

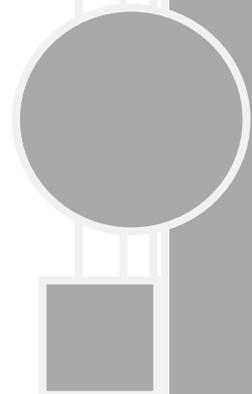


# AUDIT REPORT

DALLAS COUNTY

COUNTY CLERK REGISTRY TRUST - FY2018

Darryl D. Thomas  
Dallas County Auditor  
ISSUED: January 30, 2019  
RELEASED: March 07, 2019



# COUNTY CLERK REGISTRY TRUST - FY2018

## TABLE OF CONTENTS

---

MANAGEMENT LETTER.....	3
EXECUTIVE SUMMARY.....	4
INTRODUCTION.....	5
DETAILS.....	6
Fund 506 Odyssey and GL Posting Errors and Investment Delays.....	6
Fund 501 Errors Posting to Odyssey.....	7
502 Disbursements Errors.....	8
Inaccurate Odyssey Interest and Investment Postings.....	9
AP Authorization Form.....	9
Interest on Odyssey does not reflect Form 1099-INT.....	10
Outstanding Checks.....	11

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 John Warren  
County Clerk  
Dallas, Texas

Attached is the County Auditor's final report entitled "**County 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 that reads "Darryl D. Thomas". The signature is fluid and cursive.

Darryl D. Thomas  
County Auditor

## **EXECUTIVE SUMMARY**

### **Summary of Significant Observations**

- Three disbursements totaling \$1,116.02 not posted to Odyssey.
- One check was voided in Odyssey 139 days after the cancellation date.
- Three cases with duplicate disbursements totaling \$1,810 issued.
- Interest on account balances was not updated in Odyssey for 116 Civil accounts and 131 Probate accounts.

### **Repeat observations from Previous Audits:**

- Delays in posting disbursements and cancellations to Odyssey.
- Duplicate payments issued.
- Registry funds were invested more than 30 days after receipt.
- Delays in updating interest amounts earned on registry accounts.

**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 506 Odyssey and GL Posting Errors and Investment Delays**

A review of all Trust and Registry Fund 506 disbursements identified multiple posting errors in Odyssey including three disbursements totaling \$1,116.02 not posted to Odyssey; 133 disbursements posted to Odyssey between five and 59 business days after issuance; one disbursement posted to Odyssey with the incorrect check number; one duplicate disbursement was issued resulting in an overpayment totaling \$32.07; one disbursement was voided in Odyssey 139 days after the cancellation date; and one registry deposit included the admin fee of \$7.90 in Registry Fund 506 instead of the General Fund 120.

A sample review of 30 Civil and Probate Registry court orders revealed: three deposits were invested more than 30 days after being received, including one amount that was invested after 127 days and one judgment was not signed by the Judge.

All Fund 506 disbursements should be accounted for, issued to the proper payee for the correct amount in a timely manner, and reference the relevant case information. Additionally, all Fund 506 disbursements issued, voids, cancellations, and stale dated checks should be timely and accurately posted to the Odyssey courts system. The administrative fee collected under section L.G.C. Sec. 117.054 shall be deposited in the general fund of the county. 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.

### **Recommendation**

#### **Fund 506 Odyssey and GL Posting Errors and Delays**

Management should:

- Generate a daily Odyssey Transaction Listing report for disbursements and compare the report to the disbursement file received from the Treasurer's office to confirm all checks have been posted to Odyssey in the correct amounts and to the correct cases.
- Review Odyssey case balances on a periodic basis for verification/confirmation of actual available balance.
- Record all registry transactions in Odyssey and associate to the correct party in a timely manner.
- All posting errors and unposted items should be corrected /recorded to Odyssey.

### **Management Action Plan**

We will correct the \$32.07 duplicate admin fee overpayment. We will correctly enter the information for the check noted. Going forward, the check number will be entered in Odyssey instead of the Audit receipt number. In addition, the timing of disbursements and

investments will continue to be closely reviewed for improvement by management.

**Auditors Response**

None

**Fund 501 Errors Posting to Odyssey**

A review and comparison of all Fund 501 disbursements compared to Odyssey revealed 235 disbursements were posted in Odyssey more than three days after issuance; three disbursements do not have the check number entered in Odyssey; 15 disbursements were not posted to the associated cases in Odyssey; eight disbursements were posted with the incorrect check number; one canceled disbursement was not voided in Odyssey; one \$400 disbursement is posted to the wrong case; one disbursement posted to multiple parties within the same case; and three cases with duplicate disbursements totaling \$1,810 issued in Oracle.

All Special Fund disbursements should be accounted for, issued to the proper payee for the correct amount in a timely manner, and reference the relevant case information. Additionally, all Special Fund disbursements, voids, cancelations, and stale dated checks should be timely and accurately posted to Odyssey to maintain accurate financial balances. 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 or monies not collected.

**Recommendation**

**Fund 501 Errors Posting to Odyssey**

Management should:

- Develop written procedures for the disbursement process.
- Generate a daily Odyssey Transaction Listing report for disbursements and compare the report to the disbursement file received from the Treasurer's Office to confirm all checks have been posted to Odyssey in the correct amounts and to the correct cases.
- Assigned cash handling duties should be properly separated for effective controls and so no one person has complete access to cash through receipting, record keeping, and disbursement responsibilities.
- Fund balances and subsidiary Odyssey ledgers should be reconciled against control records (GL and bank statements) to safeguard funds and improve reporting accuracy with any correcting entries processed timely.
- Supervisory verification of all cash transactions (receipts or disbursements) should be evidenced on subsidiary reconciliations.

**Management Action Plan**

Division management were advised to correct the Odyssey entries with missing or incorrect check numbers, post missing disbursements, and enter the cancelled check number noted. Division management has issued duplicate payment notices to those three cases that were issued funds, requesting payment back within 30-days and will follow up to ensure lost funds are recovered.

**Auditors Response**

None

**502 Disbursements Errors**

A review of Trust and Registry Fund 502 disbursements during fiscal year 2018 revealed one disbursement was associated with an incorrect AIS receipt number, resulting in AIS reflecting a negative balance; and six duplicate disbursements of administrative fees were issued resulting in overpayments totaling \$185.50. **Status:** The overpaid amounts were reimbursed to the Registry and Trust Fund 502 from the General Fund 120.

All Fund 502 disbursements should be accounted for, issued to the proper payee for the correct amount in a timely manner, and reference the relevant case information. Additionally, all Fund 502 disbursements issued, voids, cancelations, and stale dated checks should be timely and accurately posted to AIS 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 increased the potential that duplicate disbursements may be issued.

**Recommendation**

**502 Disbursements Errors**

Management should:

- Periodically review case balances and disbursements for issuance to the appropriate parties in a timely manner.
- Reconcile fund balances and subsidiary ledgers to control records (GL and bank statements) to safeguard funds and improve reporting accuracy.

**Management Action Plan**

The Division Management self-audits work processes and will look for ways to continue to reduce errors.

**Auditors Response**

None

### **Inaccurate Odyssey Interest and Investment Postings**

A review of investment account balances for Civil and Probate cases during fiscal year 2018 revealed interest on account balances was not updated in Odyssey for 116 Civil accounts and 131 Probate accounts; 19 Probate accounts are duplicated on the department's investment report; and one disbursement posted in Odyssey as being disbursed to a bank instead of an individual. **Status:** Disbursement corrected in Odyssey November 16, 2018.

Odyssey should be updated by Trust section clerks with the earned interest noted in the monthly statement sent by the bank. The Treasurer should reconcile the bank statement received monthly from the bank to the General Ledger. Limited reconciliation of registry funds, clerical error and delays in updating earned interest amounts resulted in an inaccurate total invested registry funds report and increased the potential for duplicate payments and/or lost monies.

#### **Recommendation**

##### **Inaccurate Odyssey Interest and Investment Postings**

Management should:

- Pursue an automated process where possible to limit manual or duplicate data entry.
- Periodically review Odyssey investment/case balances for verification/confirmation of actual available balance.

#### **Management Action Plan**

Management will review the work process to investigate any possibility of receiving updated bank statements via an automated process.

#### **Auditors Response**

None

### **AP Authorization Form**

A review of the Accounts Payable Authorized Electronic Disbursement form for the County Clerk Registry and Trust section revealed the department has not submitted an updated authorization form to the Auditor's Office. One employee, who transferred to another Dallas County department on August 4, 2018, remained on the disbursements authorization list. Authorization forms should be updated with individuals authorized to sign requests pertaining to the financial activities of the respective County office and sent to Accounts Payable in a timely manner. Lack of management oversight in updating the authorization form could result in delays in disbursing payments to individuals and increased the potential that funds could be misappropriated.

#### **Recommendation**

##### **AP Authorization Form**

Management should:

- Update authorization forms with current employees and submit the form to

Accounts Payable.

- Periodically review authorization forms and update access timely when employees leave, transfer to other departments, or are reassigned roles no longer requiring authorization.

### **Management Action Plan**

The form has already been updated, signed, and submitted to Audit. The check disbursement process limits the risk of misappropriation of funds by requiring supervisor or management sign-off on both the disbursement request file, and the actual check issuance.

### **Auditors Response**

None

### **Interest on Odyssey does not reflect Form 1099-INT**

A comparison of County Clerk's 1099-INT report to the Odyssey Registry report for interest earned during calendar year 2018 revealed 65 condemnation cases with earned interest amounts in Odyssey greater than \$10 for calendar year 2018 were not issued 1099-INT documents. A sample review of 30 out of 65 cases without a 1099-INT issued revealed five cases had a judgment to disburse funds to specific individuals but a 1099-INT was not issued by the department. Additionally, one recipient interest amount on the 1099-INT document was different than the Odyssey Registry report.

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. The beneficiary of interest earned on money held in the registry for condemnation cases cannot be determined until the judge issues an order to award funds. Miscalculation of amounts to be reported and clerical errors resulted in inaccurate financial records and could potentially lead to IRS penalties for untimely and inaccurate information filings.

### **Recommendation**

#### **Accurate Reporting Form 1099-INT**

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

### **Management Action Plan**

For case number ending in 06487, no 1099INT was issued because the amount issued from the case was a withdrawal and not a final disbursement. The Court Order to pay the City of Irving did not indicate any interest earning to be included. The bulk of the principal plus interest earned remains invested. For case ending in 04070, no 1099INT was issued because the original disbursement was voided and the check on 9/18/2018 was to return the money to TexPool where it remains invested. For cases ending in 02145 and 05403 had

no 1099INT as both were disbursements to City of Dallas and/or Dallas County, tax exempt entities. For case ending in 00525, there was no 1099INT since there did not appear to be any disbursements. Funds remain invested.

**Auditors Response**

None

**Outstanding Checks**

A review of all outstanding checks for Fund 501, 502, and 506 as of September 30, 2018 identified 36 checks remained outstanding in excess of six months without investigation and/or resolution; and 11 stale dated checks were not canceled in Odyssey. All Trust Fund voids, cancelations, 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, a lack of integrated financial systems, and clerical errors resulted in inaccurate disbursement information reflected on cases and increased the potential for duplicate payments and/or lost monies.

**Recommendation**

**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/ cancelations to confirm all checks and canceled checks have been posted in the correct amounts and to the correct cases.

**Management Action Plan**

Accounting and Trust forwards stale dated check numbers upon receipt of the list from the Treasurer's Office. Accounting and Trust will contact Division management on a timely basis to ensure that the check numbers are cancelled in Odyssey.

**Auditors Response**

None

cc: Darryl Martin, Commissioners Court Administrator