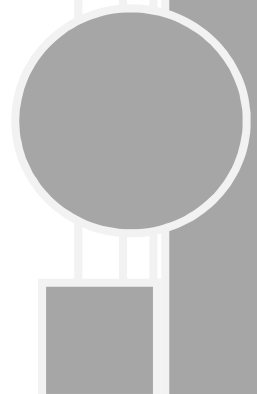




AUDIT REPORT

DALLAS COUNTY
County Clerk Registry Trust - FY2021

Darryl D. Thomas
Dallas County Auditor
ISSUED: 2/8/2022
RELEASED: MARCH 11, 2022



County Clerk Registry Trust - FY2021

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This report is intended for the information and use of the agency/department. While we have reviewed internal controls and financial reports, this review will not necessarily disclose all matters of a material weakness. It is the responsibility of the department to establish and maintain effective internal control over compliance with the requirements of laws, regulations, and contracts applicable to the department



DALLAS COUNTY
COUNTY AUDITOR

MANAGEMENT LETTER

Honorable John Warren
County Clerk
Dallas, Texas

Attached is the County Auditor's final report entitled "County Clerk Registry Trust - FY2021" Report. In order to reduce paper usage, a hard copy will not be sent through in house mail except to the auditee.

In you prefer that released reports be emailed to a different (or additional) recipient, please inform me of the name and the change will be made.

Respectfully,

Darryl D. Thomas

Darryl D. Thomas
County Auditor

EXECUTIVE SUMMARY

A review of the County Clerk Trust and Registry investments for fiscal year 2021 revealed no significant observations:

Summary of Significant Observations

- None identified

Repeat observations from Previous Audits:

- All findings were repeated

Only those weaknesses which have come to our attention as a result of the audit have been reported. It is the responsibility of the department management to establish and maintain effective internal control over compliance with the requirement of laws, regulations, and contracts applicable to the department.

INTRODUCTION

Dallas County Auditor's Office mission is to provide responsible, progressive leadership by accomplishing the following:

- Comply with applicable laws and regulations
- Safeguard and monitor the assets of the County utilizing sound fiscal policies
- Assess risk and establish and administer adequate internal controls
- Accurately record and report financial transactions of the County
- Ensure accurate and timely processing of amounts due to County employees and vendors
- Set an example of honesty, fairness and professionalism for Dallas County government
- Provide services with integrity
- Work in partnership with all departments to resolve all issues of the County
- Strive to utilize the latest efficient and effective technology in the performance of tasks
- Provide technical support and training in the development, implementation, and maintenance of information systems
- Hold ourselves accountable to the citizens of the County at all times
- Be responsive to the elected officials and department heads of Dallas County

The objectives of this audit are to:

1. Ensure compliance with statutory requirements
2. Evaluate internal controls
3. Verification of accuracy and completeness of reporting
4. Review controls over safeguarding of assets

This audit covered the period of October 1, 2020 through September 30, 2021.

The audit procedures will include interviews with key process owners, observation of transactions processing, data analysis and sample testing of transactions. The main system used will also be reviewed and incorporated as part of the testing of transactions.



DETAILS

Fund 506 Odyssey GL Posting Errors

A review of all Trust and Registry Fund 506 disbursements issued during fiscal year 2021 revealed multiple posting errors in Odyssey including 162 disbursements that were posted to Odyssey between 6 and 62 days after issuance; one cancelled disbursement was not voided in Odyssey; two disbursements were posted to Odyssey with the incorrect amount; and three cancelled disbursements were voided in Odyssey nine to ten days after cancellation date.

A sample review of 25 Civil and Probate Registry court orders revealed six registry deposit amounts totaling \$16,146.11 with signed orders to invest funds were invested 30 or more business days after receipt including four deposits that were invested more than 100 business days after the signed orders.

All Fund 506 disbursements should be accounted for, issued to the proper payee for the correct amount in a timely manner, and reference the relevant case information. Additionally, all Fund 506 disbursements issued, voids, cancellations, and stale dated checks should be timely and accurately posted to the Odyssey courts system. Lack of management oversight over the reconciliation of non-integrated financial systems to timely identify and resolve clerical errors has resulted in inaccurate case balances and increased the potential that duplicate disbursements may be issued. Additionally, Dallas County may be liable to beneficiaries for interest amounts not earned during period funds were not invested.

Recommendation

Fund 506 Odyssey GL Posting Errors

Management should:

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

**Management Action Plan**

- Management voided check #506008879 in Odyssey. The check had been returned due to a bad address and Odyssey now properly reflects the check status. Employees have been retrained on proper check entry procedures and it is a function of Management to review the Non-invested report to ensure Registry funds are invested on a timely basis.

Auditors Response

- None

Fund 501 Errors Posting to Odyssey

A review and comparison of Fund 501 Civil and Probate bond disbursements to Odyssey revealed 101 disbursements totaling \$195,711.26 were posted to Odyssey more than five business days after issuance; two disbursements were posted with the incorrect check number in Odyssey; four disbursements were posted to Odyssey with the incorrect amount; 13 disbursements totaling \$22,896.44 were not posted to the associated cases in Odyssey; the check number for two disbursements were not posted to the transaction in Odyssey; and two duplicate checks were issued resulting in an overpayment of \$5,529.47. **Status:** Checks incorrectly cancelled in Odyssey.

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

Recommendation**Fund 501 Errors Posting to Odyssey**

Management should:

- Develop written procedures for the disbursement process.
- Generate a daily Odyssey Transaction Listing report for disbursements and compare the report to the disbursement file received from the Treasurer's Office to confirm all checks have been posted to Odyssey in the correct amounts and to the correct cases.



- Reconcile fund balances and subsidiary Odyssey ledgers against control records (GL and bank statements) to safeguard funds and improve reporting accuracy with any correcting entries processed timely. Verification should be evidenced by management signature on subsidiary reconciliations.

Management Action Plan

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

Auditors Response

- None

Fund 502 Disbursement Errors

A review of Trust and Registry Fund 502 disbursements during fiscal year 2021 revealed one disbursement totaling \$475 was not posted to AIS; three cancelled disbursements did not have a reason noted in AIS; three cash bond cases have duplicate disbursements that were not posted to AIS resulting in overpayments totaling \$918.70; and two bond cases did not have disbursements posted to AIS totaling \$3,382.14.

All Fund 502 disbursements should be accounted for, issued to the proper payee for the correct amount in a timely manner, and reference the relevant case information. Additionally, all Fund 502 disbursements issued, voids, cancellations, and stale dated checks should be timely and accurately posted to AIS system. Lack of management oversight over the reconciliation of non-integrated financial systems to timely identify and resolve clerical errors have resulted in inaccurate case balances and increased the potential that duplicate disbursements may be issued.

Recommendation

Fund 502 Disbursement Errors

Management should:

- Periodically review case balances and disbursements for issuance to the appropriate parties in a timely manner.
- Reconcile fund balances and subsidiary ledgers to control records (general ledger and bank statements) to safeguard funds and improve reporting accuracy.



Management Action Plan

- At the end of 2021 Management reviewed all AIS mis-postings and worked with IT to create an exceptions report and review process to ensure all 502 disbursements properly post in AIS.

Auditors Response

- None

Investment Interest and Postings to Odyssey

A review of investment account balances for Civil and Probate cases during fiscal year 2021 revealed interest amounts totaling \$12,394.25 were not updated in Odyssey for 118 Civil accounts and 21 Probate accounts; 16 accounts were duplicated on the department's investment report; and three cases with final judgment amounts ordered were not invested.

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

Recommendation

Investment Interest and Postings to Odyssey

Management should:

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

Management Action Plan

- Management has reviewed and updated Odyssey. The information on stale dated checks were overlooked and Management will ensure that the information is updated in Odyssey on a timely basis.



Auditors Response

- None

Outstanding Checks

A review of all outstanding disbursements for Fund 501, 502, and 506 as of September 30, 2021 revealed 46 disbursements totaling \$31,894.27 remain outstanding in excess of six months without investigation and/or resolution; 20 stale dated disbursements were not cancelled in Odyssey; and nine stale dated 502 disbursements were not cancelled in AIS. All Trust Fund voids, cancellations, and stale dated checks should be timely and accurately posted to the Odyssey courts system as soon as the new disbursement status is received by the department. Lack of supervisory review of postings, a lack of integrated financial systems, and clerical errors resulted in inaccurate disbursement information reflected on cases and increased the potential for duplicate payments and/or lost monies.

Recommendation

Outstanding Checks

Management should generate a daily Odyssey Transaction Listing report for disbursements/void disbursements and compare the report to the disbursement file received from Accounts Payable and the Treasurer's stale dated check listing to confirm all checks and canceled checks have been posted in the correct amounts and to the correct cases.

Management Action Plan

- Of the checks outstanding in excess of 6 months, County checks are good until 12 months, and is the process to research the stale dated check list when it has been provided by the Treasurer's Office. The list of stale dated checks for the County Clerk Divisions is provided to Management to review for resolution or reissue. Of the 20 stale dated 501 disbursements, the information was provided to Management to update Odyssey. Of the 9 502 disbursements not cancelled in AIS, all cases have been updated.

Auditors Response

- None

Interest on Odyssey does not reflect Form 1099-INT

A comparison of County Clerk's 1099-INT report to the Odyssey Registry report for interest earned during calendar year 2021 revealed 34 condemnation cases with earned interest amounts in Odyssey greater than \$10 for calendar year 2021 were not issued 1099-INT documents and 13 condemnation cases with an issued Form 1099-INT included amounts from prior tax years.



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

Recommendation

Interest on Odyssey does not reflect Form 1099-INT

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

Management Action Plan

- No Condemnation cases are issued a 1099INT until the interest earned may be attributed to the case parties by a Court Order. The 1099INT is issued upon the closing of the case, for all interest earned by the party.

Auditors Response

- None

cc: Darryl Martin, Commissioners Court Administrator