



DALLAS COUNTY COUNTY AUDITOR

Memorandum

To: Honorable John F. Warren
County Clerk

From: Virginia A. Porter *Virginia Porter*
County Auditor

Subject: Probate - Review for Fiscal Years 2010 thru 2012

Date: Issued September 9, 2014
Released November 19, 2014

Scope

A review was performed in accordance with statutory guidelines on the financial records, reports, and internal controls of the County Clerk Probate and Trust sections for fiscal years 2010 thru 2012 with a cash control procedures walkthrough completed in 2012.

Review Procedures

Standard review procedures were followed to test the internal controls for cash, revenue, and other County assets. A random sampling of the total activity was selected for certain steps based on risk, dollar value of transactions, volume of transactions, and noted internal control weaknesses. Testing involved a review of the Odyssey Case Management system.

A partial list of the review tests include:

- Performed unannounced cash counts
- Accounted for numerical sequence of manual and computer generated receipts
- Traced amounts recorded on the receipts to the bank deposits
- Reviewed assessed fees for compliance with applicable state laws and Commissioners Court orders
- Reviewed credits, charge reductions, and adjustments
- Examined special and trust fund disbursements to determine if sufficient funds were collected, proper payees paid, and if posting to Odyssey had occurred
- Reviewed trust investments and other registry activity
- Submitted Internal Control Questionnaire (ICQ) and evaluated responses
- Evaluated cash control procedures
- Reviewed electronic transaction activity for accurate and timely posting to Odyssey
- Examined cost billing procedures
- Reviewed time and attendance records for compliance with county policies
- Examined Odyssey case activity reports

FINDINGS:

Cash Management

Financial Set-Up/System Controls – A limited review of the Odyssey Case Management financial setup for County Clerk users and a sample review of user's access revealed: two tills and seven cashier stations at County Courts node for Probate is associated to users that are no longer active employees of Dallas County or the Probate section; two active Probate tills at the County Courts node are for wire transfers no longer used; and, one active tender method code for Wire Transfer Probate no longer used.

Receipts – Manual/Computer – A review of all manual receipts and all voided manual receipts for proper posting revealed: one manual receipt is blank and missing the original and duplicate copy; and manual receipts numbers are not consistently entered in the comment section in Odyssey once receipted to the system.

A cash count on March 12, 2013 revealed fifteen un-receipted checks totaling \$43,146.77 with fourteen of the fifteen checks dated five or more business days prior to the count date.

A sample review of computer receipts and deposit/closeout procedures revealed: voided computer receipts are not retained; twenty-three computer receipts numbers skipped in sequence (during the three months sampled) and not located within Odyssey. As of December 23, 2013, the County Clerk Probate section had seven roles that allowed the backdating of payments and four roles that allowed the backdating of charges.

A sample review of tills, closeouts, and deposits revealed: occasional deposit delays and instances of adjustment transactions without a reason for the adjustment entered to the Odyssey comment field.

Responses to the Internal Control Questionnaire (ICQ), inquiry of County Clerk Probate staff, and risks identified during a walkthrough of the department's cash handling processes revealed: no requirement that each open till be closed and included in the daily deposit; no verification or sign-off by supervisory personnel that all open tills are closed; adjustment transactions are not reviewed or formally approved by management; access to the safe is not under dual control; checks received through the U.S. mail or the drop box are not logged; original receipt transactions for NSF check items are not reversed in Odyssey; and checklists are not used to document the timely and accurate completion of key daily / weekly / monthly tasks.

Assessments – A review of manual overrides, initial filing fees/other county charges, reversed charges, charge reductions, and credit revealed: 341 out of 2333 adjustments without an explanation in the Odyssey comment field; instances of assessment errors; and instances of assessments reversed by a clerk and not by management.

Credits – Credit (Waiver) – A sample review of fifteen 'Credit' transactions revealed: four cases with a credit on the financial tab do not have the affidavit for inability to pay noted on the Event tab in Odyssey. Responses to the ICQ indicate all employees are assigned roles/rights to enter credits

Electronic Transactions – A review of E-filing and Legal Ease transactions revealed: E-filing and Legal Ease transactions are not receipted or deposited timely.

Disbursements – Special and Trust Fund – A review of Special and Trust fund disbursement activity revealed: instances of duplicate and overpayments totaling \$565 and posting discrepancies.

Investments–Trust/Registry Fund – A review of investment activity and a sample selection for bank confirmation revealed: numerous instances of interest earned or maturities not recorded to the corresponding Odyssey Invested tab.

Processing/Reporting

Collection/Billing – A review of cases with balances due, various Odyssey system queries, and procedures for collection/ billing revealed: customer billings not generated for cases with balances due; and 10 (25%) out of 40 cases with balances due in error including credits not recorded to Odyssey financial tabs for affidavits of inability to pay.

Case Assignments – A review of the systemic sequential assignment of cases within the Odyssey case management system and Odyssey Case Index reports revealed: multiple Odyssey user roles with rights to modify file dates and override system generated case numbers; twelve case numbers were deleted in Odyssey; nine case numbers were deleted and redirect to a new case number when searching; and 28 cases were not sequentially assigned based on the Odyssey file date.

RECOMMENDATIONS

Cash Management

Financial Set-Up/System Controls – A terminated user's account should be end-dated and the inactive box check-marked with all assigned cashier stations and tills de-activated. Tills and tender methods, which are no longer necessary as part of day to day operations, should be de-activated in Odyssey. All rights and roles should be periodically reviewed to ensure users have only the rights necessary to perform their core job functions.

Receipting / Depositing – All monies received should be promptly receipted and deposited timely in accordance with V.T.C.A., L.G.C. § 113.022. All receipts should be logged, accurately completed, and maintained in order to affix responsibility, enhance cash control, and prevent assertion that monies were paid and refund due. Receipts should never be altered, but properly voided and affixed (including explanation recorded to computer system) with a reason for the void with retention of all voided copies in accordance with Records Retention requirements. All voids should be reviewed daily by supervisory personnel at least one level above the employee that voided the payment. Supervisory personnel should periodically review exception reports and transaction logs (especially with respect to receipt deletions, lowered amounts, and payment type changes) to ensure that the explanation for the change is documented and reasonable. All tills should be reconciled and closed daily and included on an Odyssey deposit. Assigned duties for cash control should be adequately separated for both physical and systemic processing. Rights allowing backdating of payments should be removed. Rights allowing backdating of charges should be restricted to limited users if necessitated by a business need. A dual control process over opening the safe should be considered.

Assessments/Credits – Monitor assessment and collection of court costs and fees in compliance with applicable state laws and Commissioners Court orders. Processing of financial transactions should reflect proper segregation of duties (e.g. users with roles/rights to receipt or void payments should be able to add additional charges, but not modify, reduce, or delete assessments). Non-monetary payments (such as affidavit of inability to pay) should be properly recorded with a credit, and a standardized method of affirming indigency should be documented within the Odyssey system. All corrections should include a complete and valid explanation in the comment field. Adjustments to assessments should be made that both good internal control and audit trails are maintained including compensating controls such as dual sign-off on adjustments, supervisory review and pre-approval, and validation. 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. User roles granted to process manual overrides, charge reductions, credits, and charge reversals should be limited.

E-Filing - The eFile Texas.gov inbox should be reviewed daily to accept or reject submitted filings. All e-filing submissions should be promptly receipted and deposited timely in accordance with V.T.C.A., L.G.C. § 113.022. E-filing tills should be reconciled against eFile Texas.gov daily reports, closed, and added to the appropriate deposit daily with a separate Form 98 deposit submitted to the County Treasurer.

Disbursements – Special and Trust Fund – All checks issued, canceled, and/or stale dated should be posted accurately and timely to the Odyssey system. Disbursements should be issued to the proper payee for the correct amount in a timely manner in accordance with state statutes including V.T.C.A., L.G.C., § 117. Supervisory personnel should review disbursement postings and other disbursement activity for appropriate postings to Odyssey. Case balances should be reviewed on a periodic basis and disbursements made to the appropriate parties in a timely manner. Fund balances and subsidiary ledgers should be reconciled against control records (GL and bank statements) to safeguard funds and improve reporting accuracy. All overpayments or duplicate payments should be recovered.

Investments – Trust/Registry Fund – Investments should be made in accordance with V.T.C.A., L.G.C., § 117, Property Code § 142, Education Code 54, and Government Code 2256 and orders of the court with investment practices reflecting maximum security as well as maximum earnings. All investment activity should be posted accurately and timely to the Odyssey system to maintain accurate investment balances reconciling to reports of financial institutions. A management plan including annual verification of all investment bank balances and un-invested funds should be developed and implemented.

Processing/Reporting

Collection/Billing – Established billing procedures should include: supervisory review; bill all receivables due Dallas County; staff follow-up on requested case jackets; and, process assessments, credits, and charge reductions in accordance with statutory authority including orders of the court, Rules of Procedure, etc. Programming changes needed in order to use Odyssey billing/collection functionality without issues should be documented and communicated to IT Services.

Case Assignments – All case numbers should be timely, accurately, and sequentially assigned based on random court assignment. All case numbers should be accounted for, with reason codes for missing numbers, deleted numbers, or numbers issued out of sequence, and timely documented. System roles which allow modification to file dates or overriding of assigned judge assignments or system generated case numbers should be restricted to limited users if necessitated by a business need.

CURRENT FINDINGS/OBSERVATION AND RECOMMENDATIONS

Findings template numbered 12.CC.02.01 thru 12.CC.02.10 (excluding 12.CC.02.09) are attached. Management responses are incorporated in the templates.

SUMMARY

The report is intended for the information and use of the department. While internal controls and financial reports were reviewed, all matters of a material weakness may not have been identified. 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.

Highest areas of risk which need to be addressed include: posting and supervisory approval of charge reductions, credit waivers, and charge reversals; retaining receipts including voided receipts in accordance with Records Retention requirements; posting disbursements, cancellations, and interest earned and reconciling special and trust fund activity to control records including Oracle General Ledger and corresponding bank statements with annual verification of all investment bank balances and un-invested funds; closing and depositing tills daily with verification or sign-off by supervisory personnel that all open tills are closed; timely processing, receipting, and depositing of e-filing transactions; and, proper separation of duties.

Emphasis on outlined procedures should provide for improved departmental processes. Consideration of all issues and weaknesses should be incorporated by the Clerk as a self-assessment tool. Adherence to and follow-through with the recommendations should strengthen internal control and compliance with Dallas County policies and procedures.

cc: Darryl Martin, Commissioners Court Administrator



Finding Number: 12.CC.02.01
Date: May 13, 2014
Audit: County Clerk Probate Review
Auditor(s) Assigned: NH/FH

Finding:	Financial related Setup/System Controls A limited review of Odyssey Case Management System financial setup for County Clerk Probate and a sample review of users access revealed: • Seven Probate cashier stations at the County Courts node associated to users currently no longer active employees of Dallas County or no longer performing cashier responsibilities for Probate section. • Two Probate tills at the County Courts node associated to users currently no longer active employees of Dallas County or the Probate section. • Two active Probate tills at the County Courts node are for wire transfers that are not used any longer. • One active tender method code for Wire Transfer Probate is no longer used.
Workpaper Reference: (or other method by which finding was identified)	Workpapers: 1C and 1D4 to 1D7 IT query of Cashier Station and Tills as of January 28, 2013 Odyssey User Access exception list from Dallas County Auditor's Accounting System section Responses to Internal Control Questionnaire (Probate) Discussions with County Clerk Probate staff Kronos and Oracle Payroll system
Condition: (Describe the current condition)	The County Clerk submits requests to the County Information Technology (IT) department when updates to Odyssey setup are needed which impact financial transactions. Changes to Production are consistently tested in a separate non-Production environment. County Clerk management sign-off on a change management document prior to updates moved to Production by IT. Supervisors and County Clerk Probate management submit signed access requests to IT when a new employee is hired or when a promoted/transferred employee needs access / additional access rights to Odyssey. Once the appropriate rights / roles are determined, a new User Name is created in Odyssey and a temporary password is assigned to the user. The new user is required to sign-on to Odyssey to create a new password. The system functionality does not enforce password duration policies for minimum or maximum age to restrict users from changing passwords too frequently and/or to force users to change passwords regularly. When an employee separates from employment, management remits a notice of separation (NOS) form to Human Resources and Payroll. The form indicates all system access that should be terminated. Payroll forwards a copy of the NOS to IT Services. User access to Odyssey for separated employees is disabled when the Odyssey system administrator team processes the NOS.



Criteria: (Describe the optimal condition)	General accounting standards require that information processing controls for each application must be continually updated and monitored to help ensure that transactions completed through computerized applications are valid, authorized, complete, and accurate. Management judgment in designing, implementing and conducting internal control, and in assessing its effectiveness is emphasized in the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. Internal control requires that five core components be present: Control Environment; Risk Assessment; Control Activities, Information and Communication; and Monitoring Activities. Specific controls related to internal control include adequate segregation of duties so no one user has two or more business processes that could result in compromise of the integrity of the process or allow that person to commit fraud. Automated systems include a review of access controls against an authorization matrix that defines "least privilege" access levels and authority for an individual's role to their job function / responsibilities. Control objectives include: • Cashier stations and tills should be restricted to authorized users who receipt payments per job description. No cashier station or tills should be recycled once they are deactivated. • Only one default user should be associated to a till for accountability. Tills should not be established as an "unassigned" till or shared by multiple cashiers. • All setup related to financials should be end-dated or disabled once codes are no longer used to limit potential posting errors. • Management should review user access lists, periodically, to assess expected/necessary levels of control-access are valid. • Terminated users should be removed timely (access disabled) by comparing weekly Termination report from HR to user access lists to affirm only authorized individuals have system access. • System functionality/setup (and departmental policy) should include mandatory password changes, periodically, at least every 60 days, with minimum eight character length including alpha, numeric, and special characters/symbols.
Cause: (Describe the cause of the condition if possible)	High level system security access matrix. Limited management review of the user access lists.
Effect: (Describe or quantify any adverse effects)	Risks – posting errors (accidental or intended)
Recommendation: (Describe corrective action)	• A terminated user's account should be end-dated and the inactive box check-marked. All assigned cashier stations and tills should be de-activated. • User access for ex-employees or reassigned employees should be requested to be disabled with follow-up occurring to ensure user account was disabled. • The ability to re-assign tills to other users when opening a till instance should be restricted to ensure the one-to-one relationship between a till and a cashier. Only a supervisor should have the rights to open or sign on to another user's till.



	• Code(s) related to financial transactions that are no longer necessary as part of day to day operations should be de-activated in Odyssey and unavailable to users. • The name entered on the change request to add user to Odyssey should be the name used for payroll (in Kronos and the Oracle Payroll systems). • All rights and roles should be periodically reviewed to ensure users have only the rights necessary to perform their core job functions. A proper segregation of duties reduces the risk of misappropriated funds. • Passwords should be secured and not shared with resets required no less than every 60 days with minimum password lengths/strength in accordance with information technology security standards.				
Responsible Department or Organization:	County Clerk Probate				
Management's Response:	☒ Agree	☐ Disagree	Respondent:	Ashley Arnold, Assistant Manager	Date: 11/13/2014
Comments:	All recommendations are currently being implemented. Management reviews rights and roles to assigned users to restrict access to those roles required to perform their job functions. Management ensures that terminated users will have their access revoked by providing the necessary forms to IT, which is solely and IT function to perform. Password security standards are in line with network users' account of 90 days.				
Disposition:	☒ Audit Report	☐ Oral Comment	☐ Deleted From Consideration		



Finding Number: 12.CC.02.02
Date: March 22, 2013
Audit: County Clerk Probate Review
Auditor(s) Assigned: NH

Finding:	Manual Receipts A review of continuity of 284 manual receipts, all (two) voided manual receipts, and 20 sampled manual receipts for proper handling and proper posting to the Odyssey Courts System during fiscal years 2010 thru 2012 revealed: • Manual receipt books are not used in order of receipt sequence number • One manual receipt was skipped in sequence • One manual receipt is blank and missing the original and duplicate copy • Two voided manual receipts (100%) without a reason noted for the void: ◦ One of the two was not marked void • Nineteen manual receipts (95% of sampled population) reviewed for posting to Odyssey lacked entry of a manual receipt number to the comment section in Odyssey. Departmental responses to Internal Control Questionnaire (ICQ) and inquiry of County Clerk staff revealed: - Once receipted in Odyssey, cashier discards the duplicate (pink) copy of the manual receipt. The triplicate (yellow) copy of the manual receipt is retained in the receipt book.
Workpaper Reference: (or other method by which finding was identified)	Workpapers 4A.3, 4A.4 Conversation with County Clerk Assistant Manager Responses to Internal Control Questionnaire (Probate)
Condition: (Describe the current condition)	When the Odyssey case management system is not operational, manual receipts (three part form) are issued by the Probate section. One manual receipt book is used at a time (but not necessarily in receipt sequence). Manual receipt books are retained in the safe when not in use. The original manual receipt is issued to the customer by the counter clerk. The clerks collect the funds and issue a manual receipt to the customer. The clerks take the duplicate (pink) copy of the manual receipt and the funds to the cashier. Once Odyssey is functional again, the manual receipt payments are entered into Odyssey by the Probate cashier and one computer receipt is generated. However, no manual receipt is entered. The Probate cashier writes the computer receipt number on the triplicate (yellow) manual receipt in the receipt book and discards the duplicate (pink) copy. The computer receipt is mailed to the customer, or given to the customer when they return to court. Most manual receipts were written during the 2010 Records Building basement flood. During this time, the counter clerks were located in the George Allen Courts Building basement and the cashier was located on the first floor. No log is maintained by Dallas County IT Services of Odyssey system downtime.



Criteria: (Describe the optimal condition)	Management judgment in designing, implementing and conducting internal control, and in assessing its effectiveness is emphasized in the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. Internal control requires that five core components be present: Control Environment; Risk Assessment; Control Activities, Information and Communication; and Monitoring Activities. Specific cash controls related to the receipting process include: • Receipts should be written for all money received. This includes any return checks or associated fees, whether received in person or through the mail. No money should ever be accepted without immediately issuing an official county receipt • Manual receipts should be 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 number is entered into the comment field. One copy of the manual receipt is attached to the computer receipt. • All manual receipts should be accounted for and properly used, include supervisory review, kept in numeric order, have the corresponding computer receipt attached, and are posted and deposited daily, and timely in accordance with V.T.C.A., L.G.C. § 113.022. • Manual receipts should be issued in sequential order and manual receipt books should be controlled and access to cash limited to establish proper accountability and strengthen internal control. The supervisor should periodically review manual receipt books to ensure all issued manual receipts have corresponding valid computer receipt numbers noted.
Cause: (Describe the cause of the condition if possible)	Recommended accounting procedures for manual receipts are not followed.
Effect: (Describe or quantify any adverse effects)	Prevents potential assertion that monies were paid and refunds due.
Recommendation: (Describe corrective action)	• Receipts should not be altered, but properly voided and affixed with a reason for the void with retention of all voided copies. Voided receipts should be reviewed and initialed by a supervisor. • Cashier supervisor or management should periodically review manual receipts for proper usage. • Funds received by court personnel should be receipted with a computer generated receipt or a manual receipt if the Odyssey system is "down". Once Odyssey is operational, any money receipted on manual receipts should be posted in full. In order to readily verify that the posting has been made, a computer generated receipt should be attached to the triplicate copy of the manual receipt (which is retained in numeric sequence). The manual receipt number should be noted in the comment field of the computer receipt in Odyssey. • Written procedures for the receipting function should be reviewed at least annually and updated as needed.

County Auditor



Dallas County, Texas

Responsible Department or Organization:	County Clerk Probate				
Management's Response:	☒ Agree	☐ Disagree	Respondent:	Ashley Arnold, Assistant Manager	Date: 11/13/2014
Comments:	All recommendations are current process.				
Disposition:	☒ Audit Report		☐ Oral Comment		☐ Deleted From Consideration



Finding Number: 12.CC.02.03
Date: March 22, 2013
Audit: County Clerk Probate Review
Auditor(s) Assigned: NH

Finding:	Computer Receipts & Closeout/Deposit A review of tills opened/not closed and closed/not recorded with an Odyssey deposit date, delays between computer receipt date and Odyssey deposit date, delays between Odyssey deposit date and Oracle DMS 98 approve date, and 409 voided computer receipts, and a sample review of computer receipts issued during fiscal years 2010 thru 2012 revealed: Tills • One cashier till was created 4/14/2010 but has not been closed in Odyssey or included on the Odyssey deposit screen. • Twenty-five cashier tills (including adjustment tills) were closed between 10/06/2008 and 12/5/2012 without being included on the Odyssey deposit screen: ◦ Six tills include receipts and offsetting void receipts with transactions netting to zero. As of 12/23/13, there were two Financial roles at County Courts node with the ability to re-open deposits. They are as follow: CC FIN2-Reopen Tills and Reopen Deposit and CC FIN3-Deposits. Computer Receipts A sample review of three months revealed: twenty-three computer receipt numbers skipped in sequence and not identified within Odyssey. A cash count on March 12, 2013 revealed fifteen checks totaling \$43,146.77 not receipted with fourteen of the fifteen checks dated five or more business days prior. One check aged 26 business days between the check date and cash count date. Status: Eleven checks were receipted the same day; three checks were receipted from two to seven days after the cash count; and one check totaling \$41,070.77 was receipted 36 days after the cash count. • Thirteen (3.2%) voided computer receipts without explanations in the comment section in Odyssey. • Two reversed voided transactions on the same case leaving \$24 receipted to the wrong case. • Probate uses the user authorization functionality in Odyssey for voids. However, 103 (25.2%) did not reflect user authorization in the system. • As of 12/23/2013, Probate has multiple Case Manager roles that allow the backdating of charges (four roles) and backdating of payments (seven roles). They are MI3-Mental Illness Supervisor, MI4-Mental Illness Cashier, Prob2 – Probate Cashier, Prob3 – Probate Supervisor, ADMIN, CC Backdate Payments, and CC Trust2-County Clerk Trust Manager.
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Odyssey Deposit Dates

A sample review of eight deposit delays between the Odyssey Probate transaction receipt date and the Odyssey deposit date revealed:

- Two delays of three and seven business days, respectively for receipts related to Central Records.

Approved DMS 98 Deposits

A daily reconciliation of receipted transactions revealed 22 delays of five or more business days between receipt date and Oracle DMS 98 deposit approved date:

- Eleven E-filing deposits exceeded five business days
- Nine Legal Ease deposits exceeded five business days
- Two check deposits had a delay of 5 business days
- One \$500 payment for a Restricted Deposit incorrectly receipted to Registry on Odyssey and incorrectly deposited to the over/short General Ledger account.

Status: Corrected. Funds have been transferred to the appropriate GL account and Odyssey has been updated.

Adjustments

A review of computer reverse payments and adjustments revealed:

- 35 (18.9%) of 185 transactions did not reflect a reason in Odyssey comment field for processing as either reverse void, reverse payment, adjustment, reverse miscellaneous payment, and/or reverse adjustment.
- Two (8%) reversals out of a sample of 25 were not valid; payment should have been voided then re-receipted.

Departmental responses to the Internal Control Questionnaire (ICQ) and inquiry of County Clerk Probate staff revealed:

- Voided computer receipts are not retained.
- The safe combination is not changed when persons having knowledge of the combination leave employment with the County.

Risks identified during walkthrough of department's cash handling processes revealed:

- Probate section does not log checks received through the U.S. mail or the drop box. (R02)
- No verification or sign-off by supervisory personnel that all open tills are closed and included on the Odyssey deposit form. (R03)
- Access to the safe containing the daily receipts is not under dual control. (R05)
- Approval is not required to post adjustments to cases in Odyssey. (R08)
- Original receipt transactions for NSF check items are not reversed in Odyssey. Revenue is overstated by recording funds that have not and may never be collected. (R09)
- Probate does not use checklists to document the timely and accurate completion of key daily / weekly / monthly tasks. There is currently no documentation that indicates that



	all tills are closed daily or that all credit card transactions have been successfully entered for the day (R12). A formal coordinated process is <u>not</u> in place between the County Clerk's office and the Treasurer Department to handle and process NSF items and credit card chargebacks adequately, completely, and timely. (R14)
Workpaper Reference: (or other method by which finding was identified)	Workpapers 1C, 1D1, 1D2, 4B.1A, 4B.1B, 4B.1D, 4B.2, 4B.3, 4B.4 Receipt analysis reconciliation workpapers Discussions with County Clerk Probate staff Query of tills from Dallas County IT department (dated 4/12/2013) Query of Odyssey setup from Dallas County IT department (dated 1/28/2013 & 12/23/2013) Odyssey Transaction Listing report Odyssey Receipt Journal report Walkthrough on 12/19/12 with County Clerk Probate Support Supervisor & Cashier Responses to Internal Control Questionnaire (Probate)
Condition: (Describe the current condition)	The Probate section accepts case filings which involve wills, guardianship, temporary guardianship, small estate, heirs, mental illness, etc. The attorney will approach the counter to file a case with the Probate office. The counter clerk will process all documents and scan into Odyssey. For new filings, the counter clerk will determine the type of case and index the case in Odyssey with the standard filing fees automatically assessed to the case. The counter clerk will inform the attorney/customer of the amount due. The customer will give the clerk cash, check, or money order. If cash, the counter clerk will count the money in front of the customer to verify the amount given. If check or money order, the case number is written on the check. The payment is taken to the cashier to be receipted. The cashier pulls up the case in Odyssey and verifies the amount due, then receipts the payment. One computer receipt is generated; the computer receipt and any change due are given to the customer. Receipt numbers are automatically generated in Odyssey. Voided computer receipts are not retained by the cashier. Case filings and credit card payments processed through the e-File Texas.gov portal are processed / receipted in a separate till. Electronic filings are processed as if pleadings were received over the counter, but with an added benefit not available at the counter. Once the electronic pleading has been officially accepted, an enveloped ID number (tracking #) is assigned to the submission and the file marked image is stored directly in Odyssey. To make a payment utilizing the online site, customers must establish user accounts. The customer must enter the applicable case number and their debit/credit card number. The filing fee codes are already indicated on the site. An on-line confirmation is generated for the customer from e-FileTexas.gov. The Probate clerks are assigned multiple e-File Texas queues to review daily with designated staff assigned to process them. The e-file clerks sign into the site to accept or reject the e-file documents submitted by the filer. A filing can be rejected due to incorrect formatting, document restriction such as vacation letter, security level issue, etc. that will not allow the filing to be completed through the process. The accepted e-file debit/credit card payments are automatically transmitted to an Odyssey e-filing till by case number



	flagged preauthorized. At 2:30 P.M., the cashier's close out of their tills and balance the day's funds to the till balance report. The Process Support supervisor will enter fund totals into Oracle DMS form 98 and print the form 98. Management will verify all totals. Once verified, the funds are sealed in separate tamper proof bags. The cashier will take the deposit to the Treasurer's office and receive a form 98 receipt number. After balancing and closing their tills, the two cashiers will open new tills to receipt payments the remainder of the day until the following business day cutoff. Overnight, the funds (receipted after closeout) and the change funds are secured in a safe. Access to the safe is restricted to authorized personnel, but the safe is not under dual control.
Criteria: (Describe the optimal condition)	Management judgment in designing, implementing and conducting internal control, and in assessing its effectiveness is emphasized in the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. Internal control requires that five core components be present: Control Environment; Risk Assessment; Control Activities, Information and Communication; and Monitoring Activities. Specific cash controls related to the receipting process include: • All monies received should be promptly receipted and deposited properly, and timely in accordance with V.T.C.A., L.G.C. § 113.022. • All receipts should be accounted for and properly used in order to affix responsibility, enhance cash control, and prevent assertion that monies were paid and refund due. • Receipts should not be altered, but properly voided and affixed (including explanation recorded to computer system) with a reason for the void with retention of all voided copies. All voids should be reviewed daily by supervisory personnel at least one level above employee that voided the payment. • Supervisory personnel should periodically review exception reports and transaction logs (especially with respect to receipt deletions, lowered amounts, and payment type changes) to ensure that the explanation for the change is documented and reasonable. • Employees receipting money should verify that money tendered is accurately receipted prior to providing computer receipts to the customer. • Tills should be closed daily. • Assigned duties for cash control are adequately separated. Accounting and system control procedures require daily reconciliation and balancing of collected funds, including supervisory review. Controls should be developed for terminating employees with department safe access that include updating the safe combination. Written procedures should be established for all the responsibilities of County Clerk Probate's financial personnel in order to strengthen the office's internal control and improve efficiency. These procedures and practice should be periodically reviewed by the appropriate supervisory staff for good internal control purposes.
Cause:	Inconsistent management oversight and/or training for receipting process



(Describe the cause of the condition if possible)	Lack of dual control over opening the safe Incomplete controls over the receipting process Rights granted to allow users the ability to backdate payments
Effect: (Describe or quantify any adverse effects)	Delay in recognizing revenue / discrepancy with receivable reports Refunds issued prior to available 'good' funds deposited Opportunity to take advantage of 'deposit float'
Recommendation: (Describe corrective action)	• Computer receipts should not be altered, but properly voided and affixed with a reason for the void. Voids should require supervisory approval. No user should void their own issued receipt with voided receipts reviewed and initialed by a supervisor at the next level up. All copies of voided receipts should be retained (the latter of Records Retention requirements or audit completion date). • Procedures and documentation should incorporate compensating controls such as dual sign-off on voids, receipt corrections, supervisory review, testing, and validation. Receipts should be verified for accuracy of amount, payment type, case number, and payer before issuing to a customer. • Posting errors should be corrected on a timely basis. Court personnel should make such corrections to the fullest extent possible so that the revenues are accurately posted. • At the end of the business day, the receipts should be totaled and compared to the funds on hand and system control totals. Corrections should be made such that both good internal control and audit trails are maintained. Receipt and deposit totals should be verified by a supervisor with verification evidenced by signature or initial on control documents which are retained in accordance with Records Retention guidelines. Control documents should be signed-off on by both the cashiers and the cashier's supervisor. • All tills should be reconciled and closed daily and included on an Odyssey deposit through the Odyssey Managing Deposit functionality. Adjustment tills may remain open until the till can be added to a deposit form 98 without causing a negative fund balance. • All payments should be receipted and deposited in accordance with V.T.C.A., L.G.C. § 113.022. Closeout and balancing procedures should include deposit of checks the next business day after receipt. • All shortages or overages should be accurately recorded on the 98 form. If shortage or overage exists, a detailed reconciliation should be completed identifying the discrepancy. • All financial adjustment transactions, such as returned check, should be associated to a specific till not designated for daily transactions and include appropriate information in the comment field. • Rights allowing backdating of charges and payments should not be granted to users. • County Clerk Probate should request that IT remove the ability to backdate payments from users. • Policy and procedures manual should be developed for cash handling responsibilities and training of current cash handling procedures reinforced. • Management should periodically review system reports and daily work for accuracy and staff compliance to established policies and procedures.



	- The eFile Texas.gov inbox should be reviewed daily to accept or reject submitted filings. NSF recommendations include: - A non-docket event and NSF flag should be added to the case on Odyssey once the department is notified of NSF item by the County Treasurer. The flag should remain until funds are collected. \$30 NSF fee assessment should be added to the appropriate party's Odyssey financial tab. - Non-registry/non-restricted deposit funds returned as NSF, stop payment, or account closed should be reversed and applied to Fund 501 overpayment escrow within 30 days after notification if not paid in full. Subsequently, a Fund 501 check should be disbursed to Fund 170. - Payments returned as NSF, stop payment, or account closed for Registry/Trust funds (includes Restricted Deposits) should be remitted immediately to Fund 170 on notification from the County Treasurer. Registry/Trust funds (including Restricted Deposits) should not be invested or disbursed until "good" funds are available. - Departmental NSF tracking list should be maintained and include all relevant information including applicable case number. Department NSF list should be reconciled to the Treasurer's outstanding NSF outstanding list. All discrepancies should be resolved. - All financial adjustment transactions related to previously deposited payments, such as return checks, should be associated to a specific till not designated for routine daily transactions with appropriate information in the comment field. The adjustment till should be included with other tills as part of the daily deposit when the adjustments will not result in a negative fund balance. - Management should implement a formalized, coordinated process with the Treasurer's office for handling NSF items and chargebacks. Other control recommendations include: - All funds in the mail or drop box should be independently logged and compared to activity recorded to the Odyssey system by a supervisor. - A dual control process (more than one staff member to open) over opening the safe should be considered. - Written supervisory approval required prior to processing adjustments to Odyssey. The Transaction Listing Report should be generated and reviewed by management to ensure the accuracy, appropriateness, timeliness, and deposit of adjustments. Management should evidence their review or approval.				
Responsible Department or Organization:	County Clerk Probate				
Management's Response:	☒ Agree	☐ Disagree	Respondent:	Ashley Arnold, Assistant Manager	Date: 11/13/2014

County Auditor



Dallas County, Texas

Comments:	Some recommendations are already implemented. Other recommendations are being taken under advisement (e.g. working with Treasurer's Office.)		
Disposition:	☒ Audit Report	☐ Oral Comment	☐ Deleted From Consideration



Finding Number: 12.CC.02.04
Date: March 27, 2013
Audit: County Clerk Probate Review
Auditor(s) Assigned: NH

Finding:	Initial Filing Fees A sample review of manual overrides on standard fee schedule assessments, initial filing fees/other county charges, reversed charges and charge reductions, and credits during fiscal years 2010 thru 2012 revealed: <u>Manual Overrides</u> - No manual system overrides were performed during the review period. <u>Initial Filing Fees and Other Assessments</u> A sample review of 70 Probate cases revealed: - Two cases (2.9%) with service fees assessed as a Constable precinct when the service was performed by the Sheriff. - Three cases (4.3%) with the indigent fee assessed at the wrong amount. Indigent fee increased from \$5 to \$10 effective January 1, 2010, but was not updated timely to Odyssey. <u>Reversed Charges, Reversed Charge Reductions, and Charge Reductions</u> - Explanations for adjustments are not consistently entered into the Odyssey comment field for Probate (PR, SE, and PG) and Mental Illness (MED and MI) cases: 284 of 1548 (18.3%) FY2010 transactions without an explanation recorded to the Odyssey comment field. 37 of 589 (6.3%) FY2011 transactions without an explanation recorded to the Odyssey comment field. 20 of 196 (10.2%) FY2012 transactions without an explanation recorded to the Odyssey comment field. A sample review of 20 Probate and 15 Mental Illness (MI) "Charge Balance/Reductions" or "Reversed Charges" revealed: - One Probate case was not assessed the notice fee for posting by the Sheriff. - Eight MI case assessments were reversed by a clerk and not by management. <u>Credits – Credit (Waiver)</u> A sample review of twenty Probate cases with "Credit" transactions revealed: - Four (20%) Probate cases with a credit on the financial tab do not reflect the "affidavit for inability to pay" note on the event tab in Odyssey. <u>Departmental responses to the Internal Control Questionnaire (ICQ) and inquiry of County Clerk Probate staff revealed:</u> - Certified copy request forms are not submitted nor retained at the Probate office - All employees are assigned roles/rights to enter credits.
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Workpaper Reference: (or other method by which finding was identified)	Workpapers 1C, 5A, 5B, 5D, 5E, 9D, 12A-C Balance due report received from IT Services Query from Dallas County IT of manual overrides and manual distribution in Odyssey system (dated 4/18/2013) Odyssey Transaction Listing reports Discussions with County Clerk Probate staff Responses to Internal Control Questionnaire (Probate)
Condition: (Describe the current condition)	The Probate section accepts case filings which involve wills, guardianship, temporary guardianship, small estate, heirs, mental illness, etc. The attorney will approach the counter to file a case with the Probate office. The counter clerk will process all documents and scan into Odyssey. For new filings, the counter clerk will determine the type of case and index the case in Odyssey with the standard filing fees automatically assessed to the case. The counter clerk will inform the attorney/customer of the amount due. The customer will give the clerk cash, check, or money order. If cash, the counter clerk will count the money in front of the customer to verify the amount given. If check or money order, the case number is written on the check. The payment is taken to the cashier to be receipted. The cashier pulls up the case in Odyssey and verifies the amount due, then receipts the payment. One computer receipt is generated; the computer receipt and any change due are given to the customer. Receipt numbers are automatically generated in Odyssey. Voided computer receipts are not retained by the cashier. Case filings and credit card payments processed through the e-File Texas.gov portal are processed / receipted in a separate till. Electronic filings are processed as if pleadings were received over the counter, but with an added benefit not available at the counter. Once the electronic pleading has been officially accepted, an enveloped ID number (tracking #) is assigned to the submission and the file marked image is stored directly in Odyssey. To make a payment utilizing the online site, the customer must enter the applicable case number and their debit/credit card number. An account is set up along with a pre-authorized payment with their debit/credit card. The filing fee codes are already indicated on the site. An on-line confirmation is generated for the customer from e-FileTexas.gov. The Probate clerks are assigned multiple e-File Texas queues to review daily with designated staff assigned to process them. The e-file clerks sign into the site to accept or reject the e-file documents submitted by the filer. A filing can be rejected due to incorrect formatting, document restriction such as vacation letter, security level issue, or cannot be processed completely through the process. The accepted e-file debit/credit card payments are automatically transmitted to an Odyssey e-filing till by case number because they are preauthorized. Customers may file an affidavit of inability to pay if they are indigent and do not have the resources to afford costs. The defendant or the clerk may contest an affidavit of inability to pay. If contested, the judge will grant or deny the request. If granted or not contested, the clerks will credit the filing fees on the financial tab using designated credit for inability to pay and an affidavit of inability to pay comment is entered on the event tab. A credit is



	entered on a mental illness case if the case is transferred from one hospital to another, the case is a North Star case, or if cases is from a state hospital. If a citation, notice, or other process is issued on a case and is to be served by a Dallas County law enforcement agency, the counter clerk will enter an assessment on Odyssey. The payment will be posted by a cashier with financial credit given to the intended serving agency (constable precinct or sheriff). If papers are transferred to another agency, an adjustment is made in Odyssey to move the assessment and financial credit to the agency that ultimately serves the process. Adjustments (including charge reductions, reversed charges, and credits) are entered against existing assessments in Odyssey without formal approval or supervisory review required. Odyssey has a configuration fee table of court costs and fees. Systemic assessment of court costs are based on predefined tables within Odyssey established by file or service request date. Updates to the tables require a Change Management document to be signed by the County Clerk and provided to IT Services Odyssey support team. Changes are implemented in Production after testing in the Test environment by clerk staff. Customers will approach the counter and request plain or certified copies of case documentation. The clerk will pull the case jacket and pull the case up in Odyssey. The pages are flagged that need to be copied by the customer. The clerk will assess the charges in Odyssey for the number of copies or certified copies requested. The customer is informed of the balance due by the counter clerk. The payment is submitted and given to the cashier to receipt. Once receipted, the receipt, any change due and the copies are given to the customer. If the copies are requested via mail, a letter is sent to the Probate section requesting copies. The amount of copies needed and the documents to be copied are listed in the letter. The clerks will pull case jackets and make the requested copies. Once the mail-in check is received in the office for the copies, the cashier will receipt the payment. The receipt and the copies are mailed to the requestor.
Criteria: (Describe the optimal condition)	Management judgment in designing, implementing and conducting internal control, and in assessing its effectiveness is emphasized in the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. Internal control requires that five core components be present: Control Environment; Risk Assessment; Control Activities, Information and Communication; and Monitoring Activities. Specific cash controls related to internal control, segregation of duties, technical security and other require that: • Court costs and fees should be assessed in compliance with statute and Commissioners Court orders. • Fee and fee schedule tables should be updated each time a legislative change or a Commissioners Court change is made affecting fees • A credit titled "inability to pay" should be used in Odyssey to record the waived assessments for valid uncontested affidavits of inability to pay. The inability to pay credit should automatically post to the Events tab. • The fee assessment process should be automated as much as possible with manual



overrides restricted in use.

- Formal approval should be required before adjustments are processed to Odyssey.
- Supervisory personnel should periodically review exception reports and transaction logs (especially with respect to adjustments, credits, and manual overrides) to ensure that explanation for the change is documented and reasonable.
- Assigned duties for payment processing and assessment reductions are adequately separated.

Written procedures should be established for all the responsibilities of Probate's personnel 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.

According to Rules of Probate Procedure, Rule 145. Affidavit of Indigency

(a) *Affidavit*. In lieu of paying or giving security for costs of an original action, a party who is unable to afford costs must file an affidavit as herein described. A "party who is unable to afford costs" is defined as a person who is presently receiving a governmental entitlement based on Indigency or any other person who has no ability to pay costs. Upon the filing of the affidavit, the clerk must docket the action, issue citation and provide such other customary services as are provided any party.

(b) *Contents of the Affidavit*. The affidavit must contain complete information as to the party's identity, nature and amount of governmental entitlement income, nature and amount of employment income, other income, (interest, dividends, et.), spouse's income if available to the party, property owned (other than homestead), cash or checking account, dependents, debts, and monthly expenses. The affidavit shall contain the following statements: "I am unable to pay court costs. I verify that the statements made in this affidavit are true and correct." The affidavit shall be sworn before a notary public or other officer authorized to administer oaths. If the party is represented by an attorney on a contingent fee basis, due to the party's indigency, the attorney may file a statement to that effect to assist the court in understanding the financial condition of the party.

(c) *IOLTA Certificate*. If the party is represented by an attorney who is providing free legal services, without contingency, because of the party's indigency and the attorney is providing services either directly or by referral from a program funded by the Interest on Lawyers Trust Accounts (IOLTA) program, the attorney may file an IOLTA certificate confirming that the IOLTA funded program screened the party for income eligibility under the IOLTA income guidelines. A party's affidavit of inability accompanied by an attorney's IOLTA certificate may not be contested.

(d) *Contest*. The defendant or the clerk may contest an affidavit that is not accompanied by an IOLTA certificate by filing a written contest giving notice to all parties and, in an appeal under Texas Government Code, Section 28.052, notice to both the small claims court and the county clerk. A party's affidavit of inability that attests to receipt of government entitlement based on indigency may be contested only with respect to the veracity of the attestation. Temporary hearings will not be continued pending the filing of the contest. If



	the court finds at the first regular hearing in the course of the action that the party (other than a party receiving a governmental entitlement based on indigency) is able to afford costs, the party must pay the costs of the action. Reasons for such a finding must be contained in an order. Except with leave of court, no further steps in the action will be taken by a party who is found able to afford costs until payment is made. If the party's action results in monetary award, and the court finds sufficient evidence monetary award to reimburse costs, the party must pay the costs of the action. If the court finds that another party to the suit can pay the costs of the action, the other party must pay the costs of the action. (e) <i>Attorney's Fees and Costs.</i> Nothing herein will prejudice any existing right to recover attorney's fees, expenses or costs from any other party.
Cause: (Describe the cause of the condition if possible)	Lack of management oversight and/or training Incomplete controls over the assessment process Inadequate segregation of duties Method of using charge reductions and reversals
Effect: (Describe or quantify any adverse effects)	Misapplication of funds Potential revenue loss for Dallas County and the State of Texas Assessments and non-monetary credits understated inhibiting accurate receivable analysis.
Recommendation: (Describe corrective action)	• Court costs and fees should be properly assessed, collected, and timely deposited on all cases based on state laws and Commissioners Court orders. • Adjustments to assessments should be made reflecting internal control and audit trails including compensating controls such as dual sign-off on adjustments, supervisory review and pre-approval, testing, and validation. • Credit for inability to pay should be used to reduce the case balance when there is a valid affidavit of inability to pay filed in accordance with Rule 145. Credit should automatically post to the Event tab. • Processing of financial transactions should reflect proper segregation of duties (e.g. users with roles/rights to receipt or void payments should be able to add additional charges, but not modify, reduce, or delete assessments). • User roles granting rights to process manual overrides, charge reductions, credits, and charge reversals should be limited. User access requirements should correspond to least rights necessary to perform core job functions. • All financial adjustments/corrections should include a complete and valid explanation in the comment field. • Policy and procedures manual should be developed for assessment responsibilities and training reinforced. • 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. Management should evidence their review or approval. Fee schedule tables • Fee schedule tables should be updated each time a legislative change or a Commissioners Court order affects court costs and/or fees.



	• Probate staff should continue to document and communicate to the IT Services Odyssey support team updates and corrections needed to the configuration tables in accordance with Change Management procedures.				
Responsible Department or Organization:	County Clerk Probate				
Management's Response:	☒ Agree	☐ Disagree	Respondent:	Ashley Arnold, Assistant Manager	Date: 11/13/2014
Comments:	Recommendations are already in place.				
Disposition:	☒ Audit Report	☐ Oral Comment	☐ Deleted From Consideration		



Finding Number: 12.CC.02.05
Date: March , 2013
Audit: County Clerk Probate Review
Auditor(s) Assigned: NH

Finding:	Electronic Transactions A review of e-filing and Legal Ease transactions during fiscal years 2010 thru 2012 revealed: E-Filing - E-filings transactions are not consistently receipted or deposited within three business days. - A review of 16 (100%) failed e-filing credit card transactions revealed: - One (6.3%) failed transaction for \$2 is not receipted to a case nor deposited. 14 (87.5%) failed transactions receipted 13 or more business days later with eight receipted over 60 business days later. 10 (62.5%) failed transactions deposited five or more business days after receipted. - A review of 20 sampled successful e-filing credit card transactions revealed: 13 successful transactions (65%) receipted five or more business days later with nine receipted over 10 business days later. - A review of 13 e-filing credit card deposits revealed: 13 (100%) e-filing deposits were processed more than five business days after the initial request was submitted with five deposited over 60 business days later. - Form 98 comment field is not being used to record additional e-filing information, such as break down of vendor totals. - Seven e-filing transactions in fiscal year 2011 totaling \$16 were not receipted to a case. Legal Ease - A review of 15 Legal Ease transactions (only Probate cases) revealed: - Nine (60%) Legal Ease transactions deposited five or more business days after receipted.
Workpaper Reference: (or other method by which finding was identified)	Workpapers 6C, 6D, 6F, 8B E-filing transactions Legal Ease transactions Walkthrough on 12/19/12 with County Clerk Probate Assistant
Condition: (Describe the current condition)	The Probate office file cases involving wills, guardianship, temporary guardianship, small estate, heirs, mental illness, and etc. Documents related to new and existing cases can be filed by a customer registered with an authorized Electronic Filing Service Provider (EFSP) using a State supported system. To make a payment utilizing the online site, the customer must identify the case number and enter a valid credit card number. The customer is provided with an on-line receipt. The filer's credit card is typically pre-authorized for the total amount due (filing fees, convenience fee). The State's contract vendor manages the portal, authorization and card collections/settlement activity. The e-filing clerk will review the e-File Texas inbox to accept or reject submitted filings. A filing can be rejected due to incorrect formatting, document restriction such as vacation letter, security level issue, or cannot be processed completely though the process. The accepted e-file debit/credit card



	payments are automatically transmitted to an Odyssey e-filing till by case number because they are preauthorized. Computer receipts are generated within Odyssey but they are not mailed to the customer. Daily, financial records are emailed by eFile Texas.gov to designated staff. Each record within the daily Excel file references: an EnvelopeID; Location, Case Number, Order Number, Payment Authorization Number, Court Fee, Submitted Date, Accepted Date, Capture Date, and Card Type. Case filings and credit card payments processed through the e-File Texas.gov portal are processed / receipted in a separate till. Electronic filings are processed as if pleadings were received over the counter. The eFile Texas.gov report is reconciled to ePay account #630 deposits. A separate Form 98 deposit for the e-filing transactions is created. Receipts and deposits for e-filing transaction are not consistently processed or closed out daily. The customer establishes a Legal Ease account with Frost bank and maintains adequate funds. Frost Bank provides an access number to their customers. When services is requested, the customer will fill out a Legal Ease form and provide the access number to the clerks in County Clerk Probate. Staff verifies the account and availability of funds through the Frost bank system online. The supervisor will run the report for the day (if any); the cashier will receipt all transactions.
Criteria: (Describe the optimal condition)	Management judgment in designing, implementing and conducting internal control, and in assessing its effectiveness is emphasized in the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. Internal control requires that five core components be present: Control Environment; Risk Assessment; Control Activities, Information and Communication; and Monitoring Activities. Specific cash controls related to internal controls, system security, and statutes regarding e-file control procedures require that: • All monies received should be promptly receipted and deposited properly, and timely in accordance with V.T.C.A., L.G.C. § 113.022. • Accounting and system control procedures require daily reconciliation and balancing of collected funds, including supervisory review. • Separate e-filing tills are maintained by the cashiers receipting e-filing payments. Tills are closed, daily. • Failed e-filing transactions should be receipted within three business days after 'good' funds are deposited at the depository bank. • E-Commerce requires information processing controls to test that transactions completed through computerized applications are valid and properly authorized, completely, accurately, and timely processed, and reported. • Fees or other money belonging to a County shall be deposited with the Treasurer by the office who collects the money (V.T.C.A., L.G.C., § 113.021).
Cause: (Describe the cause of the condition if possible)	Inconsistent management oversight and/or training. Non-integrated financial systems for e-commerce requiring manual processing.
Effect:	Delays in posting settled credit card amounts misstate case balances and may result in



(Describe or quantify any adverse effects)	duplicate payments. Delays in depositing e-file credit card and Legal Ease funds negatively impact fund reconciliation and revenue recognition.				
Recommendation: (Describe corrective action)	• The 3rd party official inbox designated for electronic filings should be reviewed daily to accept or reject submitted filings. E-filing and Legal Ease tills should be reconciled against 3rd party official jurisdiction reports, closed, and added to the appropriate deposit daily with a separate Form 98 deposit submitted to the County Treasurer. Management should periodically review 3rd party official jurisdiction reports, postings of Odyssey e-filing activity, e-filing tills, Legal Ease, Frost bank account, and the County Clerk Probate's e-Pay bank account for accuracy, timeliness of processing, and staff compliance to established policies and procedures. • All e-filing and Legal Ease submissions should be receipted and deposited timely in accordance with V.T.C.A., L.G.C., § 113.022 and 113.021. • Policy and procedures manual should be developed for e-filing and Legal Ease handling responsibilities and training of current procedures reinforced. • Vendor totals should be included on the DMS Form 98 deposits.				
Responsible Department or Organization:	County Clerk				
Management's Response:	☒ Agree	☐ Disagree	Respondent:	Ashley Arnold, Assistant Manager	Date: 11/13/2014
Comments:	Implementation of eFile Mandate and EFile Texas.gov system have corrected the issues listed. In addition, LegalEase processes have been revisited with staff.				
Disposition:	☒ Audit Report ☐ Oral Comment ☐ Deleted From Consideration				



Finding Number: 12.CC.02.06
Date: March 28, 2013
Audit: County Clerk Probate Review
Auditor(s) Assigned: NH

Finding:	Disbursements A review of special fund 501 and trust fund 506 disbursements (including all wire transfers) during fiscal years 2010 thru 2012 revealed: <u>Special Fund</u> A review of 336 Special Fund 501 disbursement lines and cancellations for Refund and Restricted Deposit activity revealed: • 24 (7.1%) disbursements totaling \$69,512.55 not posted to Odyssey ○ Three of the 24 unposted disbursements totaling \$143 without funds available on the cases. • Two (0.6%) disbursements with postings to Odyssey exceeding check amounts by \$15 • Four (1.2%) disbursement entries with an incorrect check number posted to Odyssey • Four (1.2%) disbursement entries totaling \$83,108.27 not timely posted to Odyssey <u>Trust Fund</u> A review of 495 Trust/Registry Fund 506 disbursement lines and one wire transfer revealed: • 13 (2.6%) disbursement entries totaling \$95,943.59 not posted to Odyssey ○ Two Invested tab entries totaling \$50,772.20 are also missing ○ Two of the 13 unposted disbursements totaling \$213.32 without funds available on the cases. • One (0.2%) duplicate disbursement totaling \$207 not posted • Four (0.8%) disbursements exceeding available funds by \$2.14 with excess disbursement not posted • Two (0.4%) disbursement amount posting errors totaling \$1.36 net • 19 (3.8%) disbursement entries with an incorrect check number or no check number posted to Odyssey • 22 (4.4%) cases with Fund 506 disbursements totaling \$1,126,078.07 not timely posted to Odyssey including instances of postings delayed for over 148 business days after check issuance • Six (1.2%) disbursement entries voided in error and re-entered without a check number • One (0.2%) disbursement totaling \$38,875.47 issued from Fund 506; however, should be disbursed from Fund 501 A sample review of twenty cases with Registry or Restricted Deposits to confirm order of court to deposit funds revealed one order could not be verified due to a missing case jacket. A complete review of all nine voided/cancelled/stale dated Trust/Registry Fund 506 disbursements revealed: • One (11.1%) cancellation totaling \$15,000 with delayed (over five months) posting to
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	Odyssey • Five (55.6%) cancellations and corresponding replacement checks totaling \$12,376.18 were not posted to Odyssey • Three (33.3%) out of nine disbursements and corresponding cancellations/voids totaling \$57,000.46 were not entered to Odyssey
Workpaper Reference: (or other method by which finding was identified)	Workpapers 10, 11, 11ab, 11C, 13.6-7 Discoverer reports Odyssey Case Management System
Condition: (Describe the current condition)	Fund 501 (Special Fund) Disbursements: When a court related overpayment is receipted, cashiers create an assessment for an overpayment fee code in Odyssey (assessment required so that payment can be receipted to the appropriate fee codes - includes the overpayment fee code). If the payment is receipted by the Probate cashiers, a refund request will be complete and reviewed by the Process Support supervisor. If valid, the supervisor includes refund information in an email to Trust & Accounting to process the refund. The Trust & Accounting section includes the required refund information on the Fund 501 pre-disbursement file. Once the file is approved, a check is generated through Oracle to the approved payee. Trust & Accounting will receive (and provide to the Probate section) a final disbursement file from the County Treasurer. Designated staff within the Probate section will post the disbursed checks to the appropriate cases in Odyssey. Other Special Fund checks issued on Probate cases include credit card chargebacks or refunds of previously receipted payments. The payment in Odyssey requires reversal by the Probate section and the payment reapplied to a refund fee code in Odyssey. The adjusting transactions will be processed in a designated adjustment till which is not consistently closed or included in a deposit. Trust & Accounting Department includes the required refund information on the Fund 501 pre-disbursement file. Once the file is approved, a check is generated through Oracle to the approved payee. Trust & Accounting will receive (and provide to the Probate section) a final disbursement file from the County Treasurer. Designated staff within the Probate section post albeit inconsistently the disbursed checks to the appropriate cases in Odyssey. County Clerk's office does not reconcile Odyssey Special Fund activity to the general ledger nor to the bank. However, reconciliations are prepared by the Trust and Accounting section between the GL and bank. The County Clerk's office relies on the County Treasurer for bank reconciliations. No standard procedures are established to conduct annual review of case balances and resolve as appropriate. Unrestricted deposits including cash bonds are also deposited into Fund 501. A court order is required to disburse these funds. In addition, Fund 501 is used as a pass-through account for Registry funds on certain large estates for investment and return of investment by the County Treasurer. Fund 506 (Trust Fund) Disbursement: Payments made into the registry of the court



	consist of: funds of minors or incapacitated persons, funds tendered in an interpleader action, funds paid in satisfaction of a judgment, cash bonds, and any other funds tendered to the clerk for deposit into the registry of the court. Registry activity is recorded to a separate financial grouping on Odyssey. Disbursements from the registry can only be processed under an order of the court of proper jurisdiction. The court clerk will send the case jacket and order of the court to the Trust & Accounting section for processing a disbursement. Trust & Accounting section includes the required disbursement information on the Fund 506 pre-disbursement file. Trust & Accounting will forward the orders and other supporting documentation to the Internal Audit section for approval. After Internal Audit approval, Accounts Payable will forward the electronic file to the County Treasurer for processing. The County Treasurer's office sends a confirmation file to the department for final approval prior to printing the checks. Once the file is approved, checks are generated through Oracle to the approved payee. Trust & Accounting will receive a final disbursement file from the County Treasurer. Designated staff within Trust & Accounting will post the disbursed checks to the appropriate cases in Odyssey. If disbursement is for investment, additional information will be recorded to the case's registry investment tab.
Criteria: (Describe the optimal condition)	Management judgment in designing, implementing and conducting internal control, and in assessing its effectiveness is emphasized in the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. Internal control requires that five core components be present: Control Environment; Risk Assessment; Control Activities, Information and Communication; and Monitoring Activities. Specific cash controls related to special/trust fund control procedures, banking safeguards and accounting recognition require that: • All special/trust fund checks should be accounted for, issued to the proper payee for the correct amount in a timely manner, and reference the relevant case information. • All special/trust fund disbursements and cancellations should be timely and accurately posted to the Odyssey courts system. • Automated process should be developed where possible to limit manual/duplicate data entry. • Case balances should be reviewed on a periodic basis and disbursements made to the appropriate parties in a timely manner. • Assigned cash handling duties are separated. • Fund balances and subsidiary ledgers must be reconciled against control records (GL and bank statements) to safeguard funds and improve reporting accuracy. • Supervisory verification of all cash transactions (receipts or disbursements) evidenced on subsidiary reconciliations. In accordance with V.T.C.A., L.G.C., Sec. 117.121. DISBURSEMENT OF FUNDS. (a) Money may be paid from the registry fund only on checks or drafts signed by a clerk on the written order of the court with proper jurisdiction, except that the clerk may make a payment without court order for unpaid court costs from a cash bond deposited in connection with an appeal after the appellate court issues its mandate in the appeal if the costs remain unpaid for 45 days after the mandate is issued. (b) All checks or drafts issued for the disbursement of the registry fund must be submitted



	to the county auditor for the auditor's countersignature before delivery or payment. The county auditor may countersign the checks only on written evidence of the order of the judge of the court in which the funds have been deposited, authorizing the disbursement of the funds. (c) Notwithstanding Subsections (a) and (b), a disbursement under an order of a court in which registry funds have been deposited may be made by electronic transfer if: (1) the designated recipient of the money submits to a clerk a written request for the transfer; (2) the clerk gives written approval for the transfer; and (3) a county auditor countersigns the approval. (d) A clerk may charge a reasonable fee, subject to the approval of the recipient of the money, for an electronic transfer of a disbursement from a registry fund. In accordance with V.T.C.A., L.G.C., Sec. 117.122. INTEREST. (a) The interest derived from money on deposit in the registry fund shall be paid as earned as follows: (1) a sum equal to 10 percent of the interest shall be paid into the general fund of the county to reimburse the county for the expenses of maintaining the registry fund; and (2) the remaining 90 percent of the interest shall be credited to the registry fund. (b) For each withdrawal, a clerk shall pay out the original amount deposited in the registry of the court and 90 percent of the interest earned on that amount at the time and in the manner directed by the court with proper jurisdiction. In accordance with V.T.C.A., L.G.C., Sec. 117.125. TRANSFER OF MONEY. (a) In the absence of a contrary order from a court having jurisdiction over the registry fund, a clerk may transfer money deposited in the fund into a separate account. (b) A clerk shall transfer all money deposited in a registry fund under Section 887, Texas Probate Code, into a separate account. (c) Money transferred into a separate account under this section must be: (1) transferred into an account authorized for investment under Chapter 2256, Government Code, by a local government or investment pool; and (2) invested according to the investment officer designated under Section 2256.005, Government Code, by the investing entity of which the county is a member. (d) A transfer of money into a separate account under this section is exempt from the requirements prescribed by Section 117.121 for disbursements from registry funds. (e) An investment of money transferred from a registry fund under this section is subject to the limitations, policies, and standards of care provided by Chapter 2256, Government Code.
Cause: (Describe the cause of the condition if possible)	Clerical error and nonconformance with a reconciliation schedule Non-integrated financial systems.
Effect: (Describe or quantify any adverse effects)	Incorrect disbursement information reflected on cases Financial records are not accurately stated Potential for duplicate payments and/or lost monies Limited reconciliation: Undetected posting errors resulting in potential for overpayment or duplicate payment



	and unrecoverable losses.			
	• Additional staff time to research and correct posting errors.			
Recommendation: (Describe corrective action)	• Segregation of responsibilities should be established as relates to receipting, depositing, and disbursing and control procedures should include: ◦ All checks issued, canceled, or stale dated posted accurately and timely to the Odyssey case management system to maintain accurate financial balances. ◦ Disbursements issued in accordance with V.T.C.A., L.G.C., § 117. ◦ Verification of available funds prior to processing disbursement requests. ◦ Supervisor review of disbursement postings and other disbursement activity. • All posting errors should be corrected. • Return checks with incorrect information, stop payment checks, and stale dated checks should be voided in the Odyssey system and the General ledger before issuing a new check. A management plan including reconciling GL and bank account should be developed and implemented.			
Responsible Department or Organization:	County Clerk			
Management's Response:	☒ Agree	☐ Disagree	Respondent:	Ashley Arnold, Assistant Manager
Comments:	Date: 11/13/2014 Collaborative effort between Audit and Probate completed to correct disbursements. Future responsibility has been combined with Trust to eliminate errors.			
Disposition:	☒ Audit Report ☐ Oral Comment ☐ Deleted From Consideration			



Finding Number: 12.CC.02.07
Date: March 28, 2013
Audit: County Clerk Probate Review
Auditor(s) Assigned: NH

Finding:	Collection/Billing A sample review of 20 cases with balances due and 20 cases from the Dallas County Information Technology (IT) department queries, and procedures for collection/billing in place during fiscal years 2010 thru 2012 revealed: <u>Probate</u> • One (2.5%) case with a duplicate \$27 inventory fee assessment • Three (7.5%) cases reflect charges that should have been reversed after the payment was voided • Six (15%) cases with filed affidavits of inability to pay without credits recorded against filing fee assessments • Eleven (27.5%) cases with balances do not reflect "show cause" in the event tab. <u>Mental Health (MI)</u> • Numerous MI case balances remain outstanding in Odyssey. (5th Court of Appeals order cited as the reason for non-payment by private hospitals). Departmental responses to the Internal Control Questionnaire (ICQ) and inquiry of County Clerk Probate and Trust staff revealed: • No written procedures for the Probate collection/billing functions (except for MI cases). • No customer billing generated for Probate cases with balance due amounts; no collection efforts performed by County Clerk Probate or County Clerk Trust (except where a show cause event exists). Billing/collection functionality in Odyssey or Excel is not currently used by County Clerk Trust.
Workpaper Reference: (or other method by which finding was identified)	Workpapers: 9B, 14B, 14C Odyssey ECR Collections Outstanding Balance Due report Dallas County IT query of cases with balances and no due date Dallas County IT query of cases with balances and case event for affidavit of inability to pay Responses to Internal Control Questionnaire (Probate)
Condition: (Describe the current condition)	<u>Mental Health cases</u> For cases filed by private, public or state hospitals for mental health evaluations, chemical dependency hearings, or commitments, service is provided in advance. Statutory fees are assessed in accordance with Health and Safety Code including Chapters 462 and 574. Monthly Probate office bills private hospitals (currently Texas Health Presbyterian and Methodists of Richardson Hospitals) but not Public and state hospitals according to Probate staff. No follow-up on billings is performed. On the 1st of every month, IT Services generates a Balance Due report from Odyssey and forwards to Probate supervisor or assistant manager. Probate creates spreadsheet to identify



	cases with a balance due and requires a letter. Once identified, a standard balance due letter is sent to private hospitals by Probate. The hospital payments are mailed to the Probate section; cashier receipts the payments in Odyssey. <u>Probate cases</u> Probate collects filing fees submitted at initial case filing with County Clerk Trust responsible for any Probate billing. The only time a balance due amount should exist is when the judge enters a show cause ruling. The clerk sends a show cause order to the customer with the amount due and gives the customer twenty days to pay the fees. A show cause flag is entered on the case in Odyssey to indicate no action can be taken on the case, or new filing cannot be submitted until the show cause is paid in full. Customers may file an affidavit of inability to pay if they are indigent and do not have the resources to afford costs. The defendant or the clerk may contest an affidavit of inability to pay. If contested, the judge will grant or deny the request. If granted or not contested, a credit waiver for the inability to pay is posted to the financial tab albeit inconsistently. In-house developed billing functionality in Odyssey (since 2012) is not available to the County Clerk. IT Services has not scheduled testing with the County Clerk after Odyssey upgrades. The functionality has not worked at an acceptable level for user sign-off to occur.
Criteria: (Describe the optimal condition)	Management judgment in designing, implementing and conducting internal control, and in assessing its effectiveness is emphasized in the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. Internal control requires that five core components be present: Control Environment; Risk Assessment; Control Activities, Information and Communication; and Monitoring Activities. Specific controls related to billing procedures, collection efforts, and accounting controls include: • Monitoring the age of receivables (run an aged receivable report on a weekly or monthly basis), and systemically follow-up on any accounts that are past due more than a predetermined number of days ○ Accounts receivable sub-ledger is reconciled monthly. Reconciliation is reviewed by management and evidence of review is maintained. ○ Referral of uncollected receivables for delinquent collection assistance in a timely manner • Invoices include an accurate breakdown of fees assessed (e.g. filing fees and/or services fees) ○ Invoices are mailed timely (emailed if email address is available) • Collection efforts initiated on all closed cases with balances pending ○ Automated phone calls (or live call scripts) and delinquent notice mailings (standard collection letters) ○ Use skip tracing or available address search engines A credit titled "inability to pay" should be used in Odyssey to record the waived assessments for valid uncontested affidavits of inability to pay at the time of filing in accordance with Rules of Civil Procedure, Rule 145. The inability to pay credit should automatically post to the Events tab.



General accounting standards require that information processing controls must be continually updated and monitored to help ensure that transactions completed through computerized applications are valid, authorized, complete, and accurate. Staff training should be periodically renewed.

Specific controls related to internal control include adequate segregation of duties so no one user has two or more business processes that could result in compromise of the integrity of the process or allow that person to commit fraud.

According to Rules of Probate Procedure, Rule 145. Affidavit of Indigency

(a) *Affidavit*. In lieu of paying or giving security for costs of an original action, a party who is unable to afford costs must file an affidavit as herein described. A "party who is unable to afford costs" is defined as a person who is presently receiving a governmental entitlement based on indigency or any other person who has no ability to pay costs. Upon the filing of the affidavit, the clerk must docket the action, issue citation and provide such other customary services as are provided any party.

(b) *Contents of the Affidavit*. The affidavit must contain complete information as to the party's identity, nature and amount of governmental entitlement income, nature and amount of employment income, other income, (interest, dividends, et.), spouse's income if available to the party, property owned (other than homestead), cash or checking account, dependents, debts, and monthly expenses. The affidavit shall contain the following statements: "I am unable to pay court costs. I verify that the statements made in this affidavit are true and correct." The affidavit shall be sworn before a notary public or other officer authorized to administer oaths. If the party is represented by an attorney on a contingent fee basis, due to the party's indigency, the attorney may file a statement to that effect to assist the court in understanding the financial condition of the party.

(c) *IOLTA Certificate*. If the party is represented by an attorney who is providing free legal services, without contingency, because of the party's indigency and the attorney is providing services either directly or by referral from a program funded by the Interest on Lawyers Trust Accounts (IOLTA) program, the attorney may file an IOLTA certificate confirming that the IOLTA funded program screened the party for income eligibility under the IOLTA income guidelines. A party's affidavit of inability accompanied by an attorney's IOLTA certificate may not be contested.

(d) *Contest*. The defendant or the clerk may contest an affidavit that is not accompanied by an IOLTA certificate by filing a written contest giving notice to all parties and, in an appeal under Texas Government Code, Section 28.052, notice to both the small claims court and the county clerk. A party's affidavit of inability that attests to receipt of government entitlement based on indigency may be contested only with respect to the veracity of the attestation. Temporary hearings will not be continued pending the filing of the contest. If the court finds at the first regular hearing in the course of the action that the party (other than a party receiving a governmental entitlement based on indigency) is able to afford costs, the party must pay the costs of the action. Reasons for such a finding must be contained in an order. Except with leave of court, no further steps in the action will be taken by a party who is found able to afford costs until payment is made. If the party's



	action results in monetary award, and the court finds sufficient evidence monetary award to reimburse costs, the party must pay the costs of the action. If the court finds that another party to the suit can pay the costs of the action, the other party must pay the costs of the action. (e) <i>Attorney's Fees and Costs</i>. Nothing herein will prejudice any existing right to recover attorney's fees, expenses or costs from any other party.				
Cause: (Describe the cause of the condition if possible)	Inconsistent controls over the billing and assessment process 5 th Court of Appeals order				
Effect: (Describe or quantify any adverse effects)	Potential revenue loss for the State of Texas and Dallas County Individuals not billed Overstated receivables Non-monetary credits understated inhibiting accurate receivable analysis				
Recommendation: (Describe corrective action)	Policy and procedures manual should be developed for billing responsibilities with training reinforced. - Processing of financial transactions should reflect strong segregation of duties (e.g. users with roles/rights to receipt or void payments should be able to add additional charges, but not modify, reduce, or delete assessments). - User roles granting rights to process manual overrides, charge reductions, credits, and charge reversals should be limited. User access requirements should correspond to least rights necessary to perform core job functions. Verify accuracy/timeliness of Odyssey entries. - Courts should verify the event "collection-financial" is added to all cases with balances due. A secondary verification of all closed cases should occur. - Adjustments to assessments should be made reflecting both good internal control and audit trails maintained including compensating controls such as dual sign-off on adjustments, supervisory review and pre-approval, testing, and validation. Collection efforts should be initiated on all cases with a balance due or balance reconciled and cleared. - Flag cases (including adding due dates) in Odyssey with unpaid balances and generate bills on a predetermined basis taking into consideration credits and court orders. Pursue technology changes within Odyssey. - Expand functionality for in-house tracking. - Expand payment type set-up to include a credit for inability to pay. The designated credit should be used to reduce the case balance when there is a valid affidavit of inability to pay filed in accordance with Rule 145.				
Responsible Department or Organization:	County Clerk Probate				
Management's Response:	☒ Agree	☐ Disagree	Respondent:	Ashley Arnold, Assistant Manager	Date: 11/13/2014



Comments:	Rights and roles are approved by department head with IT making modifications. Supervisors/Managers are given rights to modify, reduce, reverse; however, clerk role is not given those rights.		
Disposition:	☒ Audit Report	☐ Oral Comment	☐ Deleted From Consideration



Finding Number: 12.CC.02.08
Date: March 28, 2013
Audit: County Clerk Probate Review
Auditor(s) Assigned: NH

Finding:	Case Index Reports A review of the systemic sequential assignment of cases and case file dates within the Odyssey case management system and Odyssey Case Index reports for FY2010 through FY2012 revealed: <u>User Roles</u> Multiple Odyssey user roles (clerks and supervisor positions) with rights to modify case file dates (includes Prob2 – Probate Cashier and IT Services roles) <u>Case Filing Index</u> • 12 case numbers are skipped in sequence in Odyssey. ○ Nine case numbers are related to “PR” Probate cases ○ Three case numbers are related to “SE” Small Estate cases • Clerks manually assign case numbers and the court for Small Estate cases when a case is being transferred ○ Eight Small Estate case numbers were manually entered without use of Small Estate case number convention. • Nine Probate case numbers and four Small Estate case numbers were deleted and redirect to a new case number when entering a case number under the ‘Find A Case’ search function • Three Probate cases were entered in Odyssey without the standardized format of a separating dash (-) between PR and the year • Twenty-eight Probate cases, seven Small Estate cases, and eight Will Surrendered cases were not sequentially assigned based on the Odyssey file date • Three older Probate cases were assigned with a 2010 file date • Four Probate case numbers are entered in Odyssey twice
Workpaper Reference: (or other method by which finding was identified)	Workpapers: 15A.1, 15A.3, 1D4 Case Index Report Odyssey case management system Production Query of roles/right dated January 23, 2013 Responses to Internal Control Questionnaire
Condition: (Describe the current condition)	<u>Probate Cases (PR)</u> System parameters and processing controls include algorithms for random court assignment. Exceptions/manual overrides to court assignment and file date are allowed for downtime or end of the month/year processing (e.g. file stamped on September 30th but not entered to Odyssey until October). Probate section will maintain a manual log to issue case numbers. Once Odyssey is operational, the clerks manually enter the case numbers and information into Odyssey. Odyssey will automatically issue the next available case number. Cases can be locked on Odyssey only permitting authorized personnel to view case, as a result the



	case number will not show up on the case index report and a “no match found” comment will appear when the case number is entered in Odyssey. <u>Small Estate (SE)</u> Small estate cases are defined as when a person dies without a will and the value of the decedent’s estate is less than \$50,000. Small estate cases are entered into Odyssey and systemically assigned the next number from the sequence of numbers set aside for Small Estates (Odyssey prefix SE). <u>Will Deposits (WD/WS)</u> Wills deposited with the Probate office for safekeeping are inventoried in Odyssey and systemically assigned the next number from the sequence of numbers set aside for Indexing Wills (Odyssey prefix “WD”). When the will is probated, the will is recorded into the system and systemically assigned the next number from the sequence of numbers set aside for Will Surrender (Odyssey prefix “WS”). Odyssey processing includes random court assignment to the three courts. <u>Delayed Birth/Delayed Death (DB/DD)</u> Delayed Birth certificate filings are entered into Odyssey and assigned the next number from the sequence of numbers set aside for Delayed Birth (Odyssey prefix “DB”). Delayed Death certificate filings are entered into Odyssey and assigned the next number from the sequence of numbers set aside for Delayed Death (Odyssey prefix “DD”).
Criteria: (Describe the optimal condition)	<u>Probate Cases</u> Local Rules of the Probate courts of Dallas County require: • All Probate cases are filed in random order (Rule 1.01) Management judgment in designing, implementing and conducting internal control, and in assessing its effectiveness is emphasized in the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. Internal control requires that five core components be present: Control Environment; Risk Assessment; Control Activities, Information and Communication; and Monitoring Activities. Specific controls related to judicial case assignments include: • Design of system processing controls established with algorithms for random court assignment and proper system configuration to assign case numbers sequentially; security restrictions to prevent unauthorized skips in sequence and case deletions; and complete audit trails of all changes and manual case assignments. • Adequate segregation of duties for override of system judicial assignments so no one user has two or more business processes that could result in compromise of the integrity of the process. • Automated systems include a review of access controls against an authorization matrix that defines “least privilege” access levels and authority for an individual’s role to their job function / responsibilities
Cause: (Describe the cause of the)	Open system security access matrix Processing differences for document / verify case deletions



condition if possible)	Missing dashes/duplicate case numbers – data entry error				
Effect: (Describe or quantify any adverse effects)	Research issues for deletions and duplicates Potential errors in court assignment				
Recommendation: (Describe corrective action)	• All case numbers should be timely, accurately, and sequentially assigned based on random court assignment. • Supervisory personnel should test for accurate, proper, and complete assignment of case numbers based on Local Rules and established departmental procedures. • All case numbers should be accounted for, with reason codes for missing numbers, deleted numbers, or numbers issued out of sequence, and timely documented. • Management should submit written authorization to IT Services to correct improperly configured case numbers. • All rights and roles should be periodically reviewed to ensure users have only the rights necessary to perform their core job functions.				
Responsible Department or Organization:	County Clerk Probate				
Management's Response:	☒ Agree	☐ Disagree	Respondent:	Ashley Arnold	Date: 11/13/2014
Comments:	All recommendations are currently in place.				
Disposition:	☒ Audit Report	☐ Oral Comment	☐ Deleted From Consideration		



Finding Number: 12.CC.02.10
Date: November 21, 2013
Audit: County Clerk Probate Review
Auditor(s) Assigned: NH

Finding:	Trust Investments An annual fiscal year reconciliation of the investment listing provided by the County Clerk Trust section to the Odyssey Investment Summary report and bank confirmations for a sample selection during fiscal years 2011-2012 revealed: <u>FY2010</u> • 13 out of 13 investments per bank confirmations not updated with interest earned on the corresponding Odyssey Invested tab during the year. • Six investment accounts totaling \$15,695.05 on the Access investment listing report provided by the Trust section were closed • Seven investment accounts totaling \$4,721,598.18 missing from the Access investment listing report provided by the Trust section • Three investment accounts totaling \$76,038.91 missing from the Odyssey investment report <u>FY2011</u> • One investment balance totaling \$2,231.39 escheated to the State Comptroller by the bank without County Clerk approval or court order Refer to Civil template 12.CC.01.11 for additional consolidated Civil and Probate findings related to Registry/Trust activity. <u>FY2012</u> Refer to Civil template 12.CC.01.11 for consolidated Civil and Probate findings related to Registry/Trust activity. Refer to template 12.CC.02.06 for additional findings related to Registry/Trust activity.
Workpaper Reference: (or other method by which finding was identified)	Workpapers 13 – County Clerk trust investments Files – Annual review of trust investments for CAFR - FY2010, FY2011, and FY2012 FY2010, FY2011 and FY2012 bank confirmations Odyssey Investment Summary reports KPMG – audit FY2010 and F2011
Condition: (Describe the current condition)	Payments made into the registry of the court consist of: funds of minors or incapacitated persons, funds tendered in an interpleader action, funds paid in satisfaction of a judgment, cash bonds, and any other funds tendered to the clerk for deposit into the registry of the court. Registry activity is recorded to a separate financial grouping on Odyssey. Disbursements from the registry are only processed under an order of the court of proper jurisdiction. The court clerk sends the case jacket and order of the court to the Trust & Accounting section to initiate processing a disbursement. Trust & Accounting section includes the required disbursement information on the Fund 506 pre-disbursement file initiating the electronic approvals and check printing process. Trust & Accounting will submit the orders and other supporting documentation to the Internal Audit section as



	support for approval. The County Treasurer's office sends a confirmation file to the department for final approval prior to printing the checks. Once the file is approved, checks are generated through Oracle to the approved payee. Trust & Accounting will receive a final disbursement file from the County Treasurer for manual posting of the disbursed checks to the appropriate cases in Odyssey decreasing the corresponding case party's un-invested section and adding the investment information under the Odyssey 'Invested' tab. Registry funds are invested (in accordance with V.T.C.A., L.G.C., § 117, Subchapter E) in interest bearing accounts through: financial institutions; TexPool (an interlocal investment pool authorized under Government Code, § 2256.016); and the Texas Tomorrow Fund (authorized under Property Code, § 142.004 and Education Code, Chapter 54, Subchapter F). Fund 506 checks are issued/invested to each "separate account" on behalf of the individual per court order. Trust clerks manually post registry disbursements for investments to Odyssey as a decrease under the 'Uninvested' section and an increase under the 'Invested' section. Interest is recorded to Odyssey when the Trust section receives bank statements from the financial institution indicating interest earned. Interest is not consistently recorded to Odyssey unless the Trust section receives a bank statement from the financial institution indicating interest earned. At the end of each fiscal year, a comparison of the investment listing report provided by the Trust section and the Odyssey Investment Summary report is prepared. Bank confirmations are sent to financial institutions from a selected sample for verification of the account balances. The Trust department is sent information of discrepancies found between the reports and/or confirmations. County Clerk's office does not reconcile Trust Fund activity to the general ledger or to the Fund 506 Trust/Registry bank account. No standard procedures are established to conduct an annual review of invested or uninvested balances and resolve as appropriate.
Criteria: (Describe the optimal condition)	Management judgment in designing, implementing and conducting internal control, and in assessing its effectiveness is emphasized in the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. Internal control requires that five core components be present: Control Environment; Risk Assessment; Control Activities, Information and Communication; and Monitoring Activities. Specific controls related to trust investment funds control procedures and reporting require that: • Investments are made in accordance with statutory guidelines and court orders at best available yields with funds fully insured using checklists or reconciliation forms. • All trust fund checks should be accounted for, issued to the proper payee for the correct amount in a timely manner, and reference the relevant case information as referenced on order of court of jurisdiction. • All trust fund disbursements and cancellations should be timely and accurately posted to the Odyssey case management system. • Invested and un-invested balances should be reviewed on a periodic basis to safeguard funds and improve reporting accuracy affirming interest with official records of banking institution. • Assigned cash handling duties (including investment responsibilities) are separated for



manual and Odyssey courts management system functions.

- Fund balances and subsidiary ledgers must be reconciled against control records (GL and bank statements) to safeguard funds and improve reporting accuracy.
- Supervisory verification of all cash transactions (receipts or disbursements) should be evidenced on subsidiary reconciliations.

In accordance with V.T.C.A., L.G.C., Sec. 117.121. DISBURSEMENT OF FUNDS.

(a) Money may be paid from the registry fund only on checks or drafts signed by a clerk on the written order of the court with proper jurisdiction, except that the clerk may make a payment without court order for unpaid court costs from a cash bond deposited in connection with an appeal after the appellate court issues its mandate in the appeal if the costs remain unpaid for 45 days after the mandate is issued.

(b) All checks or drafts issued for the disbursement of the registry fund must be submitted to the county auditor for the auditor's countersignature before delivery or payment. The county auditor may countersign the checks only on written evidence of the order of the judge of the court in which the funds have been deposited, authorizing the disbursement of the funds.

(c) Notwithstanding Subsections (a) and (b), a disbursement under an order of a court in which registry funds have been deposited may be made by electronic transfer if:

(1) the designated recipient of the money submits to a clerk a written request for the transfer;

(2) the clerk gives written approval for the transfer; and

(3) a county auditor countersigns the approval.

(d) A clerk may charge a reasonable fee, subject to the approval of the recipient of the money, for an electronic transfer of a disbursement from a registry fund.

In accordance with V.T.C.A., L.G.C., Sec. 117.122. INTEREST. (a) The interest derived from money on deposit in the registry fund shall be paid as earned as follows:

(1) a sum equal to 10 percent of the interest shall be paid into the general fund of the county to reimburse the county for the expenses of maintaining the registry fund; and

(2) the remaining 90 percent of the interest shall be credited to the registry fund.

(b) For each withdrawal, a clerk shall pay out the original amount deposited in the registry of the court and 90 percent of the interest earned on that amount at the time and in the manner directed by the court with proper jurisdiction.

In accordance with V.T.C.A., L.G.C., § 117.125. TRANSFER OF MONEY. (a) In the absence of a contrary order from a court having jurisdiction over the registry fund, a clerk may transfer money deposited in the fund into a separate account.

(b) A clerk shall transfer all money deposited in a registry fund under Section 887, Texas Probate Code, into a separate account.

(c) Money transferred into a separate account under this section must be:

(1) transferred into an account authorized for investment under Chapter 2256, Government Code, by a local government or investment pool; and

(2) invested according to the investment officer designated under Section 2256.005, Government Code, by the investing entity of which the county is a member.



(d) A transfer of money into a separate account under this section is exempt from the requirements prescribed by Section 117.121 for disbursements from registry funds.

(e) An investment of money transferred from a registry fund under this section is subject to the limitations, policies, and standards of care provided by Chapter 2256, Government Code.

Sec. 2256.005. INVESTMENT POLICIES; INVESTMENT STRATEGIES; INVESTMENT OFFICER. (a) The governing body of an investing entity shall adopt by rule, order, ordinance, or resolution, as appropriate, a written investment policy regarding the investment of its funds and funds under its control.

(b) The investment policies must:

(1) be written;

(2) primarily emphasize safety of principal and liquidity;

(3) address investment diversification, yield, and maturity and the quality and capability of investment management; and

(4) include:

(A) a list of the types of authorized investments in which the investing entity's funds may be invested;

(B) the maximum allowable stated maturity of any individual investment owned by the entity;

(C) for pooled fund groups, the maximum dollar-weighted average maturity allowed based on the stated maturity date for the portfolio;

(D) methods to monitor the market price of investments acquired with public funds;

(E) a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis; and

(F) procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the provisions of Section 2256.021.

(c) The investment policies may provide that bids for certificates of deposit be solicited:

(1) orally;

(2) in writing;

(3) electronically; or

(4) in any combination of those methods.

(d) As an integral part of an investment policy, the governing body shall adopt a separate written investment strategy for each of the funds or group of funds under its control. Each investment strategy must describe the investment objectives for the particular fund using the following priorities in order of importance:

(1) understanding of the suitability of the investment to the financial requirements of the entity;

(2) preservation and safety of principal;

(3) liquidity;

(4) marketability of the investment if the need arises to liquidate the investment before maturity;

(5) diversification of the investment portfolio; and

(6) yield.

(e) The governing body of an investing entity shall review its investment policy and



investment strategies not less than annually. The governing body shall adopt a written instrument by rule, order, ordinance, or resolution stating that it has reviewed the investment policy and investment strategies and that the written instrument so adopted shall record any changes made to either the investment policy or investment strategies.

(f) Each investing entity shall designate, by rule, order, ordinance, or resolution, as appropriate, one or more officers or employees of the state agency, local government, or investment pool as investment officer to be responsible for the investment of its funds consistent with the investment policy adopted by the entity. If the governing body of an investing entity has contracted with another investing entity to invest its funds, the investment officer of the other investing entity is considered to be the investment officer of the first investing entity for purposes of this chapter. Authority granted to a person to invest an entity's funds is effective until rescinded by the investing entity, until the expiration of the officer's term or the termination of the person's employment by the investing entity, or if an investment management firm, until the expiration of the contract with the investing entity. In the administration of the duties of an investment officer, the person designated as investment officer shall exercise the judgment and care, under prevailing circumstances that a prudent person would exercise in the management of the person's own affairs, but the governing body of the investing entity retains ultimate responsibility as fiduciaries of the assets of the entity. Unless authorized by law, a person may not deposit, withdraw, transfer, or manage in any other manner the funds of the investing entity.

(g) Subsection (f) does not apply to a state agency, local government, or investment pool for which an officer of the entity is assigned by law the function of investing its funds.

In accordance with V.T.C.A., § 2256.016. **AUTHORIZED INVESTMENTS: INVESTMENT POOLS.** (a) An entity may invest its funds and funds under its control through an eligible investment pool if the governing body of the entity by rule, order, ordinance, or resolution, as appropriate, authorizes investment in the particular pool. An investment pool shall invest the funds it receives from entities in authorized investments permitted by this subchapter. An investment pool may invest its funds in money market mutual funds to the extent permitted by and consistent with this subchapter and the investment policies and objectives adopted by the investment pool.

(b) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must furnish to the investment officer or other authorized representative of the entity an offering circular or other similar disclosure instrument that contains, at a minimum, the following information:

- (1) the types of investments in which money is allowed to be invested;
- (2) the maximum average dollar-weighted maturity allowed, based on the stated maturity date, of the pool;
- (3) the maximum stated maturity date any investment security within the portfolio has;
- (4) the objectives of the pool;
- (5) the size of the pool;
- (6) the names of the members of the advisory board of the pool and the dates their terms expire;
- (7) the custodian bank that will safekeep the pool's assets;
- (8) whether the intent of the pool is to maintain a net asset value of one dollar and the risk



of market price fluctuation;

(9) whether the only source of payment is the assets of the pool at market value or whether there is a secondary source of payment, such as insurance or guarantees, and a description of the secondary source of payment;

(10) the name and address of the independent auditor of the pool;

(11) the requirements to be satisfied for an entity to deposit funds in and withdraw funds from the pool and any deadlines or other operating policies required for the entity to invest funds in and withdraw funds from the pool; and

(12) the performance history of the pool, including yield, average dollar-weighted maturities, and expense ratios.

(c) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must furnish to the investment officer or other authorized representative of the entity:

(1) investment transaction confirmations; and

In accordance with Property Code, § 142.004. INVESTMENT OF FUNDS. (a) In a suit in which a minor or incapacitated person who has no legal guardian is represented by a next friend or an appointed guardian ad litem, any money recovered by the plaintiff, if not otherwise managed under this chapter, may be invested:

(1) by the next friend or guardian ad litem in:

(A) the Texas tomorrow fund established by Subchapter F, Chapter 54, Education Code; or

(B) interest-bearing time deposits in a financial institution doing business in this state and insured by the Federal Deposit Insurance Corporation; or

(2) by the clerk of the court, on written order of the court of proper jurisdiction, in:

(A) the Texas tomorrow fund established by Subchapter F, Chapter 54, Education Code;

(B) interest-bearing deposits in a financial institution doing business in this state and insured by the Federal Deposit Insurance Corporation;

(C) United States treasury bills;

(D) an eligible interlocal investment pool that meets the requirements of Sections 2256.016, 2256.017, and 2256.019, Government Code; or

(E) a no-load money market mutual fund, if the fund:

(i) is regulated by the Securities and Exchange Commission;

(ii) has a dollar weighted average stated maturity of 90 days or fewer; and

(iii) includes in its investment objectives the maintenance of a stable net asset value of \$1 for each share

(b) If the money invested under this section may not be withdrawn from the financial institution without an order of the court, a next friend or guardian ad litem who makes the investment is not required to execute a bond with respect to the money.

(c) When money invested under this section is withdrawn, the court may:

(1) on a finding that the person entitled to receive the money is no longer under the disability, order the funds turned over to the person; or

(2) order management of the funds under another provision of this chapter.

(d) Interest earned on an account invested by the clerk of the court shall be paid in the same manner as interest earned on an account under Chapter 117, Local Government Code.



	(e) If money is invested under Subsection (a)(2)(E), the court may waive any bonding requirement.				
Cause: (Describe the cause of the condition if possible)	Sporadic receipt of statements from financial institutions Clerical error				
Effect: (Describe or quantify any adverse effects)	Financial records/investment balances are not accurately stated. Limited reconciliation: • Undetected posting errors resulting in potential for overpayment or duplicate payment and unrecoverable losses. • Additional staff time to research and correct posting errors.				
Recommendation: (Describe corrective action)	Documentation should be updated with processing controls for: • All investment activity posted accurately and timely to the Odyssey case management system to maintain accurate investment balances reconciling to reports of financial institutions. • Investments made in accordance with V.T.C.A., L.G.C., § 117, Property Code § 142, Education Code 54, and Government Code 2256 and orders of the court with investment practices reflecting maximum security as well as maximum earnings. • Verification of available funds (including interest earned and allowable unpaid court costs) prior to processing disbursement/investment requests. • Supervisor review of Registry/Trust Fund deposit, disbursements, and investment activity including tests for compliance, accuracy and banking confirmation. • Fund balances and Odyssey records reconciled against control records (GL and bank statements) to safeguard funds and improve reporting accuracy with any correcting entries processed timely. A management plan including annual verification of all investment bank balances and un-invested funds should be developed and implemented.				
Responsible Department or Organization:	County Clerk Trust				
Management's Response:	☒ Agree	☐ Disagree	Respondent:	Ashley Arnold, Assistant Manager	Date: 11/13/2014
Comments:	Management is working to ensure investment activity is updated to Odyssey accurately and timely and have implemented steps to ensure supervisor review addresses deposit and disbursement accuracies. Bank balances are updated with bank statements. Review and correction of financial information is ongoing.				
Disposition:	☒ Audit Report	☐ Oral Comment	☐ Deleted From Consideration		