



AUDIT REPORT

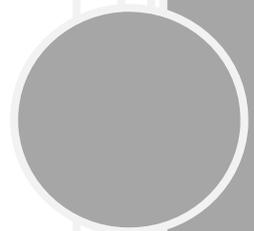
DALLAS COUNTY

County Clerk Registry Trust - FY2020

Darryl D. Thomas
Dallas County Auditor

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County Clerk Registry Trust - FY2020

TABLE OF CONTENTS

MANAGEMENT LETTER	3
EXECUTIVE SUMMARY	4
INTRODUCTION	5
DETAILS	6

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

Anita Saul-Turner
Financial Administrator
Honorable John Warren
County Clerk
Dallas, Texas

Attached is the County Auditor's final report entitled "County 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 County Clerk Trust and Registry investments for fiscal year 2020 revealed no significant observations:

Summary of Significant Observations

- None identified

Repeat observations from Previous Audits:

- 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, 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 506 Odyssey GL Posting Errors and Investment Delays

A review of all Trust and Registry Fund 506 disbursements issued during fiscal year 2020 revealed multiple posting errors in Odyssey including 346 disbursements totaling \$6,221,803.05 that were posted to Odyssey between 6 and 109 days after issuance; one voided disbursement was posted to Odyssey 75 days after the cancellation date; and three cancelled disbursements totaling \$19,905.89 were not voided in Odyssey, including two disbursements that were neither posted nor voided in Odyssey.

A sample review of 30 Civil and Probate Registry court orders revealed seven registry deposits amounts totaling \$138,509.49 with signed orders to invest funds were invested 30 or more business days after receipt including three deposits that were invested more than 100 business days after the signed orders.

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. 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 506 and GL Posting Errors

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.
- Correct all posting errors and unrecorded items in Odyssey.

Management Action Plan

Management is providing additional policies and procedures to staff on proper entry to Odyssey, including entering voided checks to establish a proper audit trail.

Auditors Response

None



Fund 502 Disbursement Errors

A review of Trust and Registry Fund 502 disbursements during fiscal year 2020 revealed three disbursements totaling \$1,662.50 were not posted to AIS; one disbursement was not cancelled in AIS; one disbursement was not cancelled in AIS resulting in a negative balance of \$950; one duplicate disbursement issued for \$50 resulting in a negative balance in AIS; and the disbursements associated with 23 cases were not posted to AIS.

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, cancellations, 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 have resulted in inaccurate case balances and increased the potential that duplicate disbursements may be issued.

Recommendation

Fund 502 Disbursement 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 (General ledger and bank statements) to safeguard funds and improve reporting accuracy.

Management Action Plan

The Criminal Operations Management has been provided a copy of the findings to have IT review the disbursement errors noted.

Auditors Response

None

Investment Interest and Postings to Odyssey

A review of investment account balances for Civil and Probate cases during fiscal year 2020 revealed interest amounts totaling \$56,294.48 were not updated in Odyssey for 245 Civil accounts and 153 Probate accounts and 22 Probate accounts are duplicated on the department's investment report.

A review of Civil and Probate un-invested fund accounts revealed 13 cases with final judgement amounts ordered were not invested.

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 of registry funds, clerical error and delays in updating earned interest amounts resulted in an inaccurate registry funds report and increased the potential for duplicate payments and/or lost monies.



Recommendation

Investment Interest and Postings to Odyssey

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.
- Update Odyssey balance with current interest amounts.

Management Action Plan

Cases without Social Security numbers cannot be invested. The two cases named have been or are in the process of being invested.

Auditors Response

None

Fund 501 Errors Posting to Odyssey

A review of Fund 501 Civil and Probate bond disbursements and comparison to Odyssey revealed 192 disbursements totaling \$1,117,359.94 were posted to Odyssey more than four business days after issuance; three check numbers were not posted to the disbursement in Odyssey; one disbursement was not cancelled in Odyssey; one disbursement was posted with the incorrect amount in Odyssey; one disbursement full amount was not posted to Odyssey; two disbursements totaling \$1,750 were not posted to the associated cases in Odyssey; and one disbursement was not properly posted to Odyssey.

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, cancellations, 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. G
- 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.
- Reconcile Fund balances and subsidiary Odyssey ledgers against control records (GL and bank statements) to safeguard funds and improve reporting accuracy with any correcting entries processed timely. Verification should be evidenced by management signature on subsidiary reconciliations.



Management Action Plan

Accounting and Trust are working on a more thorough process to review transaction entries in Odyssey.

Auditors Response

None

Outstanding Checks

A review of all outstanding disbursements for Fund 501, 502, and 506 as of September 30, 2020 revealed 30 disbursements remained outstanding in excess of six months without investigation and/or resolution and 10 stale dated disbursements were not cancelled 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, 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 to confirm all checks and canceled checks have been posted in the correct amounts and to the correct cases.

Management Action Plan

The stale dated check list did not appear to have been distributed to the Divisions. The list was sent to the Divisions to update Odyssey.

Auditors Response

None

New 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 2020 revealed 48 condemnation cases with earned interest amounts in Odyssey greater than \$10 for calendar year 2020 were not issued Form 1099-INT documents and 21 condemnation cases with an issued Form 1099-INT included amounts from prior tax years.

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 the 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 informational filings.

Recommendation

DALLAS COUNTY



COUNTY AUDITOR

New Interest on Odyssey does not reflect 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

The beneficiary and division of interest earning cannot be determined until the Judge has issued a Final Judgment.

Auditors Response

None

cc: Darryl Martin, Commissioners Court Administrator