo or where the customer was charged for passport photos".

A review of the time difference between the issuance of original receipts and the voiding of the receipts revealed 29 computer receipt voids were not processed timely:

- Seven receipts were voided between 1 hour and less than 2 hours later.
- Nine receipts were voided between 2 hour and less than 3 hours later.
- Seven receipts were voided between 3 hour and less than 4 hours later.
- Three receipts were voided between 4 hour and less than 5 hours later.
- Three receipts were voided between 5 hour and less than 7 hours later.

Additionally, a sample review of 21 out of 73 computer receipt voids for re-issuance revealed two transactions totaling \$70 were voided and not re-receipted; two transactions were logged in the wrong location totaling \$260; and one cash transaction was voided and re-issued for a lower amount totaling \$35.

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 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. 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:

- 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

- 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.
- Review every quarter non-supervisory voids to ensure voids were appropriate.
- Review staffing levels to ensure that an adequate number of employees are available to segregate duties.

Auditors Response

- None

Passport East Computer Receipt 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.

During fiscal year 2022, Passport East issued 11,862 computer receipts totaling \$1,353,828.84. A review of all 119 Passport East computer receipts voided during this fiscal year revealed internal control weaknesses related to the entry and voiding of computer receipts:

- One computer receipt was voided by non-supervisory employees.
- 23 computer receipts (12.36%) were issued and voided by the same user.
- Seven processed voids were related to photo fees with the main reason indicated as "customer brought own photo or charged customer in error".

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:



- 14 receipts were voided between 1 hour and less than 2 hours later.
- Four receipts were voided between 2 hours and less than 3 hours later.
- One receipt was voided between 3 hours and less than 4 hours later.
- Four receipts were voided between 4 hours and less than 5 hours later.
- One receipt was voided between 5 hours and less than 6 hours later.
- Two receipts were voided between 7 hours and less than 8 hours later.

Additionally, a sample review of 24 out of 119 computer receipt voids for re-issuance revealed two transactions totaling \$150 were voided and not re-receipted and two cash transactions were voided and re-issued for a lower amount totaling \$26.

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 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. Inconsistent supervisory oversight of voided transactions and incompatible computer system roles have led to an inadequate segregation of duties that increased the potential that funds may be misappropriated.

Recommendation

Passport East Computer Receipt Voids

Management should:

- 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

- Establish compensating controls for review of voids at passport locations without a full-time supervisor on staff.
- Review staffing levels to ensure that an adequate number of employees are available to segregate duties.
- Consider requesting additional staff for proper segregation of duties.
- Review every quarter non-supervisory voids to ensure voids were appropriate.

Auditors Response

- None

Passport North 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 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 the fiscal year 2022, Passport North issued 13,914 computer receipts totaling \$1,681,677.56. A review of all 93 Passport East computer receipts voided during this fiscal year revealed internal control weaknesses related to the entry and voiding of computer receipts:

- One computer receipt was voided by non-supervisory employees.
- 29 computer receipts (31.18%) were issued and voided by the same user.
- Eight processed voids were related to photo fees with the main reason indicated as "customer brought own photo".

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

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



- Two receipts were voided between 4 hours and less than 5 hours later.
- One receipt was voided between 5 hours and less than 6 hours later.
- Three receipts were voided between 6 hours and less than 7 hours later.
- Three receipts were voided between 7 hours and less than 8 hours later.

Additionally, a sample review of 22 out of 93 computer receipt voids for re-issuance revealed two transactions totaling \$83 were voided and not re-receipted. There was one cash transaction that was voided and re-issued for a lower amount totaling \$24.

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 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. Inconsistent supervisory oversight of voided transactions and incompatible computer system roles have led to inadequate segregation of duties, increasing the potential for funds to be misappropriated.

Recommendation

Passport North Computer Receipt Voids

Management should:

- 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

- 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.

DALLAS COUNTY



COUNTY AUDITOR

- Review staffing levels to ensure that an adequate number of employees are available to segregate duties.
- Review every quarter non-supervisory voids to ensure voids were appropriate.

Auditors Response

- None

cc: Darryl Martin, Commissioners Court Administrator