



**DALLAS COUNTY**  
**COUNTY AUDITOR**

**To:** Honorable John Warren, County Clerk  
Honorable Commissioners Court

**From:** Virginia Porter  
County Auditor

A handwritten signature in blue ink, appearing to read "Virginia Porter", is written over the printed name.

**Subject:** County Clerk Trust and Registry Funds Fiscal Year 2013 Audit

**Date:** Issued: March 17, 2014  
Released: March 31, 2014

We have completed an audit of the County Clerk Trust and Registry Funds for the fiscal year ended September 30, 2013. Our audit included but was not limited to examining, on a test basis, evidence supporting registry and trust fund transactions for both invested and non-invested activity including: receipts, disbursements, investments, deposits, bank confirmations, Odyssey case management system, Adult Information System (AIS), restricted deposits, and registry balances. Authorizing court orders are reviewed on an ongoing basis by internal audit staff prior to the disbursement of funds.

Our review was limited in scope as ending balances (September 30, 2012) for prior period not supported by departmental records nor certified by an independent certified public accountant (CPA).

Our specific procedures, findings and recommendations are discussed in the attached report. We recommend the improvement of: posting accuracy and completeness for all trust and registry accounts; and, reconciling trust and registry fund activity (Odyssey and AIS) to control records including Oracle General Ledger, and corresponding bank statements with annual verification of all investment bank balances and non-invested funds.

Dallas County, Texas  
County Clerk Trust and Registry Funds Audit  
For Fiscal Year Ended September 30, 2013

## **Scope**

An audit was performed (to comply with V.T.C.A., L.G.C., § 117.123) on the financial records and reports for the County Clerk Trust and Registry Funds including Fund 501, 502, and 506 bank accounts. Audit procedures were developed to examine, on a test basis, evidence supporting registry and trust fund transactions for both invested and non-invested activity including: receipts, disbursements, investments, deposits, bank confirmations, Odyssey case management system, Adult Information System (AIS), and registry balances and determine whether trust and registry activity is in compliance with V.T.C.A., L.G.C., § 117 (Subchapter E), Property Code, § 142.004, and Government Code, § 2256.005, 2256.016, 2256.017, and 2256.019.

An audit for the fiscal year ending September 30, 2012 was not completed by an external independent CPA as required by V.T.C.A., L.G.C., § 117.123 limiting our scope in relying on beginning October 1, 2012 balances.

## **Background**

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.

County Clerk Trust section is responsible for receipting, depositing, investing, and disbursing trust and registry funds, including maintaining account activity (non-invested, invested and restricted bonds) in Odyssey. The County Clerk Trust section prepares reconciliations between Oracle General Ledger and the Fund 501, 502, and 506 bank accounts.

The County Clerk Bond Forfeiture (BF) section uses AIS to track misdemeanor cash bond balances. Most misdemeanor cash bonds are receipted in AIS by the Sheriff. However, the court may require an additional cash bond in lieu of surety which is receipted by the County Clerk Criminal section to the mainframe criminal system. The County Clerk BF section is also responsible for disbursing: refunds to sureties or defendants; bond forfeiture awards to the County Clerk; and, criminal court costs and fines to the County Clerk. A standard report is not available within AIS to identify outstanding misdemeanor cash bond balances.

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. Investments in TexPool accounts do not require a court order. Trust clerks manually post registry disbursements for investments to Odyssey as a decrease under the 'Uninvested' section and as an increase under the 'Invested' section.

V.T.C.A., L.G.C., § 117.123, was amended during the 83<sup>rd</sup> Texas Legislative session with permissive language allowing the audit of registry funds to be completed by the county auditor or an independent external CPA selected by commissioners court.

## **Review Procedures**

An audit of FY2013 registry and trust fund transactions for both invested and non-invested activity was conducted using sampling methodologies and included but was not limited to:

- Request investment listing as of September 30, 2013 and bank list from County Clerk
- Send confirmations to financial institutions to verify balances for a sample of accounts (includes 100% of TexPool accounts)
- Reconcile County Clerk investment listing to Odyssey's Investment Summary Report as of September 30, 2013 and compare to bank confirmations (notified the County Clerk Trust section of variances)
- Review a sample of investments for proper posting to Odyssey and compliance with state statutes
- Reconcile 100% of Odyssey civil and probate registry 'Uninvested' receipts (increases) to Oracle General Ledger (GL) and corresponding deposits and review a sample for appropriateness
- Review Odyssey 'Restricted Deposit' receipts (increases) and corresponding deposits and review a sample for appropriateness
- Reconcile 100% of Odyssey 'Invested' decreases to Odyssey 'Uninvested' increases using Odyssey Registry and Account Journals
- Reconcile 100% of Odyssey registry 'Uninvested' disbursement activity and 'Restricted Deposit' disbursements to Oracle Accounts Payable (AP) and review a sample for appropriateness
- Reconcile 100% of registry disbursements for investments from Oracle AP to Odyssey 'Invested' section
- Compare AIS misdemeanor cash bond receipt totals to Oracle GL Fund 502 deposit totals
- Review all Trust and Registry Fund 506 disbursements to Special Fund 501 for TexPool investment by the County Treasurer
- Review a sample of Criminal Cash Bond Fund 502 disbursements for funds availability and proper posting to AIS
- Trace all Criminal Cash Bond Fund 502 cancellations and stale dated items for proper posting to AIS
- Trace all Fund 506 cancellations and stale dated items for proper posting to Odyssey
- Trace sample court orders to ensure any ordered funds were deposited, invested, and/or disbursed into the registry of court
- Determine if department reconciles Funds 501, 502, and 506 bank accounts to Oracle GL and to Odyssey, Mainframe, or AIS as applicable

## **Findings**

1. A review of all Trust/Registry Fund 506 disbursements (including all disbursements to Special Fund 501 for TexPool investment), all voided and cancelled disbursements, a sample of stale dated; and a sample of corresponding court orders revealed:
  - Thirty-seven prior fiscal year corrections posted
  - Four distributions in excess of funds available for the accounts totaling \$864.34

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**Response:** \$856.60 was returned and applied to the account on March 12, 2014. \$7.82 was an erroneous disbursement of the administrative fee. A request was sent to the agency for return of \$7.82.

- One duplicate payment to litigant/surety totaling \$2,828.01 – result of first check not posted to Odyssey

**Response:** Beneficiary was contacted in July 2013 after the duplicate check was issued and both checks cashed. After several calls and letters, the beneficiary refused contact. County Clerk advised the Beneficiary that the case was to be referred to the DA for prosecution the end of July. In March 2014, the DA advised restitution would be forwarded to the County Clerk. Duplicate disbursement cannot be entered in Odyssey as it will cause a negative balance.

- Thirty-three civil/probate registry disbursements (includes fourteen unrecorded investments) were not posted timely to Odyssey including two offsetting cancellations (**Status:** Eight of the 33 disbursements were posted in October and eleven additional disbursements were posted during audit fieldwork after notice)

**Response:** Seven additional disbursements were posted in March 2014.

- Six cancelled disbursements were not posted to Odyssey understating case balances
- One stale dated check was not posted as increase to Odyssey case balance
- Two disbursements were recorded for the wrong amount to Odyssey's 'Uninvested' and 'Invested' tabs (**Status:** One of the two errors was corrected)
- Three disbursements were recorded to Odyssey's 'Uninvested' tab for more/less than the actual check amount understating/overstating case balance
- One unidentified disbursement for \$2 was recorded to Odyssey's 'Uninvested' tab
- One disbursement was posted with the wrong check number to Odyssey significantly reducing research options
- Instances of delays occurred between actual check issuance dates and Odyssey postings of three business days after issued
- Check type 'Registry Disb to Account' was not used to record civil case disbursements to financial institutions for investing. Check type 'Registry Disb to Person' was used to move funds from the uninvested section in Odyssey and 'External Investment' was used to post funds to the invested section.

**Response:** 'Registry Disb to Account' was not, at one time, an Odyssey option enabled for Trust use.

2. A review of County Clerk investments to "separate accounts" (included but was not limited to: reviewing County Clerk Civil and Probate investment listings as of 9/30/2013; reconciling to confirmed bank balances for sample accounts; reviewing sample bank statements; reconciling to Odyssey Investment Summary report; reconciling Oracle AP disbursements to Odyssey; and, verifying Odyssey postings) revealed investment reports provided by County Clerk totaling \$23,898,964.74 (\$5,694,547.63 adjusted Probate and \$18,204,417.11 Civil) was understated by \$533,970.26. Reasons for understatement include:

- Fourteen FY13 investments totaling \$307,268.13 and one prior fiscal year investment totaling \$57,822.39 (had been combined to another account at the bank) were not on County Clerk investment listings nor recorded to the Odyssey 'Invested' tab

**Status:** All were posted in FY14.



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- Interest earned on investment accounts is not updated timely (at least annually) to Odyssey including one account invested in a CD not updated (unrecorded interest totaled \$10,989.72 for the one account) in Odyssey since November 2007:
  - Bank confirmations on 149 accounts revealed \$168,301.24 in unrecorded interest on Odyssey.  
*Response: \$38,372 is for interest on investments that will not mature until after the cut-off for the report.*
  - Bank confirmations on two accounts revealed \$655.29 escheated to the State Comptroller.  
*Response: A) An 'Account Certification Form' was sent to the bank on June 10, 2013. The bank sent the funds to the State on June 20, 2013 for the first account. B) An IRS levy resulted in the bank sending the entire balance to the IRS for the second account.*
  - \$1,233.79 in interest earned prior to September 30, 2013 not reflected on County Clerk investment listing due to timing of report run date.
- Two bank account numbers not updated in Odyssey based on confirmation responses.

3. A review of 20 cases from the Odyssey Uninvested Funds Report revealed one case with uninvested funds in the registry although a court order to invest exists.

*Response: Funds were not invested since a social security number was not provided.*

4. A review of 29 disbursements from Special Fund 501 to transfer withdrawn TexPool investments to the Trust and Registry Fund 506 revealed:
- Deposits to Special Fund 501 are not verified for accuracy of amount (principal and interest) prior to check issuance
  - Incomplete deposit of interest earnings on TexPool investments by the Treasurer to Fund 501. Investment interest totaling \$1,247.55 was transferred to General Fund 120 as clerk fees' of office.
5. A review of Civil and Probate 'Restricted Deposit' Odyssey receipt and disbursement activity revealed:
- Transactions are processed through Special Fund 501 rather than Trust and Registry Fund 506
  - Four checks totaling \$368,155.27 were incorrectly issued from Special Fund 501 when monies were deposited to a different account  
**Status:** Corrected February 2014 after audit review.
  - Eight disbursements were posted with the wrong check number or no check number to Odyssey significantly reducing research options.
  - One disbursement for \$700 was not posted as a reduction to Odyssey case balance
  - Three disbursements and offsetting cancellations were not posted to Odyssey (net case balance affect is zero) diminishing system research results for subsequent issues
  - Five prior fiscal year disbursements posted in FY13 without explanation of delay
  - Three disbursements were posted for the wrong amounts to Odyssey overstating/understating available 'Restricted Deposit' balances

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6. County Clerk Trust section prepares reconciliations between the Fund 501, 502, and 506 bank statements and GL, but does not reconcile the Registry & Trust Fund activity to subsidiary systems (Odyssey, AIS, or Mainframe) or other records maintained by the County Clerk.
7. A review of fifty-one Fund 502 criminal cash bond disbursements for proper posting and available AIS 'Bond Balance' revealed:
  - County Clerk does not post disbursements to AIS, but relies on an automated file upload from Oracle AP developed by IT Services. County Clerk Bond Forfeiture section does not review AIS to confirm completeness and accuracy of automated postings.
  - Four (7.84%) disbursements totaling \$1200 were not posted to AIS 'Cash Bond' tab overstating available 'Bond Balances'
  - One (1.96%) check amount posted to the wrong field, 'County Cost/Fees', rather than 'Refund' ('Bond Balance' is correct)
  - Three (5.88%) check amounts posted to the 'Bond Forfeiture' or 'County Cost/Fees' field without check details (payee, check number, check amount, check date, or address recorded to AIS
    - Two of three 'Bond Balances' incorrectly reflect negative balances due to double posting of the amount in the 'County Cost/Fees' field
  - County Clerk Trust or Bond Forfeiture sections do not reconcile misdemeanor cash bond activity to system control records due to inadequate or non-existent system reporting. A standard report is not available within AIS of misdemeanor cash 'Bond Balances'. AIS 'Bond Balances' are unreliable due to incomplete or inaccurate postings.

***Response:** Upon realizing any errors as detailed in the report, we have worked to rectify them immediately. We will make IT aware of the situation with hope that they will work expeditiously to correct it.*

8. A review of eighty-eight Fund 502 criminal cash bond cancellations (including stop payments) and nine stale dated checks for proper posting to AIS 'Bond Balance' revealed:
  - 41 (46.6%) cancellations were not posted to AIS in order to restate case balances (**Status:** 'Bond Balances' are reflected as negative amounts)
    - 28 of the 41 AIS 'Cash Bond' tabs do not reflect check details for replacement checks issued
9. A review of seventy-three Fund 502 criminal cash bond receipts with multiple check disbursements for proper posting and available AIS 'Bond Balance' revealed:
  - 27 (37%) disbursements totaling \$21,600 were not posted to AIS 'Cash Bond' tab overstating available 'Bond Balances'.

***Response:** Disbursement details are posted from Oracle to AIS via an automated posting process. After the Oracle upgrade, disbursement information did not push to AIS on several occasions.*
  - One (1.37%) posted disbursement totaling \$1,000 with a duplicated check issuance also posted reflecting a negative 'Bond Balance'. Oracle AP reflects the duplicated check as 'Negotiable'.

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- One (1.37%) posted disbursement reflects a status of 'stop pay' on AIS and was subsequently replaced net of a \$20 stop payment fee. However, Oracle AP reflects the check as 'Negotiable' with the County Treasurer with no evidence of a stop payment request received from the County Clerk. *Status: Stop payment form was completed prior to reissuance. Treasurer to record stop payment based on copy provided by County Clerk.*
- One (1.37%) disbursement issued for \$1 more than was available
- Two (2.74%) disbursements with amounts incorrectly posted to AIS multiple times understating 'Bond Balances' (negative amounts should be zero balance)

*Response: Our department is in the process of finalizing a cash bond automation system with the IT Department that will eliminate duplicated cash bond refunds.*

10. A review of Odyssey registry activity, including the comparison of registry deposits/disbursements to the Oracle GL revealed:
- 229 transactions were entered as 'External Investment' under the 'Invested' section.
  - Interest earned on investment accounts is not updated timely or until an account is closed. Interest for one account was not recorded for ten years.
  - Investment interest rates are not consistently updated as certificates of deposit (CD) mature with automatic renewals.
  - Two prior fiscal year adjustments totaling \$23,984.54 recorded in FY13 as 'Registry Disb to Person' should have been recorded as 'Deposit From Account' (investment balances are accurately reflected). Limited instances of other adjustments using an incorrect registry type were noted.
  - Comments (reason codes) are not consistently entered for adjustments/reversals related to registry activity.

## Recommendations

1. Trust and Registry Fund control procedures and banking safeguards require that:
- All Fund 501, 502, and 506 disbursements should be: accounted for; issued to the proper payee for the correct amount in a timely manner and in accordance with V.T.C.A., L.G.C., § 117.121; reference the relevant case information; and posted timely and accurately to Odyssey, AIS, and/or Mainframe court systems.
  - All Fund 501, 502, and 506 voids, cancellations, and stale date checks should be: accounted for; and posted timely and accurately to Odyssey, AIS, and/or Mainframe court systems
  - Registry funds including restricted deposits should be timely and accurately receipted and deposited
  - An automated process should be developed where possible to limit manual or duplicate data entry
  - Odyssey case balances should be reviewed on a periodic basis for verification/confirmation of actual available balance
  - Assigned cash handling duties should be properly separated for effective controls and so no one person has complete access to cash through receipting, recordkeeping, and disbursement responsibilities



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- Fund balances and subsidiary (Odyssey, AIS, and/or Mainframe) ledgers should be reconciled against control records (GL and bank statements) to safeguard funds and improve reporting accuracy with any correcting entries processed timely
  - Supervisory verifications of all cash transactions (receipts or disbursements) should be evidenced on subsidiary reconciliations
2. All duplicate or overpayments should be recovered or a funding source identified.
  3. All posting errors and unposted items (for disbursements, cancellations, stale date checks, conversion, interest, and investments) should be corrected / recorded to Odyssey, AIS, and/or Mainframe court systems.
  4. Registry/Trust fund and investment control procedures require that:
    - Investments should be made in accordance with statutory guidelines (V.T.C.A., L.G.C., § 117, Subchapter E; Government Code, § 2256.016; and, Property Code, § 142.004) and court orders at best available yields with funds fully insured using checklists or reconciliation forms
    - All investment activity should be accurately and timely recorded to the Odyssey courts system under the appropriate party's 'Uninvested' and/or 'Invested' section
    - Invested and uninvested balances should be reviewed on a periodic basis to safeguard funds and improve reporting accuracy affirming interest with official records of banking institutions (e.g., a management plan including annual verification of all investment bank balances and uninvested should be developed and implemented).
    - Assigned cash handling duties (including investment responsibilities) should be separated for manual and Odyssey courts system functions
    - Fund balances and subsidiary (Odyssey, AIS, and/or Mainframe) ledgers should be reconciled against control records (GL and bank statements) to safeguard funds and improve reporting accuracy
    - Supervisory verifications of all cash transactions (investments, receipts, or disbursements) should be evidenced on subsidiary reconciliations
    - Condemnation and other case investments through TexPool should be separately invested referencing the case party and corresponding federal taxpayer identification number for tracking and reporting of interest earnings. Verification of returned TexPool investment amounts should occur prior to the disbursement of funds from Special Fund 501. Research of deposit variances to Special Fund 501 should be researched and resolved.
  5. Interest earned should be posted as registry type 'Interest' to the Odyssey courts system 'Invested' section accurately and timely to support research and reconciliation efforts.
  6. A management plan should be developed to improve the tracking, recording, and reporting of misdemeanor cash bond activity within AIS. Reconciliation of misdemeanor cash bond activity including receipts, disbursements, cancelled checks, and stale date checks should occur on a periodic basis with ongoing management review. Expansion of AIS functionality for misdemeanor cash bond activity should be considered. Current automated disbursement posting process from Oracle AP to AIS should be reviewed with IT Services to resolve issues related to unposted items and incomplete details.



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7. Restricted deposit activity should be considered for inclusion in the Trust and Registry bank account Fund 506.

### **Summary**

This review is intended to support the management of the County Clerk's office in evaluating internal controls over registry activity including investments. 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 County Clerk's office to establish and maintain effective internal control over compliance with the requirements of law and regulations applicable to the department.

Highest areas of risk which need to be addressed include: accurate and complete posting of disbursements, cancellations, stale date checks, and investment activity; accurate, complete, and timely posting of interest earned; duplicate and overpayments; incorrectly transferred TexPool interest earnings; reconciling Trust and Registry activity to control records including Oracle GL and corresponding bank statements with annual verification of all investment bank balances and uninvested funds (including misdemeanor cash bonds and restricted deposits).

Inadequate controls over processing and/or classification of accounts were noted where management or employees in normal course of performing assigned functions failed to prevent or detect and correct misstatements on a timely basis.

The financial balances except for errors in recording interest and account; verifying differences for select transactions or security; and timeliness in posting fairly represent cash held in trust.

Emphasis on outlined procedures should provide for improved and accurate investment and uninvested balances. Consideration of all issues and weaknesses should be incorporated by the County Clerk as a self-assessment tool. Adherence to and follow-through with the recommendations should strengthen internal control and compliance with state statutes, orders of the court, and Dallas County policies and procedures.

County Clerk Trust and Registry Fund Activity  
For Fiscal Year Ended September 30, 2013

Investment Activity:	
Adjusted Investment Balance as of September 30, 2013	\$24,445,935.00 <sup>^</sup>
Adjusted Investment Withdrawals for Fiscal Year FY 2013	\$24,791,565.65*
Adjusted Investment Deposits and Interest Earned for FY 2013	\$19,419,911.24 <sup>a</sup>
Uninvested Activity:	
Adjusted General Ledger Fund 506 Balance as of September 30, 2013	\$5,212,708.55 <sup>4</sup>
Adjusted Uninvested Odyssey Civil/Probate Registry Receipts for FY2013	\$43,997,017.79*
Misdemeanor Cash Bond Receipts Deposited by Sheriff & Clerk FY2013	\$4,399,013.50 <sup>1</sup>
Net Oracle Accounts Payable Fund 504 Disbursements for FY2013	\$39,315,034.94*
Adjusted Odyssey Restricted Deposit Receipts for FY2013	\$2,749,755.52*
Adjusted Fund 501 Restricted Deposit Disbursements for FY2013	\$2,161,221.64 <sup>2</sup>

<sup>^</sup> = \$18,324,470.59 of balance verified through bank confirmations on a sample basis. Includes interest reported by banks not posted to Odyssey

\* = 100% of data reconciled against Odyssey system reports. See audit for noted variances

<sup>a</sup> = 100% of new investment transactions traced against Oracle Accounts Payable disbursements and partial confirmation of interest (includes adjustment for \$168,301.24 in additional interest confirmed by banks, but not posted to Odyssey) activity through bank confirmations. See audit for noted variances

<sup>1</sup> = Actual deposits recorded to Oracle General Ledger in FY13 for receipts issued by the Sheriff and County Clerk Criminal section.

<sup>2</sup> = Reconciled Odyssey restricted deposit disbursements to Oracle AP Fund 501 disbursements. Amount adjusted for \$368,155.27 issued in error from Fund 501 for checks which should have been disbursed from Fund 506.

<sup>4</sup> = Oracle General Ledger cash balance net of outstanding checks. Additional adjustments for deposit in transit and four checks totaling \$368,155.27 inadvertently disbursed from Special Fund 501 (should be from Fund 506). Odyssey Registry & Trust Accounts with Balances report as of 9/30/2013 totaled \$7,006,958.41. While \$600,432.37 in FY13 errors were identified, other prior fiscal year's errors may account for the remaining unidentified variance.