



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

**To:** Honorable Felicia Pitre, District Clerk  
Honorable Commissioners Court

**From:** Darryl D. Thomas  
County Auditor

A handwritten signature in blue ink, reading "Darryl D. Thomas", is written over the printed name of the County Auditor.

**Subject:** District Clerk Trust and Registry Funds Fiscal Year 2016 Audit

**Date:** Issued: February 16, 2017  
Released: March 27, 2017

We have completed an audit of the District Clerk Trust and Registry Funds for the fiscal year ended September 30, 2016. 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), 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, 2015) for prior period not supported by departmental records (no reconciliation to subsidiary systems).

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  
District Clerk Trust and Registry Funds Audit  
For Fiscal Year Ended September 30, 2016

## Scope

An audit was performed (to comply with Local Government Code {L.G.C.}, § 117.123) on the financial records and reports for the District Clerk Trust and Registry Funds including the Fund 504 bank account. 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 L.G.C., § 117 (Subchapter E), Property Code, § 142.004, and Government Code, § 2256.005, 2256.016, 2256.017, and 2256.019.

Our review was limited in scope as ending balances (September 30, 2015) for prior period not supported by departmental records (no reconciliation to subsidiary systems {Odyssey and AIS systems}).

## 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.

District Clerk Trust section is responsible for receipting, depositing, investing, and disbursing trust and registry funds, including maintaining account activity (non-invested, invested and criminal cash bonds) in Odyssey and reconciling the Fund 504 bank account.

AIS is not used to track felony cash bond balances. Felony cash bonds receipted in AIS by the Sheriff are consistently entered to Odyssey by the District Clerk Trust staff. A listing of felony cash bond activity is also maintained in an external database by the Trust section. Subsequent disbursement information for felony cash bonds are entered to Odyssey with no entry to AIS. A standard report is not available within Odyssey to identify outstanding felony cash bond balances.

Registry funds are invested (in accordance with 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 504 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.

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 FY2016 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, 2016 and bank list from District Clerk
- Send confirmations to financial institutions to verify balances (\$6.1 million of \$8.2 million invested) for a sample of accounts (includes 100% of TexPool accounts)
- Reconcile District Clerk investment listing to Odyssey's Investment Summary Report as of September 30, 2016 and compare to bank confirmations (notified the District 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 family registry 'Un-invested' receipts (increases) to Oracle General Ledger (GL) and corresponding deposits and review a sample for appropriateness
- Reconcile 100% of Odyssey 'Invested' decreases to Odyssey 'Un-invested' increases using Odyssey Registry and Account Journals
- Reconcile 100% of Odyssey registry 'Un-invested' disbursement activity and felony cash bond 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 felony cash bond receipts to Odyssey 'bond' receipt postings
- Review all disbursements to the wire transfer account
- Trace all cancellations and a sample of 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 Fund 504 bank account to Oracle GL and to Odyssey including felony cash bonds

## Findings

1. A review of District Clerk investments to "separate accounts" (included but was not limited to: reviewing District Clerk investment listing as of 9/30/2016; 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 report provided by District Clerk totaling \$8,210,540.12 was overstated by \$17,237.39. Reasons for overstatement include:
  - A review of 355 bank confirmations revealed:
    - 276 accounts with \$11,658.82 in unrecorded interest on Odyssey.  
*Management Response:* There will always be unrecorded interest in Odyssey because we don't receive a bank statement every day on each account to be able to update Odyssey.
    - One (1) account totaling \$26,868.40 was closed on September 26, 2016 per the bank; however the account balance remained in Odyssey.  
*Status:* District Clerk updated the account on October 3, 2016.  
*Management Response:* We can't close the account in Odyssey until we actually receive the check from the bank and this sometimes takes weeks.
    - One (1) closed investment account with balance of \$4.34 on Odyssey.  
*Status:* Department adjusted the Odyssey Invested by (\$4.34) on November 10, 2016.

***Management Response: Corrected.***

- Four (4) accounts with interest over-posted in Odyssey totaling \$1,746.11.

***Status: On November 21, 2016, the department reversed a \$2,300.76 interest posting error without adding the correct interest earned back to the Odyssey Invested tab.***

***Management Response: Corrected.***

2. A review of all Trust/Registry Fund 504 disbursements (including all disbursements to the wire transfer account), all voided and cancelled disbursements, a sample of stale dated disbursements; and a sample of corresponding court orders revealed:

- Instances of delays greater than three business days occurred between actual check issuance dates and postings to Odyssey.

***Management Response: This is unavoidable. We sometimes don't get our check approvals from the Treasurer's Office until the next day. If that day is Friday, then the only time we can enter the checks in Odyssey is the following Monday.***

- One (1) disbursement totaling \$1,000 from Fund 504 in error; funds were deposited into Fund 503 for a juvenile case. Disbursement was not posted to the mainframe prior to conversion in September 2016 resulting in Odyssey financials on the conversion to be in error.

***Management Response: Corrected.***

- One (1) disbursement incorrectly recorded as 'void' in Odyssey though funds were disbursed to TexPool. A corresponding receipt for the same amount was also incorrectly entered to Odyssey.

***Status: A negative adjustment was recorded to offset both of the incorrect entries.***

***Management Response: Corrected.***

- One (1) prior fiscal year criminal cash bond disbursement incorrectly updated in Odyssey as 'void' for a cashed check rather than updating the bond financial tab with an adjustment to increase the available balance after the return of the bond forfeiture funds.

***Management Response: Corrected.***

- Two (2) disbursements cancelled in Odyssey were not cancelled in Oracle; check status in Oracle reflects 'negotiable'.

***Management Response: We sent the cancellation notice to the Treasurer's Office and they did not cancel them in Oracle.***

- Ten disbursement lines on a paid check for administrative fees reversed in error on Odyssey resulting in duplicate disbursement of administrative fees totaling \$325.

***Status: \$325 was returned to Fund 504 from the General Fund.***

***Management Response: Corrected.***

- Two (2) disbursements with incorrect check numbers posted to Odyssey.

***Management Response: Corrected.***

- Seven (7) disbursements associated with a cancelled disbursement were not posted nor cancelled in Odyssey (net case balance effect is zero) diminishing system research results for subsequent issues.

***Management Response: Corrected.***

- Two (2) FY16 disbursements with May check dates posted to Odyssey in October FY17.

***Management Response: Noted.***

- One (1) posting of a disbursement to Odyssey for an administrative fee not part of the check issued from Oracle.

***Management Response: Corrected.***



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- One (1) disbursement posted to Odyssey for the incorrect amount.  
**Management Response:** *Corrected.*
  - Two (2) reversals and reposting of prior year disbursements for incorrect amounts.  
**Status:** *One of the two amounts offset by an adjustment increasing receipts for the same amount.*
  - Fifteen disbursements outstanding in excess of 6 months without investigation and/or resolution.  
**Management Response:** *When we receive the Stale Dated Checklist from the Treasurer's Office, we immediately send letters to the payees on this list letting them know that their check has not been presented for payment and what they need to do in order to get a check re-issued.*
  - Eight (8) stale dated checks were not recorded as 'void' in Odyssey.  
**Management Response:** *Corrected.*
3. A review of Odyssey registry activity including the comparison of registry deposits/disbursements to the Oracle GL revealed:
- Four wire deposits recorded to Odyssey as adjustments rather than as a new Odyssey receipt.  
**Management Response:** *All wire deposits are done through the County Treasurer's Office. The Treasurer deposits the funds in our Account 504 and then they do the 98 for the deposit. Trust has no check to deposit into 504 through our cashiers. Because of this, the only way we can enter the funds in Odyssey is by doing an adjustment. No other way is possible.*
4. A review of 20 cases from the Odyssey Un-invested Funds Report and 20 cases from Discoverer report for Fund 504 revealed:
- Two (2) cases with amounts in the registry as un-invested. However, the funds should be invested per the court order.  
**Management Response:** *These two cases were not invested because we did not have the tax id numbers that were associated with the parties. No banks that we do business with will accept an account without a tax id number. Trust tries all options to get this information from either the parent or guardian or the GAL.*
5. A review of Trust account signature forms, TexPool agreements, and other authorization forms revealed:
- The Accounts Payable authorization form for pre-disbursement files includes one terminated employee.  
**Management Response:** *Corrected.*
  - A new TexPool agreement has not been signed by the current County Judge or the current District Clerk.  
**Management Response:** *The new TexPool Authorization Form was e-mailed to Audit on 3/13/2017 after getting it back from Commissioner's Court.*
6. Felony cash bond details (receipts, disbursements, and cancellations) are consistently recorded to Odyssey. A comparison of AIS felony cash bond receipts (deposited to Fund 504) to Odyssey criminal bond receipts and department criminal bond listing revealed:
- Two (2) bond receipt numbers were posted incorrectly to Odyssey.  
**Management Response:** *Corrected.*

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- One (1) bond receipt for \$500 was duplicated in Odyssey under a different 'Bond #'.  
**Management Response:** *Corrected.*
- Numerous delays of several days in posting felony cash bond receipts to Odyssey.  
**Management Response:** *Trust Supervisor has Accounting Clerk III running the report on Mondays now instead of Fridays to cut down on this delay.*
- District Clerk Trust section does not reconcile felony cash bond activity to system control records due to inadequate or non-existent system reporting. A standard report is not available within Odyssey of pending felony cash bond balances.  
**Management Response:** *This is a repeat finding from previous years in which we have contacted IT to see if this can be done. We found out two years ago that they said it can't be done and we have the printed e-mail to support this.*
- Felony 'cash bond' tab on AIS is not used to record disbursements or cancellation related to refund or forfeiture of cash bonds.  
**Management Response:** *AIS does not contain this functionality and we have requested IT to configure this but were told it can't be done.*
- Triple entry of felony cash bond receipt activity occurs to various databases with no reconciliation of the accounts: original felony cash bond payment receipted by Sheriff and deposited to Fund 504; District Clerk Trust section enters to Odyssey; and, District Clerk Trust section enters data to an external database.  
**Management Response:** *Triple entry is used for back-up recording of transactions. The reconciliation is done in Odyssey and by individual ledger on a case by case basis.*
- Inquiry fields such as bond number and case number are not captured on Odyssey registry reports for external bonds. Although the Odyssey registry reports include the bond receipt number, Odyssey does not allow bond data to be queried by the actual cash bond receipt number. District Clerk does not populate the 'case number' field in Odyssey and uses the numeric portion of the actual case number to enter in the 'bond number' field.  
**Management Response:** *Sufficient information does exist to locate external bonds in Odyssey. We have no problem at all finding the bond in Odyssey to pay out or research. We have asked previously IT to allow us to search by receipt number and were told by IT that this cannot be done.*

7. District Clerk Trust section does not reconcile the Registry & Trust Fund activity to the GL or to the Fund 504 Trust/Registry bank account. The District Clerk's office relies on the County Treasurer for bank reconciliations which does not include reconciliation to subsidiary systems (Odyssey and AIS) or other records maintained by the District Clerk.  
**Management Response:** *Per statute, Special Fund Accounts 503 & 504 have to be reconciled by the County Treasurer. Odyssey and AIS do not contain reconciliation software.*  
**Auditor Comment:** *Per Local Government Code, § 113.008 (b-1), "The official may request the county treasurer to be responsible for the reconciliation of the checks and orders for payment payable from the funds that are under the direct authority of the official. Except as provided by Subsection (g), an official who fails to reconcile the official's special accounts monthly shall transfer responsibility for account reconciliation to the county treasurer."*
8. A review of the preliminary file for Internal Revenue Service (IRS) Form 1099-INT's to be reported by the District Clerk for calendar year 2016 revealed:

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- Instances of interest in Odyssey not matching the amount to be reported on Form 1099's. Reasons for the variances include:
  - Interest not updated, interest updated in a different calendar than earned, or interest updated incorrectly in Odyssey.  
*Management Response: Always a timing issue regarding when we do the 1099's versus when we update Odyssey. We get the correct interest earned from a report in our TexPool software for the prior year. Actual bank statements are never used to calculate the interest for or 1099's. This will always occur when we don't receive the bank statement until after January for any months prior to the new-year starting.*
  - 10% administrative fee deducted from the amount to be reported on the Form 1099-INT.  
*Management Response: This is correct standard operating procedure.*

## Recommendations

1. Registry Fund control procedures and banking safeguards require that:
  - All Fund 504 disbursements should be: accounted for; issued to the proper payee for the correct amount in a timely manner and in accordance with L.G.C., § 117.121; reference the relevant case information; and posted timely and accurately to the Odyssey courts system.  
*Management Response: Trust will strive harder to make sure this is done all of the time.*
  - All Fund 504 voids, cancellations, and stale date checks should be: accounted for; and posted timely and accurately to the Odyssey courts system.  
*Management Response: This will be done as soon as possible when we have check information regarding this.*
  - An automated process should be developed where possible to limit manual or duplicate data entry.  
*Management Response: This would require a complete overhaul of our Odyssey Database System or a new and different software program altogether.*
  - Case balances should be reviewed on a periodic basis for verification/confirmation of actual available balance.  
*Management Response: Trust will do this as much as possible.*
  - 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.  
*Management Response: We have had separation of duties regarding cash handling and deposits in general for many years.*
  - Fund balances and subsidiary (Odyssey and AIS) ledgers should be reconciled against control records (GL and bank statements) to safeguard funds and improve reporting accuracy with any correcting entries processing timely.  
*Management Response: The Treasurer's Office already reconciles Accounts 503 & 504 and sends the reconciliations to us on a monthly basis.*
  - Supervisory verifications of all cash transactions (receipts or disbursements) should be evidenced on subsidiary reconciliations.  
*Management Response: Trust Supervisor and the Accounting Clerk III have put in place a system where each of them checks the other's transactions. This however will need to be done with more precision on any future transactions.*

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2. All posting errors and unposted items (for disbursements, cancellations, stale date checks, mainframe conversion, interest, and investments) should be corrected / recorded to the Odyssey courts system.

**Management Response:** *All posting errors and unposted items have been corrected for this audit. Any future items will be scrutinized to make sure this happens as little as possible.*

3. Registry fund and investment control procedures require that:

- Investments should be made in accordance with statutory guidelines (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.

**Management Response:** *Agree. This has always been the case involving our investments.*

- All investment activity should be accurately and timely recorded to the Odyssey courts system under the appropriate party's 'Un-invested' and/or 'Invested' section.

**Management Response:** *Agree. This has always been the case involving our investments.*

- 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 institutions (e.g., a management plan including annual verification of all investment bank balances and un-invested should be developed and implemented). All remaining un-invested balances created as a result of conversion from the mainframe to Odyssey should be researched and corrected as appropriate.

**Management Response:** *Agree.*

- Assigned cash handling duties (including investment responsibilities) should be separated for manual and Odyssey courts system functions.

**Management Response:** *Agree. These duties have always been separated.*

- Fund balances and subsidiary (Odyssey and AIS) ledgers should be reconciled against control records (GL and bank statements) to safeguard funds and improve reporting accuracy.

**Management Response:** *When we receive a bank statement for an invested account, we update the amount in Odyssey. AIS does not contain the functionality to be able to do this. We have checked with the AIS IT staff and were told it can't be done. We were told that AIS was never designed for this type functionality. This is why we record the information in Excel Spreadsheets for back up purposes.*

- Supervisory verifications of all cash transactions (investments, receipts, or disbursements) should be evidenced on subsidiary reconciliations.

**Management Response:** *This is standard operating procedure.*

4. 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.

**Management Response:** *Interest is recorded in Odyssey as soon as possible when we receive the statement from the bank. As from three Audit's ago, we have always used the "Interest" option in Odyssey to record any interest.*

5. A management plan should be developed to improve the tracking, recording, and reporting of felony cash bond activity within the Odyssey courts system. Consider creation of an export file from AIS to import new felony cash bond data to Odyssey to avoid duplicate entry (triplicate including Excel database), data entry errors or unrecorded receipts. Absent an export file, felony cash bond receipts should be accurately and timely recorded to Odyssey. Reconciliation of felony



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cash bond activity including receipts, disbursements, cancelled checks, and stale date checks should occur on a periodic basis with ongoing management review. Expansion of Odyssey or AIS functionality for felony cash bond activity should be considered.

**Management Response:** *Trust Office was told by IT that this can't be done.*

6. All adjustment tills (including those for wire transfers) should be closed and included as an Odyssey deposit daily. The use of adjustment entries should be limited to corrections.

**Management Response:** *We have asked Internal Audit on previous occasions how this can be done for wire transfer transactions that take place in the Treasurer's Office. We cannot enter a wire transfer into Odyssey without using adjustments when our office never sees the funds to create a receipt to begin with.*

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

**Management Response:** *Interest is recorded in Odyssey as soon as possible when we receive the statement from the bank. However, interest posting errors is something we need to focus on to keep this from happening as little as possible.*

### Summary

This review is intended to support the management of the District 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 District Clerk's office to establish and maintain effective internal control over compliance with the requirements of applicable state statutes, orders of the court, and Dallas County policies and procedures.

Priority 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; reconciling Registry activity to control records including subsidiary systems (Odyssey and AIS), Oracle GL, and corresponding bank statements with annual verification of all investment bank balances and un-invested funds (including felony cash bonds).

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: timeliness in recording interest in Odyssey on accounts and posting disbursements or cancellations; and, errors in recording interest, disbursements, and cancellations fairly represent cash held in trust.

Emphasis on outlined procedures should provide for improved and accurate investment and un-invested balances. Consideration of all issues and weaknesses should be incorporated by the District Clerk as a self-assessment tool.