

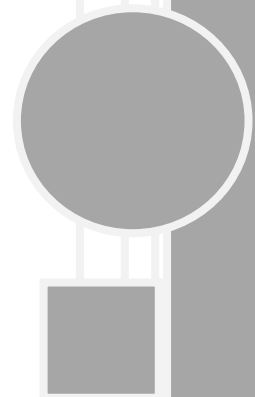


AUDIT REPORT

DALLAS COUNTY

COUNTY CLERK CIVIL FY2016 & FY2017

Darryl D. Thomas
Dallas County Auditor
ISSUED: June 11, 2018
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COUNTY CLERK CIVIL FY2016 & FY2017

TABLE OF CONTENTS

MANAGEMENT LETTER.....	3
EXECUTIVE SUMMARY.....	4
INTRODUCTION.....	5
DETAILS.....	6
Special Fund Disbursements.....	6
Cash Count Variances.....	7
Computer Receipts Voids and Deposits.....	8
Reverse Charge was not posted by Supervisor/Manager.....	9
Mail Payments.....	10
Manual Receipt Postings, Alterations and Voids.....	10
Postage Fees.....	11

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 John Warren
County Clerk
Dallas, Texas

Attached is the County Auditor's final report entitled "**County Clerk Civil 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 that reads "Darryl D. Thomas". The signature is written in a cursive style.

Darryl D. Thomas
County Auditor

EXECUTIVE SUMMARY

County Clerk Civil Division has the following significant observations listed below:

Summary of Significant Observations

- 22 transactions voided 30 minutes or more after initial receipt, including nine transactions voided more than 15 hours after initial entry.
- Two tills that had delays of seven or more days between the Odyssey transaction date receipt date and the Odyssey deposit date
 - One till was deposited after 82 days due to a variance between the Bank of America statement and the Odyssey Till Balance Report.
- System rights/roles granted that allow users the ability to backdate payments.
- Postage fees are not collected from customers for citations and notices sent by registered mail.

Repeat observations from Previous Audits:

- System rights/roles granted that allow users the ability to backdate payments.
- Assessment reversals entered by non-supervisory staff.
- Payments received through the mail incorrectly posted to Odyssey as "Payment (Case Fees)"
- Tills deposited seven or more days after being closed.
- Department not following recommended manual receipt control procedures.

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:

- Ensure compliance with statutory requirements
- Evaluate internal controls
- Verification of accuracy and completeness of reporting
- 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

Special Fund Disbursements

A review of 20 Special Fund 501 disbursements revealed nine cases showing negative balances totaling \$1,434 in Odyssey after disbursements were posted to the system. These inaccurate balances are due to staff entering improper adjustments to move funds to escrow prior to disbursement. Proper procedures require that adjustments be entered to the Payment column on the Odyssey system in order to move the funds to escrow.

The review also revealed that three disbursements were posted in Odyssey more than three days after issuance, including one disbursement posted after seven days. All Special Fund disbursements should be timely and accurately posted to the Odyssey courts system and issued in accordance with Local Government Code § 117.121. Lack of supervisory oversight and reconciliation of daily disbursements has resulted in inaccurate financial records, thereby increasing the likelihood that duplicate checks may be issued and requiring additional staff time to research and correct posting errors.

Recommendation

Special Fund Disbursements

- All Fund 501 disbursements should be: accounted for; issued for the correct amount in a timely manner and in accordance with L.G.C., § 117.121; and posted timely and accurately to Odyssey.
- Supervisors should generate a daily Odyssey Transaction Listing report for disbursements and compare the report to the disbursement file received from Accounts Payable /Treasurer's Office to confirm all checks have been posted in the correct amounts and to the correct cases.
- Re-train staff on the proper adjustment procedures to move funds to escrow for disbursement.
- Make proper entry to Odyssey to correct negative case balances.

Management Action Plan

- A Supervisor will correct the nine cases with the negative balance.
- Management has already provided the information and training to the employees and Supervisor who are responsible for entering disbursement information into Odyssey.
- A Supervisor and Manager will do periodic checks to confirm the expectation is being met.
- Management will update our business process to reflect the expectation.
- Management (including Supervisor) or Lead Cashier will pro-actively communicate

with the Trust Division when the disbursement information needed for entry is late.

Auditors Response

None

Cash Count Variances

A review of cash counts for FY16 and FY17 revealed three deposits were received at the Treasurer's Office totaling \$336 less than the system control total, including a \$272 Civil check deposit in which the department receipted a check stub received from a customer; and two Central Records check deposits that were not receipted for the legal written amount.

Best practices indicate that daily deposits should be re-counted by supervisory personnel with review evidenced by an initial or signature on deposit forms and checks should be entered to Odyssey for the legal written amount. As a result of these clerical errors and lack of supervisory oversight of the daily deposit process, financial records are inaccurate. Further, revenue recognition is delayed and additional staff time is expended contacting customers to obtain replacement checks. These amounts may ultimately become uncollectible if a replacement check cannot be obtained, particularly when the payment was received for records/copies.

Recommendation

Cash Count Variances

- At the end of each business day, receipts should be totaled and balanced to the funds on hand and system control totals.
- Deposit amounts should be totaled using both the written and numeric amounts and the results compared to identify any variances.
- Supervisors should reinforce to staff that the written amount is the legally tendered amount for checks and to review checks for proper accounting information, including routing numbers prior to acceptance for payment.

Management Action Plan

- All Clerks will be reminded of the importance of taking time to actually examine (versus just looking at) each form of payment that is given to them.
- Management (including Supervisors) who review deposits will be reminded to also examine each form of payment prior to signing off on the deposit.

Auditors Response

None

Computer Receipts Voids and Deposits

A review of all 43 voided computer receipts revealed: one backdated receipt; 22 transactions voided 30 minutes or more after initial receipt, including nine transactions voided more than 15 hours after initial entry; voided cash transactions totaling \$285 with no evidence of re-receipting; and a transaction re-receipted two days after being voided. Best practices regarding the receipt process indicate that users should not have rights to backdate charges and payments; all voids should be reviewed daily by supervisory personnel at least one level above employee that voided the payment; and employees receipting money should verify that money tendered is accurately receipted prior to providing computer receipts to the customer. Inconsistent management oversight over voiding and depositing procedures and users' ability to backdate receipts may result in inaccurate financial report balances and misappropriation of funds.

A review of one day of deposits during each quarter and tills opened and closed revealed tills that had delays of seven or more days between the Odyssey transaction date receipt date and the Odyssey deposit date, including one Texfile till that was deposited after 82 days due to a variance between the Bank of America statement and the Odyssey Till Balance Report. All monies received should be promptly receipted and deposited properly, and timely in accordance with Local Government Code (L.G.C.), § 113.022. Tills should be reconciled daily and included in deposit. Inconsistent management oversight over depositing procedures results in delayed revenue recognition and inaccurate receivables reports.

Recommendation

Computer Receipts Voids and Deposits

- Management should develop procedures and documentation incorporating controls such as dual sign-off on voids, receipt corrections, supervisory review.
- Management should develop closeout and balancing procedures emphasizing that funds are deposited the next business day after receipt and requiring managerial review to ensure tills are closed daily.
- Management should remove systems rights allowing backdating of charges and payments.

Management Action Plan

- The Management team will review and adjust our business process to comply with voids being completed within 30-minutes of being posted.
- Management will add comments explaining delays in voiding transaction.
- The Management team is working to cross train other Supervisors on financial functions so the current Supervisor has support and processes are not delayed the times she is unavailable.
- Management will provide more documentation to explain situations when re-receipting of a voided transaction does not occur or a voided transaction is entered for a different amount.

- Management will continue to communicate pro-actively with the County Clerk Trust and Auditor's Office if our deposits are delayed.

Auditors Response

None

Reverse Charge was not posted by Supervisor/Manager

A review of the of the Odyssey Transaction Listing Report for reverse charges, charge reductions, and reverse charge reductions for FY17 revealed two reverse adjustments were not entered by the supervisor or manager. Processing of financial transactions should reflect a proper segregation of duties in which employees who are able to receipt payments are not be able to void, reverse, or reduce any transactions. Management authorizing system user roles which allow employees to receipt payments and reduce charges creates the potential for a loss revenue for Dallas County due to the misappropriation of funds.

Recommendation

Reverse Charges

- Management should limit user roles granting rights to process manual overrides, charge reductions, credits, and charge reversals. User access requirements should correspond to the least rights necessary to perform core job functions.
- Management should emphasize that all financial adjustments/corrections are to include a complete and valid explanation in the comment field.
- Management should establish written procedures for all the responsibilities of the County Clerk's Civil division in order to strengthen the office's internal control and improve efficiency. (This is especially critical for those responsible for financial activities such as assessing charges, reducing assessments, and/or receipting payments.) These procedures and the employees' adherence to them in the performance of their work should be periodically reviewed by the appropriate supervisory staff in order to effectively maintain good internal control.

Management Action Plan

- Management has limited reversals to Supervisory staff and above.
- Management will communicate with employees that reversals must be completed by a Supervisor or Manager.
- Management will ensure this information is included in written business processes.

Auditors Response

None

Mail Payments

A review of the departmental mail log and postings to Odyssey revealed: nine check payments recorded on the department's mail log were incorrectly posted to Odyssey as "Payment (Case Fees)" instead of "Payment (Mail)"; and two checks with a two day delay between entry on the mail log and receipting in Odyssey. Mail payments should be receipted the same day opened and promptly deposited in accordance with Local Government Code (L.G.C.), § 113.022. A lack of managerial oversight and clerical errors have resulted in inaccurate case/financial records and delayed revenue recognition.

Recommendation

Mail Payments

Management should periodically review system reports including the Transaction Listing Report and daily work for accuracy, appropriateness, timeliness, and staff compliance to established policies and procedures. Review should include tracing entries on the mail log to receipting in Odyssey.

Management Action Plan

- Management has and will continue to remind staff to follow data entry business processes.
- Management has adjusted the business process to where the mail clerk follows up with the clerk receiving the check to confirm where the check went or any delays in entry. This helps ensure the log remains accurate after the check leaves the mail clerk's hands.

Auditors Response

None

Manual Receipt Postings, Alterations and Voids

A review of all County Clerk Civil and Central Records manual receipts revealed: manual receipt numbers are not posted in the Odyssey comment field of the financial tab; a receipt was altered to a lower amount instead of writing a new receipt; two checks from different payers were receipted under same Odyssey receipt number after system was operational (\$600 from manual receipt and \$1,300 sent by the Justice of the Peace court initially entered directly to Odyssey); and instances of manual receipts voided without an explanation for the void.

Specific controls related to receipt control procedures require that: all copies of a void receipt should be retained clearly marked "void" and affixed with a reason for the void; manual receipts are written only during system downtime, reflecting the appropriate case number and amount paid. Once the system is restored, the payments are posted to the system and the manual receipt numbers are entered into the comment field and manual receipts are not altered, but properly voided and affixed with a reason for the void with retention of all voided copies.

Inconsistent supervisory enforcement of recommended manual receipting control procedures has resulted in an incomplete audit trail and increases the potential for the misappropriation of funds.

Recommendation

Manual Receipt Postings, Alterations and Voids

- Management should periodically review manual receipt books to ensure all issued manual receipts are accurately posted and corresponding manual receipt numbers are documented in the financial comment field in Odyssey.
- Management should reinforce and retrain staff on proper internal control procedures regarding manual receipts.

Management Action Plan

- Management will train and ensure that voided manual receipts have comments that explain the reason for the void.
- Management will train and ensure the Lead Cashier voids any manual receipt where an error has been made.
- Management will ensure that the manual receipts stay unaltered until the time they are needed.
- Management has adjusted the business process to ensure that manual receipt numbers are entered on the Odyssey receipt and the Odyssey receipt number is written on the manual receipt.

Auditors Response

None

Postage Fees

Postage fees are not collected from customers when processing registered mail and sending documents through the US Postal Service. Per Government Code Sec. 51.319 (2) when County Clerk Civil processes citations by certified or registered mail the fee charged should be the same fee that Sheriffs and Constables are authorized to charge for the service under section LGC 118.131. Commissioners Court Briefings entitled *Sheriff and Constable Fees dated 09/15/15 and 09/20/16* sets the fee for citations or notices by registered or certified mail at \$65 (plus the costs of registered or certified mail).

The registered mail fee of \$65 for citations is assessed and receipted into Odyssey, however, the department is not collecting the cost of postage for registered mail. Non-assessment of statutorily approved fees due to a lack of management oversight and incomplete employee training has resulted in a loss of revenue to Dallas County.

Recommendation

Postage Fees

- Management should periodically review fees assessed for adherence to statutory approved costs.
- Department should purchase a scale to accurately calculate the cost of postage for registered mail. This amount should be receipted into Odyssey.

Management Action Plan

- Division management has notified the Divisions' Business Analyst about this recommendation. We are awaiting information and guidance on what actions need to be taken.

Auditors Response

None

cc: Darryl Martin, Commissioners Court Administrator