



AUDIT REPORT

DALLAS COUNTY

District Clerk Registry Trust - FY2021

Darryl D. Thomas
Dallas County Auditor

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District 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 Felicia Pitre
District Clerk
Dallas, Texas

Attached is the County Auditor's final report entitled "District 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 District Clerk Trust and Registry investments for fiscal year 2021 revealed no significant observations:

Summary of Significant Observations

1. None identified

Repeat Observations from Previous Audits:

1. 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****504 Outstanding Checks**

A review of all outstanding checks for Fund 504 as of September 30, 2021 revealed 11 disbursements totaling \$32,886.97 remain outstanding in excess of six months without investigation and/or resolution and six stale dated disbursements totaling \$7,480.00 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**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

- Trust will heed the audit recommendation and start running an Odyssey Transaction Report to make sure that all voids and cancelled checks are posted to Odyssey and that these postings are correct. For those checks that are on the upcoming Stale Date list, we will continue to send out letters to payees to let them know the check they were issued has not been presented for payment. Trust will heed the Audit recommendation and start running an Odyssey Transaction Report to make sure that all stale dated check listing/cancellations have been posted in the correct amounts and to the correct cases. Trust will also reconcile these checks and postings against the General Ledger and or Account 504 bank statements.

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 2021 revealed errors in posting to Odyssey which included 11 disbursements totaling \$16,410.93 were not posted to Odyssey; 18 disbursements totaling \$913,689.73 posted to Odyssey more than five days after issuance; one disbursement was not voided in Odyssey;



two disbursements were posted to Odyssey with the incorrect check number; and two disbursements were posted to Odyssey with the incorrect amount.

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

1. 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.
2. 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

- In regards to delays posting checks in Odyssey, sometimes this is unavoidable. This is sometimes due to delays in getting the approval from the treasurer's office along with weekends and holidays. On those instances where we can improve this posting time, we will.
- The only delays we have with investment of funds is due to the fact that we haven't been given a social security or tax ID number from either the parent or attorney. Any report that will help with efficiency and posting errors will be looked at immediately.

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 2021 revealed delays in posting entries to Odyssey for interest amounts totaling \$86,291.52 earned on 268 accounts and 49 case



balances from the department's report were \$1,046.42 less than the Odyssey report case balances.

A review of District Clerk Trust and Registry deposits compared to the General Ledger during fiscal year 2021 revealed one wire transfer deposit totaling \$16,731.67 was not posted to Odyssey. **Status:** Department posted receipt when notified in January 2022

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.

1. 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

- Most of these differences in interest are due to the fact that some accounts only send out an interest statement once a year. Audit gets there interest statement as of a different date. These will almost never match. Certificates of Deposit are different than checking accounts in that they do not have a monthly bank statement. On every account that we can post the interest to match what balances Audit has been given, we will certainly enter that in Odyssey. Odyssey doesn't calculate interest, it only states the interest that we input ourselves directly from the bank statement. This bank statement is only issued in most cases, once a year. Trust will heed the Audit recommendation and start running an Odyssey Transaction Report to make sure that all correct interest is posted to those accounts that are issued a timely bank statement from the individual financial institution. Reconciliation of these investment accounts will be maintained on a weekly basis.

Auditors Response

- None

**Felony Cash Bonds Incorrectly Posted to Odyssey**

A review of all felony cash bond receipts issued during fiscal year 2021 revealed 433 bond receipts totaling \$939,956.51 posted to Odyssey 10 or more business days after entry in AIS; eight bond receipts recorded to AIS in prior years were posted to Odyssey in fiscal year 2021; four bond receipt numbers were entered incorrectly in Odyssey; three duplicate bond receipt postings in Odyssey were not voided; seven bond receipts totaling \$12,500 were not posted in Odyssey; one voided bond receipt was not voided in Odyssey; and one bond receipt posted in Odyssey with wrong amount.

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

- The AIS Felony cash bond report is ran once a week. This report is what we use to post felony cash bonds to Odyssey. Not all felony cash bonds make this report at the time the actual bond was tendered. This usually happens when the defendant is arrested in another county in Texas. We only find out about these bonds when the Criminal section calls us to see if we have the funds available to pay out. Then we find out if the bond funds were placed in the 504 Account. If the bond money was placed in Account 504, we then post the information to Odyssey. For those bonds that made the report and we failed to enter into



Odyssey, we will start having them double checked by a different clerk. We will also consider running the AIS report two times a week. It is a lot more efficient for the Trust section if the AIS report is not run every day. Will heed the recommendation from Audit and start reconciling the AIS report to Odyssey on the days that we run the report. We will also try to make the process more efficient and error free regarding taking the felony bonds from AIS and entering this data into Odyssey.

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 2021 revealed the interest amounts on Odyssey do not reflect the interest reported on Form 1099-INT. 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 interest amounts on the TexPool 1099's is accurately reported. These Interest amounts come straight from a TexPool Excel report that is run every January. The only thing added to this report by the Trust department is a formula that calculates what 10 percent of the interest is. We then subtract that from the total interest and that remaining amount is what is reported on each TexPool 1099. These amounts could be reported to Odyssey without taking a 10 percent deduction. The reason for this is because we do not actually take the 10 percent administration fee until the minor's account is closed out at the age of majority. We use the TexPool website as our record of interest earned because it is 100 percent accurate. The Trust department will also input these amounts into Odyssey going forward. The interest earned on TexPool 1099 Int.'s comes exactly from the TexPool website. The amounts are correct on the issued 1099 Int.'s that we issue to each account holder. We will start taking the 1099 amounts from TexPool

DALLAS COUNTY



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- web site and upgrading Odyssey as of January 1st each year instead of using TexPool as our log for interest.

Auditors Response

- None

cc: Darryl Martin, Commissioners Court Administrator