



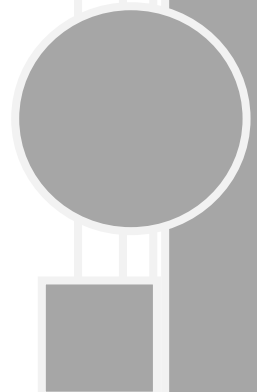
# AUDIT REPORT

DALLAS COUNTY

COUNTY CLERK REGISTRY TRUST - FY 2022

Darryl D. Thomas  
Dallas County Auditor

ISSUED: 1/24/2023  
RELEASED: MARCH 1, 2023



## County Clerk Registry Trust - FY 2022

### TABLE OF CONTENTS

---

MANAGEMENT LETTER .....	3
EXECUTIVE SUMMARY.....	4
INTRODUCTION .....	5
DETAILS .....	6

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 Registry Trust - 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 the County Clerk Trust and Registry investments for fiscal year 2022 revealed the significant observations listed below:

### **Summary of Significant Observations**

- None identified

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

- All findings were repeated.

**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

### **Fund 501 Errors Posting to Odyssey**

A review and comparison of Fund 501 Civil and Probate bond disbursements to Odyssey revealed 441 disbursements totaling \$1,178,574.28 were posted to Odyssey between 6 and 79 days after issuance; eight disbursements were posted to Odyssey with the incorrect check number; one disbursement was posted to Odyssey with the incorrect amount; 19 disbursements totaling \$57,058.75 were not posted to the associated cases in Odyssey; six cancelled disbursements were not originally posted and later voided on the associated cases in Odyssey; one payment was not voided in Odyssey; one check totaling \$605 was not posted to 11 cases; and three duplicate checks were issued resulting in an overpayment of \$1,300.

All Special Fund disbursements should be accounted for, issued to the proper payee for the correct amount in a timely manner, and reference the relevant case information. Additionally, all Special Fund disbursements, voids, cancellations, and stale dated checks should be timely and accurately posted to Odyssey to maintain accurate financial balances. Lack of management oversight over the reconciliation of non-integrated financial systems to timely identify and resolve clerical errors has resulted in inaccurate case balances and increased the potential that duplicate disbursements may be issued or monies not collected.

### **Recommendation**

Fund 501 Errors Posting to Odyssey  
Management should:

- Develop written procedures for the disbursement process.
- Generate a daily Odyssey Transaction Listing report for disbursements and compare the report to the disbursement file received from the Treasurer's Office to confirm all checks have been posted to Odyssey in the correct amounts and to the correct cases.
- Reconcile Fund balances and subsidiary Odyssey ledgers against control records (GL and bank statements) to safeguard funds and improve reporting accuracy with any correcting entries processed timely. Verification should be evidenced by management signature on subsidiary reconciliations.

### **Management Action Plan**

Management has been advised to have staff retrained on correcting check number errors. Management has been advised on correct check entry and stop payment procedures. Accounting and Trust will review disbursements to confirm all checks have been posted to Odyssey.

### **Auditors Response**

None



## Fund 502 Disbursement Errors

A review of Trust and Registry Fund 502 disbursements during fiscal year 2022 revealed two Fund 502 disbursements were not posted to AIS totaling \$921.84. All 502 disbursements should be issued, canceled, or state dated accurately and timely in the AIS system to maintain accurate financial balances. Lack management oversight over the reconciliation of non-integrated financial systems to timely identify and resolve clerical errors have resulted in accurate case balances and increased the potential that duplicate disbursements may be issued.

### **Recommendation**

Fund 502 Disbursement Errors  
Management should:

- Periodically review case balances and disbursements have been posted to AIS in the correct amounts and to the correct cases.
- Reconcile fund balances and subsidiary ledgers to control records (General ledger and bank statements) to safeguard funds and improve reporting accuracy.

### **Management Action Plan**

Management will review cases more diligently to confirm status of funds to be updated in the supporting system.

### **Auditors Response**

None

## Fund 506 Odyssey GL Posting Errors

A review of all Trust and Registry Fund 506 disbursements issued during fiscal year 2022 revealed multiple posting errors in Odyssey including 217 disbursements totaling \$27,158,206 were posted to Odyssey between six and 62 days after issuance; seven disbursements totaling \$20,244.13 were not posted in Odyssey, including four of the seven disbursements totaling \$3,239.71 were canceled in Oracle; two disbursement check numbers posted to Odyssey do not match the Oracle check number; and one stale dated disbursement totaling \$2,500 was not voided in Odyssey.

A sample review of 40 Civil and Probate Registry court orders revealed nine registry deposit amounts totaling \$84,581.31 with signed orders to invest funds were invested 30 or more business days after receipt including three deposit amounts that were invested more than 100 business days after the signed court order.

All Fund 506 disbursements should be accounted for, issued to the proper payee for the correct amount in a timely manner, and reference the relevant case information. Additionally, all Fund 506 disbursements issued,



voids, cancellations, and stale dated checks should be timely and accurately posted to the Odyssey courts system. Lack of management oversight over the reconciliation of non-integrated financial systems to timely identify and resolve clerical errors has resulted in inaccurate case balances and increased the potential that duplicate disbursements may be issued. Additionally, Dallas County may be liable to beneficiaries for interest amounts not earned during period funds were not invested.

### **Recommendation**

Fund 506 Odyssey GL Posting Errors

Management should:

- Generate a daily Odyssey Transaction Listing report for disbursements and compare the report to the disbursement file received from the Treasurer's office to confirm all checks have been posted to Odyssey in the correct amounts and to the correct cases.
- Review Odyssey case balances on a periodic basis for verification/confirmation of actual available balance.
- Record all registry transactions in Odyssey and associate to the correct party in a timely manner.
- Correct all posting errors and unrecorded items in Odyssey.

### **Management Action Plan**

Management has made all valid corrections in Odyssey and employees have been retrained on proper check entry procedures. It is a function of Management to review the non-invested report to ensure Registry funds are entered in Odyssey and invested on a timely basis.

### **Auditors Response**

None

### **Outstanding Checks**

A review of all outstanding disbursements for Fund 501, 502, and 506 as of September 30, 2022 revealed 33 disbursements totaling \$46,474.10 remain outstanding in excess of six months without investigation and/or resolution; 17 disbursements were not canceled in Odyssey; and 10 stale dated 502 disbursements were not canceled in AIS. All Trust Fund voids, cancellations, and stale dated checks should be timely and accurately posted to the Odyssey courts system as soon as the new disbursement status is received by the department. Lack of supervisory review of postings, a lack of integrated financial systems, and clerical errors resulted in inaccurate disbursement information reflected on cases and increased the potential for duplicate payments and/or lost monies.

### **Recommendation**

Outstanding Checks

Management should generate a daily Odyssey Transaction Listing report for disbursements/void disbursements and compare the report to the disbursement file received from Accounts Payable and the





Treasurer's stale dated check listing to confirm all checks and canceled checks have been posted in the correct amounts and to the correct cases.

### **Management Action Plan**

Accounting and Trust will review stale dated checks that are outstanding in Odyssey and work with Division Management to ensure adequate review of disbursements. Management will work with other County Clerk Divisions to ensure that the information is updated in Odyssey on a timely basis.

### **Auditors Response**

None

### **Investment Interest and Postings to Odyssey**

A review of investment account balances for Civil and Probate cases during fiscal year 2022 revealed interest amounts totaling \$49,664.78 were not updated in Odyssey for 302 Civil accounts and 68 probate accounts; five Civil accounts were not closed/updated in Odyssey; two civil accounts were triplicated on the department's investment report; 16 Probate accounts were duplicated on the department's investment report; and the Odyssey and department's report balance reflect more than the Bank Confirmation balance.

Specific control procedures related to Registry and Trust investment accounts included interest amounts being updated by the Trust section clerks with the earned interest indicated on the monthly bank statement. Additionally, the Treasurer should reconcile the monthly bank statement to the general ledger. Limited reconciliation of registry funds, clerical error and delays in updating earned interest amounts resulted in an inaccurate registry funds report and increased the potential for duplicate payments and/or lost monies.

### **Recommendation**

Investment Interest and Postings to Odyssey  
Management should:

- Periodically review Odyssey investment/case balances for verification/confirmation of actual available balance.
- Pursue an automated process where possible to limit manual or duplicate data entry.
- Updated Odyssey balance with current interest amounts.

### **Management Action Plan**

Management has reviewed and updated Odyssey. The accounts closed were updated correctly. The duplicate Investment reports entries are a system-ran issue. Management will do a cleanup on future reports to remove duplicates prior to release. Management will ensure that the information is updated in Odyssey on a timely basis.



## **Auditors Response**

None

## **Interest on Odyssey does not reflect Form 1099-INT**

A comparison of County Clerk's 1099-INT report to the Odyssey Registry report for interest earned during calendar year 2022 revealed 103 condemnation cases with earned interest amounts in Odyssey greater than \$10 for calendar year 2022 were not issued 1099-INT documents and 11 condemnation cases with an issued Form 1099-INT included amounts from prior tax years.

A 1099-INT is required to be issued, with a copy filed with the IR, to any account holder for an interest-bearing account for which more than \$10 of interest was paid in the tax year and all interest earned before the 10% admin fee deduction should be reported to IRS. The beneficiary of interest earned on money held in the registry for condemnation cases cannot be determined until the judge issues an order to award funds. Miscalculation of amounts to be reported and clerical errors resulted in inaccurate financial records and could be potentially lead to IRS penalties for untimely and inaccurate information filings.

## **Recommendation**

Interest on Odyssey does not reflect Form 1099-INT

- Interest earned should be accurately and timely recorded to Odyssey and accurately reported to the IRS on Form 1099-INT.

## **Management Action Plan**

Management will make every effort to accurately and timely report interest earnings while complying with the Court Orders of the Judge.

## **Auditors Response**

None

cc: Darryl Martin, Commissioners Court Administrator