

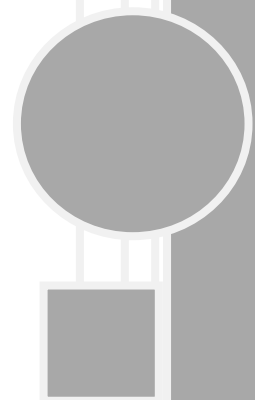


AUDIT REPORT

DALLAS COUNTY

DISTRICT CLERK REGISTRY TRUST - FY2019

Darryl D. Thomas
Dallas County Auditor
ISSUED: February 03, 2020
RELEASED: March 06, 2020



DISTRICT CLERK REGISTRY TRUST - FY2019

TABLE OF CONTENTS

MANAGEMENT LETTER.....	3
EXECUTIVE SUMMARY	4
INTRODUCTION	5
DETAILS	6
Fund 504 Errors Posting to Odyssey	6
Interest on Odyssey does not reflect Form 1099-INT.....	7
Felony Cash Bonds Incorrectly Posted to Odyssey	7
Inaccurate Odyssey Interest and Investment Postings.....	8
Fund 504 Outstanding Checks.....	9

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 - FY2019**" 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 that reads "Darryl D. Thomas". The signature is fluid and cursive, with the first name "Darryl" being more prominent.

Darryl D. Thomas
County Auditor

EXECUTIVE SUMMARY

A review of the District Clerk Trust and Registry investments for fiscal year 2019 revealed the significant observations listed below:

Summary of Significant Observations

- One wire transfer from February 2019 in the amount of \$40,000 was deposited incorrectly into Public Works 532 Escrow Fund rather than the Fund 504 Registry account. The deposit error was not identified until December 2019.
 - The Trust Department does not reconcile the registry receipts to the General Ledger monthly to ensure all funds are accounted for.

Status: The discrepancy was identified by Internal Audit during the annual review of Trust and Registry accounts. After notification from Internal Audit, the department contacted Public Works to process a request for payment (RFP) to refund the money to the Trust account.

Repeat Observations from Previous Audits:

- Delays in posting disbursements and cancellations to Odyssey.
- Delays in updating interest amounts earned on registry accounts.
- Receipt/disbursements recorded to Odyssey with inaccurate information including incorrect amounts.

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, 2018 through September 30, 2019.

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 Errors Posting to Odyssey

A review of all District Clerk Registry and Trust Fund 504 disbursements issued during fiscal year 2019 revealed errors in posting to Odyssey which included 38 disbursements totaling \$153,897.68 were posted to Odyssey more than five business day after issuance; 10 disbursements totaling \$20,629.15 were not recorded in Odyssey; six disbursements were posted to Odyssey with the incorrect check number; one disbursement posted to Odyssey without a check number; two disbursements were posted to Odyssey for the incorrect amount; the cancellation of six disbursements was not recorded to Odyssey;

A review of all District Clerk un-invested funds for fiscal year 2019 revealed discrepancies related to wire transfers: one duplicate wire transfer amount for interest totaling \$2,766.59 was recorded in Odyssey and one wire transfer from February 2019 in the amount of \$40,000 was deposited incorrectly into Public Works 532 Escrow Fund rather than the Fund 504 Registry account. The deposit error was not identified until December 2019. The Trust department does not reconcile the registry receipts to the general ledger monthly to ensure all funds are accounted for. **Status: The wire transfer variances were identified by Internal Audit during the annual review of Registry and Trust Funds. After notification from Internal Audit, the department voided the duplicate wire receipt entry for \$2,766.59 and contacted Public Works to process a request for payment (RFP) to refund the \$40,000 to the Trust account.**

All Fund 504 disbursements issued, voids, cancellations, and stale dated checks should be timely and accurately posted to the Odyssey courts system and reconciled to the GL and bank statements to safeguard funds and improve reporting accuracy. 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 of duplicate payments and/or lost monies.

Recommendation

Fund 504 Errors Posting to Odyssey

- Management 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/cancellations to confirm all checks and canceled checks have been posted in the correct amounts and to the correct cases.
- Fund balances and subsidiary (Odyssey) ledgers should be reconciled against control records (GL and bank statements) to safeguard funds and improve reporting accuracy.

Management Action Plan

This recommendation will be implemented.

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 2019 revealed that interest amounts on Odyssey do not reflect the interest reported on Form 1099-INT. Additionally, one case with \$48.11 in interest earned during 2018 was posted to Odyssey in January 2019. The case was disbursed in January 2019. 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. All interest earned before the 10% admin fee deduction should be reported to the IRS. Clerical errors 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

Interest on Odyssey does not reflect Form 1099-INT

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

Management Action Plan

The 1099's are generated by the bank where the investment occurs. When we receive the 1099 we forward it in to the minor. The 1099 is the interest that the account accrued for the whole tax year. We get statements from these banks throughout the year and add the interest amount for that period. Adding the interest for the whole tax year via the 1099 would give a false balance because we have been posting it as we have received it from the statements (double-posting). TexPool 1099's are created by District Clerk Trust office for the Tax Year and the interest on these comes exactly from a report in the TexPool software.

Auditors Response

We still recommend recording interest to cases periodically throughout the year as it is earned. Also, Odyssey should be updated with interest for the reporting year within that calendar year.

Felony Cash Bonds Incorrectly Posted to Odyssey

A review of all felony cash bond receipts issued during fiscal year 2019 revealed seven bond receipts totaling \$35,500 posted to Odyssey 10 or more business days after entry in AIS; 18 bond receipts recorded to AIS in prior years were posted to Odyssey in fiscal year 2019; one bond receipt amount was recorded to Odyssey for \$4,500 more than the AIS amount. Two 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; two duplicate bond receipt postings in Odyssey were not voided; and two bond receipts totaling \$5,500 were not receipted in Odyssey.

Felony cash bond receipts should be accurately and timely recorded to Odyssey. Per Code of Criminal Procedure 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

We will review the Felony Cash Bond posting procedures and come up with a plan to ensure accurate recording of these deposits and disbursements. These recommendations will be implemented the best that we can.

Auditors Response

None

Inaccurate Odyssey Interest and Investment Postings

A review of District Clerk Trust and Registry investment bank confirmations compared to investments recorded to Odyssey during fiscal year 2019 revealed delays in posting entries to Odyssey for interest amounts totaling \$1,376,596.88 earned on 132 accounts and one case has the incorrect bank reflected in Odyssey. 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 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 safeguards 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

These recommendations will be implemented the best that we can.

Auditors Response

None

Fund 504 Outstanding Checks

A review of all outstanding checks for Fund 504 as of September 30, 2019 revealed 10 disbursements totaling \$30,411.19 remain outstanding in excess of six months without investigation and/or resolution and 25 stale dated disbursements totaling \$24,354.78 were not canceled in Odyssey. 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 and a lack of integrated financial systems resulted in inaccurate disbursement information reflected on cases and increased the potential for duplicate payments and/or lost monies.

Recommendation

Fund 504 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

The recommendation will be adopted regarding outstanding and stale dated 504 checks.

Auditors Response

None

cc: Darryl Martin, Commissioners Court Administrator