



# AUDIT REPORT

DALLAS COUNTY

DISTRICT CLERK REGISTRY TRUST - FY 2023

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# District Clerk Registry Trust - FY 2023

## TABLE OF CONTENTS

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District Clerk Registry Trust - FY 2023.....	2
MANAGEMENT LETTER.....	3
EXECUTIVE SUMMARY.....	4
INTRODUCTION .....	5
DETAILS .....	6
Fund 504 Odyssey Posting Errors.....	6
Registry Court Ordered Funds .....	7
504 Outstanding Checks .....	8
Odyssey Investment Balances.....	9
Felony Cash Bonds Incorrectly Posted to Odyssey .....	10
Interest on Odyssey does not reflect Form 1099-INT .....	12

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 Registry Trust - FY 2023**" Report. In order to reduce paper usage, a hard copy will not be sent through in-house mail.

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,

*Wendwessen Stefanos*

Wendwessen Stefanos, CPA  
First Assistant County Auditor/Interim County Auditor

## **EXECUTIVE SUMMARY**

A review of the District Clerk Trust and Registry investments for fiscal year 2023 revealed the significant observations listed below:

### **Summary of Significant Observations:**

- 635 felony bond receipts totaling \$1,595,285.20 posted to Odyssey between 10 and 305 business days after entry in AIS. There was a delay in updating the case management system to reflect the available bond balance.
- 52 bond receipts totaling \$189,330 were not posted to Odyssey. This resulted in the available bond balance not being reflected in the case management system.
- 175 bond receipts totaling \$442,674 were posted twice to Odyssey by the DC Trust employee and the Integrations till. This could result in a duplicate disbursement being issued.
- 28 bond receipts totaling \$58,228 were posted to Odyssey multiple times by the Integration Till. This could result in a duplicate disbursement being issued.
  - Sixteen receipts were posted two times to Odyssey.
  - Four receipts were posted three times to Odyssey.
  - Eight receipts were posted four times to Odyssey.

### **Repeat Observations from Previous Audits:**

- Delays of disbursements to Odyssey.
- Inconsistent posting of disbursements to Odyssey.
- Delays in updating interest amounts earned on registry accounts.
- Inaccurate posting of disbursements' information to Odyssey including incorrect amounts.
- Delays in investing funds after being received by department.
- Posting of duplicate bond receipts to Odyssey

**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, 2022 through September 30, 2023.

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 504 Odyssey Posting Errors****Criteria**

Standard internal control procedures require all disbursements be accounted for, issued to the proper payee for the correct amount, and reference the relevant case information. All disbursements and cancellations should be timely and accurately posted to the Odyssey courts system.

**Review**

A review of all 1,383 Fund 504 disbursements issued during fiscal year 2023 revealed:

- 28 disbursements totaling \$34,080.80 were not posted to Odyssey.
- Eight disbursements totaling \$43,639.75 were posted to Odyssey with the incorrect check number.
- Three disbursements totaling \$6,190 were posted to Odyssey without a check number noted.
- Five disbursement Odyssey amounts totaling \$5,460.38 did not match the Oracle disbursement amounts.
- 118 disbursements totaling \$876,528.77 were posted to Odyssey between six and 50 days after issuance.
- Two disbursements totaling \$500 were posted twice in Odyssey.

A review of all nine cancelled Fund 504 disbursements during fiscal year 2023 revealed:

- Two disbursements were not voided in Odyssey between 12 to 19 days after the Oracle cancellation date.

**Cause/Effect**

The lack of supervisory review of posting and clerical errors have resulted in inaccurate financial records and a potential for duplicate disbursements to be issued.

**Recommendation**

Fund 504 Odyssey 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.
- Reconcile fund balances and subsidiary (Odyssey) ledgers against control records (GL and bank statements) to safeguard funds and improve reporting accuracy.
- Update Odyssey with issued disbursements and posting errors.

### **Management Action Plan**

- District Clerk Trust will implement a check box system to alleviate these posting errors going forward. The new Trust supervisor will check all disbursements on a daily basis to make sure no duplicate entries are made and to make sure all posted amounts are entered correctly. The check numbers in Odyssey will be checked against the Oracle Payment File Register within a 24-hour business day cycle.

### **Auditor's Response**

- None

## **Registry Court Ordered Funds**

### **Criteria**

Per Local Government Code Sec. 117.052, if a depository has been selected under Subchapter B, a county clerk or a district clerk who is to have for more than three days legal custody of money deposited in the registry of the court pending the result of a legal proceeding shall deposit the money in the depository.

Standard internal control procedures require that all trust funds are disbursed per court order to interest-bearing account timely. Any missing information should be logged and followed up to keep delays to a minimum so funds can be invested in a timely manner. All disbursements should be accurately posted to the Odyssey courts system.

### **Review**

A sample review of 20 out of 330 District Clerk Registry case jackets including court orders revealed:

- Funds for three cases were not invested timely to an interest-bearing account.
  - Funds were invested between 34 and 410 days after being received.

### **Cause/Effect**

The funds were invested later due to a lack of consistent supervisory follow-up of missing information.



Due to the delay, the funds were considered uninvested and interest was not earned until funds were disbursed to an interest-bearing account.

**Recommendation**

Registry Court Ordered Funds

Management should:

- Consistently follow-up with recipient or guardian to provide required information to invest funds to interest-bearing account.

**Management Action Plan**

- This is a repeat finding. The main reason this occurs is that we do not always get a correct social security number for the minor that is involved. Our office has learned to not take the word of the Registry Deposit sheet. We have to have an actual copy of the social security card and so does the financial institution that we invest with. The attorneys, parents, or guardians do not always have a social security card. When they finally do produce the card, it is well after the funds were deposited into the Registry. For those times when it is not a matter of the social security number, we have implemented a plan using different cover sheets on each investment folder to distinguish between general Registry Trust payouts, investments, and cash bond releases. The investment folders let us know that we need to stay on top of anyone who can get us a copy of the correct social security card.

**Auditor's Response**

- None

**504 Outstanding Checks****Criteria**

Standard internal control procedures require all special 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. Disbursements with a status of negotiable that exceeds six months should be investigated and resolved.

**Review**

A review of all 30 outstanding disbursements for Fund 504 issued during fiscal year 2023 revealed:

- 17 disbursements totaling \$39,509.02 remain outstanding in excess of six months as of September 30, 2023 without investigation and/or resolution.
  - Disbursement dates ranged from October 13, 2022 to March 31, 2023.





## **Cause/Effect**

A lack of supervisory review of outstanding disbursements could result in inaccurate disbursement information entered on cases.

## **Recommendation**

504 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.
- Investigate all outstanding disbursements that exceed six months and submit a stop payment request to the Treasurer's Office.

## **Management Action Plan**

- The new Trust supervisor will implement the Treasurer's Stale Dated Check report immediately when we receive it to cancel all outstanding checks if needed. The first step in this process is to contact the payee to find out why they have not presented the check for payment. If the check is lost, we do a stop payment and reissue.

## **Auditor's Response**

- None

## **Odyssey Investment Balances**

### **Criteria**

Standard internal control procedures related to Registry and Trust investment accounts include that the bank sends a monthly statement of interest earned on the separate accounts. Additionally, Odyssey is updated by Trust section clerks with the earned interest.

Standard internal control procedures require that all trust fund disbursements should be accurately posted to the Odyssey courts system.

### **Review**

A review of District Clerk Trust and Registry investment bank confirmations compared to investments recorded to Odyssey during fiscal year 2023 revealed:

- Interest amounts totaling \$261,460.79 were not updated in Odyssey for 224 out of 275 investment accounts confirmed by the bank.



- The department's investment report does not list two cases that are listed on the Odyssey report totaling \$2,848.51.
- Incorrect amount of \$2,421,094 was entered on one case in Odyssey.

**Status:** Department corrected amount.

### **Cause/Effect**

The department does not periodically update interest amounts as they are earned. The inconsistent supervisory review of postings to Odyssey and clerical errors have resulted in inaccurate financial records.

### **Recommendation**

Odyssey Investment Balances

Management should:

- Periodically review investment balances to bank information to ensure investment balance is correct and identify any material discrepancies.
- Periodically reconcile interest amounts earned in Odyssey to official records of banking institutions instead of adding interest just prior to the disposition of a case.

### **Management Action Plan**

- This is a repeat finding. Most of these differences in interest are due to the fact that our banks only send out an interest statement once a year. Audit gets their interest statement as of a different date (September 30th). The interest will never match. Certificates of Deposits are different than checking accounts in that they do not have a monthly bank statement. Odyssey does not calculate interest; it only states the interest that we input ourselves directly from a bank statement. This bank statement is only issued in most cases once a year.

### **Auditor's Response**

- None

## **Felony Cash Bonds Incorrectly Posted to Odyssey**

### **Criteria**

Standard internal control procedures related to felony cash bond receipts require the department to maintain an accounting system which adequately reports all receipts of money and its subsequent disbursement. Additionally, felony cash bond receipts should be accurately and timely recorded to Odyssey.

### **Review**



A review of all 1,141 felony cash bond receipts issued per Adult Information System (AIS) Felony Bond Report during fiscal year 2023 revealed:

- 173 felony bond receipts totaling \$520,463 posted to Odyssey between 21 and 220 business days after entry in AIS.
- 26 AIS bond receipt amounts were entered incorrectly in Odyssey.
  - AIS bond report reflects a total of \$82,950.
  - Odyssey reflects a total of \$87,451.
  - Odyssey was overstated by a total of \$4,501.

**Status:** 16 receipts with the incorrect amount were voided in Odyssey in October 2023.

- 52 AIS bond receipts totaling \$189,330 were not posted to Odyssey.
- Three AIS bond receipt numbers totaling \$2,501 were entered on the wrong party in Odyssey.
- 17 AIS bond receipts totaling \$57,060 from prior years were posted to Odyssey in fiscal year 2023.
- 585 AIS bond receipts totaling \$1,301,533.25 were receipted to Odyssey in fiscal year 2024.
- 175 AIS bond receipts totaling \$442,674 were posted twice to Odyssey by the DC Trust employee and the Integrations Till.
- 28 AIS bond receipts totaling \$58,228 were posted to Odyssey multiple times by the Integration Till.
  - 16 receipts were posted two times to Odyssey.
  - Four receipts were posted three times to Odyssey.
  - Eight receipts were posted four times to Odyssey.

### **Cause/Effect**

An inconsistent supervisory review of the bond receipting process, clerical errors, and a new integration process not tested by the department have resulted in inaccurate financial records and an increased risk for duplicate payments.

### **Recommendation**

Felony Cash Bonds Incorrectly Posted to Odyssey



Management should:

- Develop a process to improve the tracking, recording, and reporting of felony cash bond activity within the Odyssey courts system.
- Reconcile the daily AIS Bond Report to the Odyssey Registry and Trust Journal to ensure all receipts have been accurately posted.
- Verify all AIS bond receipts that are systematically posted to Odyssey are accurate and complete.

### **Management Action Plan**

- District Clerk Trust was without AIS for quite a period of time during 2023. The only way we receive a report to be able to enter felony cash bonds is through AIS. Not all felony cash bonds make the report in AIS such as bonds that were posted outside of Dallas County and transferred in. With that said, posting errors such as incorrect amounts and double entries in Odyssey will be dealt with going forward by having a check box system to make sure all postings will be accurate and timely.

### **Auditor's Response**

- None

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

### **Criteria**

Standard internal control procedures require the Form 1099-INT to be issued with a copy filed with the IRS and to any account holder of an interest-bearing account for which more than \$10 of interest was paid in the tax year. Additionally, all interest earned before 10% admin fee deduction should be reported to the IRS.

### **Review**

A comparison of District Clerk's 1099-INT report to the Odyssey Registry report for interest earned during calendar year 2023 revealed:

- Interest in Odyssey does not match what was reported on the 1099-INT on 18 registry accounts totaling \$53,638.06.

### **Cause/Effect**

Inconsistent supervisory review related to 1099-INT reporting and clerical errors have resulted in inaccurate financial records.

### **Recommendation**

Interest on Odyssey does not reflect Form 1099-INT



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

**Management Action Plan**

- Regarding TexPool 1099's, this is a repeat finding. The interest amounts on the TexPool 1099's are accurately reported. These Interest amounts come straight from a TexPool Excel report that is run every January. The only thing added to this report by the Trust department is a formula that calculates what 10 percent of the interest for the administration fee. We then subtract that from the total interest and that remaining amount is what is reported on each TexPool 1099. These amounts could be reported to Odyssey without taking a 10 percent deduction. The reason for this is because we do not actually take the 10 percent administration fee until the minor's account is closed out at the age of majority. We use the TexPool website as our record of interest earned because it is 100 percent accurate. The interest reports we do receive from TexPool are posted to Odyssey as soon as we can.
- Regarding non-TexPool investment 1099's, we would have to enter up to 1800 1099's in Odyssey while also having to mail all those 1099's to the minors within the same month. We do not receive these 1099's from the banks until around the end of January or early February even though they are due out by January 31<sup>st</sup>. By this time, we would already be receiving 1099's from February for those banks that furnish them that month, it would be an inaccurate interest posting by then.

**Auditor's Response**

- None

cc: Darryl Martin, Commissioners Court Administrator