



AUDIT REPORT

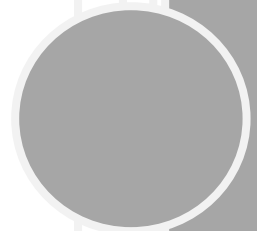
DALLAS COUNTY

District Clerk Registry Trust - FY2020

Darryl D. Thomas
Dallas County Auditor

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District Clerk Registry Trust - FY2020

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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 - FY2020" 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 District Clerk Trust and Registry investments for fiscal year 2019 revealed no significant observations:

Summary of Significant Observations

- None identified

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.

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, 2019 through September 30, 2020.

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 Outstanding Checks**

A review of all outstanding checks for Fund 504 as of September 30, 2020 revealed five disbursements totaling \$6,550 remained outstanding in excess of six months without investigation and/or resolution and six stale dated disbursements totaling \$10,092.32 were not canceled in Odyssey. All Special 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/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

- Management will implement Audit recommendation
- Trust supervisor will have a report run to confirm checks showing in registry not paid out semi-annually.
- To help minimize checks not being cashed after a year, Trust will work with Treasurer's Office to confirm checks still available after expired dates. Trust will adopt the Auditor's Recommendation.
- We will review those checks and come up with a plan for not duplicating those.

Auditors Response

None

Fund 504 Errors Posted to Odyssey

A review of all District Clerk Registry and Trust Fund 504 disbursements issued during fiscal year 2020 revealed posting errors including seven disbursements that were not posted to Odyssey; two disbursements posted to Odyssey in error; six disbursements posted to Odyssey with the incorrect amount; one disbursement posted to Odyssey eight days after issuance; one disbursement posted to Odyssey with the incorrect check number; six cancelled disbursements not voided in Odyssey; and one cancelled disbursement not posted to Odyssey.

A sample review of 20 Trust Registry court orders revealed two registry deposits with signed orders to invest funds were invested 30 or more business days after receipt.

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 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 504 Errors Posted 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

- Management will implement Audit Recommendation.

Auditors Response

None

Felony Cash Bonds Incorrectly Posted to Odyssey

A review of all felony cash bond receipts issued during fiscal year 2020 revealed five bond receipts totaling \$7,000 posted to Odyssey 10 or more business days after entry in AIS including two disbursements that were posted 229 and 93 business days after entry; six bond receipts recorded to AIS in prior years were posted to Odyssey in fiscal year 2020; three bond receipt numbers were incorrectly posted in Odyssey; two duplicate bond receipt postings in Odyssey were not voided; and two bond receipts totaling \$600 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

- Management will implement Audit Recommendation.
- The Felony Cash Bond Report is run once a week. This Report is generated by the Accounting Clerk. If the Report is run only once a week, if you include weekends and what day of the week it was run, you will have delays of 10-days or more. Trust will look into possible running the report more frequently.
- Some cash bonds don't show up on the report even though it was posted during the time frame of the Report. The reasons for this is because some felony cash bonds are transferred from the 502 Misdemeanor Account and some felony cash bonds were out of county arrests. These two reasons are why there are delays in the bonds being posted to Odyssey.
- Trust will have a second clerk review the data entry of the previous clerk who entered the data on Cash Bond Odyssey entries.
- Trust will implement Auditor's Recommendation.

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 2020 revealed delays in posting entries to Odyssey for interest amounts totaling \$25,534.99 earned on 152 accounts and 135 case balances from the department's report were \$3,797.88 less than the Odyssey report case balances. Specific control procedures related to Registry and Trust investment accounts include interest amounts in Odyssey being updated with the earned interest indicated on the monthly bank statement. Additionally, bank statements should be reconciled to the general ledger on a monthly basis. 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

- Accounts are update in Odyssey when the bank statements are sent to the Trust Department. The discrepancy occurs when Audit requests balances as of September 30th. This is because we don't always get a specific bank statement for that date. Some financial institutions only send statements annually, semi-annually, or quarterly. It's impossible to update all Odyssey accounts for the specific date of September 30th.
- All other Audit Recommendations will be implemented, if 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 2020 revealed more interest was recorded to Odyssey for 76 Trust and Registry accounts than the amount reflected on issued Form 1099's. 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

- All financial institutions we deal with except for one provide us the 1099-INT's. These are sent to us and then forward to the party we've invested for. Those 1099-INT's are 100% accurate because they come directly from the bank. With TexPool investments, we have to calculate our own 1099-INT's. This calculation comes directly from a report from TexPool. We subtract 10% of the interest earned and if the amount left over is above \$10, we produce a 1099-INT. these calculations are done with EXCEL formulas and are 100% accurate. Odyssey interest will not be the same because of the same reasons noted earlier.
- these are usually do to timing issues. Also for TexPool accounts, we only take the 10% administration fee at the time the account is paid out in Odyssey. The 1099-INT has to recognize the 10% administrative fee on a yearly basis. Where we can update the banks 1099-INT form from financial institutions other than TexPool, we will try to implement Audit's recommendation each tax year.

Auditors Response

None

cc: Darryl Martin, Commissioners Court Administrator