

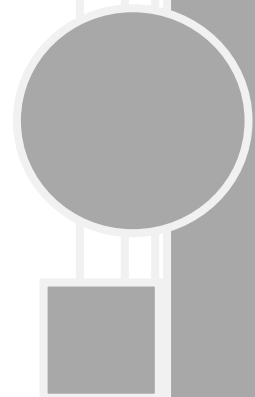


AUDIT REPORT

DALLAS COUNTY

DISTRICT CLERK REGISTRY TRUST - FY2018

Darryl D. Thomas
Dallas County Auditor
ISSUED: January 30, 2019
RELEASED: March 18, 2019



DISTRICT CLERK REGISTRY TRUST - FY2018

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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 Felicia Pitre
District Clerk
Dallas, Texas

Attached is the County Auditor's final report entitled "**District Clerk Registry Trust - FY2018**" Report. In order to reduce paper usage, a hard copy will not be sent through in-house mail except to the auditee.

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

Respectfully,

A handwritten signature in blue ink, reading "Darryl D. Thomas".

Darryl D. Thomas
County Auditor

EXECUTIVE SUMMARY

Review of District Clerk Registry and Trust for fiscal year 2018 revealed the significant observations listed below:

Summary of Significant Observations

- One disbursement posted to Odyssey for \$3,000 less than the disbursed amount.
- Two disbursements posted to Odyssey 159 days after being issued.
- Inaccurate reporting of 1099-INT to beneficiaries and the IRS

Repeat Observations from Previous Audits:

- Delays in posting disbursements and cancellations to Odyssey.
- Disbursements posted to Odyssey for the incorrect amount or with incorrect check information.
- Inaccurate reporting of 1099-INT to beneficiaries and the IRS

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, 2017 through September 30, 2018.

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

DETAILS

Fund 504 Odyssey Posting Errors and Outstanding Checks

A review of all District Clerk Registry and Trust Fund 504 disbursements revealed errors in posting to Odyssey which includes: two disbursements that were posted to Odyssey in a different fiscal year than when issued; 12 disbursements posted after five business days including two disbursements posted to the system after 159 days; 18 disbursements were not recorded in Odyssey; two disbursements were posted to Odyssey with the incorrect check number; 12 disbursements that have been outstanding in excess of 6 months without any resolution; and eight stale dated checks not properly voided in Odyssey. One disbursement was posted to Odyssey for \$3,000 less than the amount disbursed. **Status:** The full amount of disbursement posted to Odyssey in fiscal year 2019.

All Fund 504 disbursements issued, voids, cancelations, 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 increases the potential that duplicate disbursements may be issued.

Recommendation

Fund 504 Odyssey Posting Errors and Outstanding Checks

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

Management Action Plan

We will have an employee independent of issuing 504 Account Registry checks, review the accuracy of the checks posted in Odyssey. This process will be done on a daily basis regarding the previous 504 check issuances. We will also have an employee enter in Odyssey the 504 Account Registry checks as soon as confirmations of the check numbers arrive from the County Treasurer. Stale dated checks will be voided as soon as possible after receiving the stale dated check list from the County Treasurer. Outstanding checks will be handled by informing the payee, if possible, that their 504 issued check has not been presented for payment.

Auditors Response

None

Felony Cash Bonds Incorrectly Posted to Odyssey

A review of all felony cash bond receipts during fiscal year 2018 revealed delays of more than 50 days in posting three bond receipts to Odyssey including one bond receipt delayed 213 days; nine bond receipts

recorded to AIS in prior years were posted to Odyssey in fiscal year 2018; seven bond receipts issued in fiscal year 2018 totaling \$8,000 were posted to Odyssey in FY2019; one bond receipt number was entered incorrectly in Odyssey; three duplicate bond receipt postings in Odyssey were not voided; three bonds initially receipted to the District Clerk 504 Account in AIS and Odyssey were not voided in Odyssey when the funds were transferred in AIS to the accounts for other Dallas County entities; and 12 bond receipts totaling \$9,500 were not receipted in Odyssey.

Felony cash bond receipts should be accurately and timely recorded to Odyssey. Per CCP 33.07, each clerk of a court of record having criminal jurisdiction shall keep a record in which shall be set down the style and file number of each criminal action, the nature of the offense, the names of counsel, the proceedings had therein, and the date of each proceeding. Lack of supervisory review of the bond receipting process and clerical errors arising from the use of non-integrated financial systems resulted in inaccurate financial records and increased the potential for duplicate disbursements.

Recommendation

Felony Cash Bonds Incorrectly Posted to Odyssey

Management should:

- Develop a process to improve the tracking, recording, and reporting of felony cash bond activity within the Odyssey courts system.
- Reconcile the Daily AIS Bond Report to the Odyssey Registry and Trust Journal to ensure all receipts have been accurately posted.
- Develop a notification protocol with the Sheriff's department to process funds when amounts are transferred from the District Clerk bond account to other entities.

Management Action Plan

Criminal Cash Bond disbursements will now be reviewed on a daily basis in Odyssey and the EXCEL spreadsheets by the Trust Office Supervisor regarding accuracy and timeliness, now that the position has been filled. AIS Reports are generated by Trust on a weekly basis and this information is downloaded in Odyssey and an EXCEL spreadsheet. Trust will be more diligent in making sure the AIS Report, Odyssey, and EXCEL entries are as accurate as possible.

Auditors Response

None

Interest on Odyssey does not reflect Form 1099-INT

A comparison of District Clerk's 1099-INT report to the Odyssey Registry report for interest earned during calendar year 2018 revealed interest on Odyssey does not reflect the interest reported on Form 1099-INT and 1099-INT documents were not issued to two individuals receiving more than \$10 in interest during calendar year 2018. 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. Clerical errors, backdating of interest in

Odyssey and insufficient training related to 1099-INT reporting resulted in inaccurate financial records and could potentially lead to IRS penalties for untimely and inaccurate information filings.

Recommendation

Accurately Reporting Form 1099-INT

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 Action Plan

Regarding 1099-INT issuances for TexPool accounts that are processed by the Trust Manager, the Trust Supervisor will double check each account to make sure the interest earned is above ten dollars and to make sure the reporting amount is correct before the actual 1099-INT is generated. The Trust Supervisor will also make sure that all the accounts that qualify for a 1099-INT issuance will have a 1099-INT generated and mailed to the correct party.

Auditors Response

None

Inaccurate Odyssey Interest and Investment Postings

A review of District Clerk registry bank investments during fiscal year 2018 revealed that the interest amounts earned on 311 investment entries were not posted accurately and timely to the Odyssey courts system. The bank sends a monthly statement of interest earned on the separate accounts and Odyssey is updated by Trust section clerks with the earned interest. Limited reconciliation and the department not periodically updating interest amounts as they are earned resulted in inaccurate financial records.

Recommendation

Inaccurate Odyssey Interest and Investment Postings

Management should

- Periodically review investment balances to safeguard funds and improve reporting accuracy.
- Periodically reconcile interest amounts earned in Odyssey to official records of banking institutions instead of adding interest just prior to the disposition of a case.

Management Action Plan

Posting of updated interest will be done immediately on all invested accounts. The person posting this interest will do a self-review regarding accuracy on their Odyssey inputs after all statements are entered for the day.

Auditors Response

None

cc: Darryl Martin, Commissioners Court Administrator