



COMMISSIONERS COURT
COMMUNICATION

REFERENCE NUMBER CO#124787

PAGE 1 OF 9

DATE: 03/21/2017

SUBJECT: **RECEIVE AND FILE THE AUDITOR'S REPORT OF THE REGISTRY OF THE COURT ACCOUNTS HELD BY THE COUNTY CLERK AS OF SEPTEMBER 30, 2016**

COMMISSIONERS COURT ACTION REQUESTED:

It is requested that the Commissioners Court receive and file the Auditor's Report of the Registry of the Court Accounts held by the County Clerk as of September 30, 2016.

BACKGROUND:

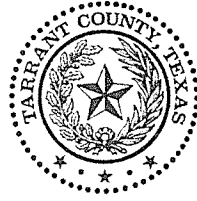
As required by Local Government Code Section 117.123, the Auditor's Office performed an audit of the registry funds held by the County Clerk as of September 30, 2016. The objective of the audit was to determine whether the registry account balances shown on the attached financial statements were materially correct. The Auditor's Office also determined whether collateral held by the County Clerk and the depositories was adequate.

FISCAL IMPACT:

There is no direct fiscal impact associated with this item.

SUBMITTED BY: Auditor's Office

PREPARED BY: S. Renee Tidwell
APPROVED BY:



TARRANT COUNTY
TARRANT COUNTY ADMINISTRATION BUILDING - ROOM 506
100 E. WEATHERFORD
FORT WORTH, TEXAS 76196-0103
817/884-1205
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S. RENEE TIDWELL, CPA
COUNTY AUDITOR
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CRAIG MAXWELL
FIRST ASSISTANT COUNTY AUDITOR
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March 7, 2017

The Honorable Mary Louise Garcia, County Clerk
The Honorable District Judges
The Honorable Commissioners Court
Tarrant County, Texas

Re: Auditor's Report – County Clerk, Review of Registry of the Court Accounts

SUMMARY

As required by Local Government Code Section 117.123, the Auditor's Office performed an audit of the registry funds held by the County Clerk as of September 30, 2016. The objective of the audit was to determine whether the registry account balances shown on the attached financial statements were materially correct. In our opinion, the County Clerk's registry account balances shown on the attached financial statements were presented fairly, in all material respects. Most of the registry accounts were held by JPMorgan Chase Bank (Chase), the county's depository, but a few remain at Wells Fargo Bank. We also determined that collateral held by the County Clerk and Chase exceeded the amount required by contract. The accounts held at Wells Fargo Bank are insured by FDIC.

During our audit, we tested 70 registry accounts and observed the following issues that require management's attention:

1. We observed an account where the judicial order to invest \$254,202 was dated July 7, 2016, but the funds had not been deposited into an interest bearing account as of November 29, 2016, 104 business days after the date of the order. The Auditor's Office immediately contacted the County Clerk's Office, and the funds were invested on November 30, 2016. As a result, interest totaling \$423.93 was not accrued to the registry account. On December 13, 2016, the Commissioners Court approved \$423.93 from the County Clerk's Professional Liability Fund to make the registry account whole. This condition occurred because the Accounting Office did not receive the judicial order to invest from the County Clerk Civil Courts department.

We observed nine additional accounts where it took between eight and eleven business days between the date of the judicial order and the date the funds were invested into an interest bearing account. The delays did not cause a material loss of interest earned on the invested amounts.

Recommendation: As previously reported, ideally funds should be invested within three business days. We also recommend that the Manager of the County Clerk Civil Courts department establish oversight procedures to ensure that the judicial orders are processed and then forwarded to the Accounting Office so that funds are invested as instructed by the court.

2. We observed four accounts with small balances after disbursements were made to the respective trustees. The largest balance was \$48.84. This condition occurred because the judicial orders did not always include the accurate amount of earned interest to be distributed, along with the principal balance, to the trustees. The oldest court order was dated July 24, 2009, and the most recent court order was dated June 13, 2012.

Recommendation: Since attorneys typically prepare the order for the judge to sign, it may not always be cost effective to obtain a revised order with the correct balance for distribution to the trustee for such small amounts. In such cases, we recommend that the County Clerk consider the balance as abandoned property and escheat the funds in accordance with Local Government Code.

3. We observed one account where 17 business days elapsed before the invested funds were recorded into Odyssey. Based on the recording date, County Clerk staff may have detected the error during the monthly reconciliation process.

Recommendation: The County Clerk Accounting Manager should implement procedures to ensure that transactions made to registry funds, including investments, are immediately recorded into Odyssey.

4. We observed two accounts where information recorded in Odyssey was not accurate and complete. Specifically, one account showed an investment date five days before the funds were actually received. Another account showed a scan date on the investment order four days earlier than the date the judge signed the order.

Recommendation: The County Clerk staff should implement quality control procedures to ensure that information recorded in Odyssey, including dates, is accurate and complete.

During fiscal year 2016, the County Clerk's Office presented 1,892 checks totaling \$34,791,485 for the auditor's review, approval, and countersignature. Of the checks presented to the Auditor's Office, 13 checks totaling \$56,104 were rejected for reasons including an incorrect amount or payee name, incorrect court order or judge's signature, or noncompliance with County policy that require deposits to be held for 14 days before the funds are distributed. The County Clerk's Office voided and reissued all 13 checks. The reissued checks were presented to the Auditor's Office for review and countersignature. No further action was required.

BACKGROUND


The registry accounts are funds deposited and held for a third party per court order or statute. The funds held in the registry do not belong to Tarrant County. Rather, the County Clerk holds the funds in a fiduciary capacity to satisfy a legal pleading or to await the outcome of a legal proceeding. The registry accounts are recorded into Odyssey, the County Clerk's case management application. The County Clerk is responsible for the deposits, disbursements, and the investment of the registry funds. Currently, registry accounts are held at JP Morgan Chase and Wells Fargo banks.

In accordance with Local Government Code Section 117.121, *Disbursement of Funds*, the Auditor's Office reviews and countersigns disbursements made from the County Clerk's Registry Accounts. The code states, "*All checks or drafts issued for the disbursement of the registry fund must be submitted to the county auditor for the auditor's countersignature before delivery or payment. The county auditor may countersign the check only on written evidence of the order of the judge of the court in which the funds have been deposited, authorizing the disbursement of the funds.*"

CLOSING REMARKS

We appreciate the cooperation of the County Clerk's staff during this audit. If you have any questions, please do not hesitate to call.

Sincerely,



S. Renee Tidwell, CPA
County Auditor

Attachments: Statement of Assets and Liabilities
Statement of Changes in Assets and Liabilities
Management's response

Distribution: James Knowles, Accounting Manager
Dusty Sanders, Civil Courts Manager

Audit Team: Kim Trussell, Audit Manager
Dan Thompson, Senior Internal Auditor

**TARRANT COUNTY, TEXAS
COUNTY CLERK
REGISTRY OF THE COURT ACCOUNTS**

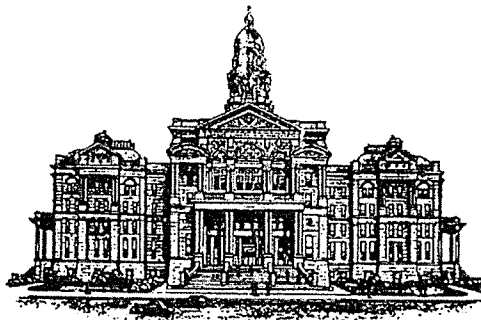
Statement of Assets and Liabilities
Fiscal Year Ending September 30, 2016

Assets		
Cash in bank (deposits)		\$ 21,779,027.72
Certificates of deposit, including accrued interest		<u>18,977,290.38</u>
Total Assets		<u><u>\$ 40,756,318.10</u></u>
Liabilities		
Due to beneficiaries		<u>\$ 40,756,318.10</u>
Total Liabilities		<u><u>\$ 40,756,318.10</u></u>

**TARRANT COUNTY, TEXAS
COUNTY CLERK
REGISTRY OF THE COURT ACCOUNTS**

Statement of Changes in Assets and Liabilities
Fiscal Year Ending September 30, 2016

	<u>Uninvested</u>	<u>Invested</u>	<u>Total</u>
Beginning Balance - September 30, 2015	\$ 15,399,727.05	\$ 18,956,355.22	\$ 34,356,082.27
Deposits	42,744,676.98		42,744,676.98
Interest Earned		\$90,292.79	90,292.79
Transfer from Invested to Uninvested	4,865,529.69	(4,865,529.69)	-
Transfer from Uninvested to Invested	(4,796,172.06)	4,796,172.06	-
Disbursements - Registry Accounts	(34,791,485.11)		(34,791,485.11)
Disbursements - Cash Bonds	(1,643,248.83)		(1,643,248.83)
Ending Balance - September 30, 2016	<u>\$ 21,779,027.72</u>	<u>\$ 18,977,290.38</u>	<u>\$ 40,756,318.10</u>



Mary Louise Garcia
County Clerk

TARRANT COUNTY COURTHOUSE

100 W. WEATHERFORD
Fort Worth Texas 76196-0401

Date: March 8, 2017

From: Mary Louise Garcia, Tarrant County Clerk

To: Kim Trussel, Audit Manager

Reference: County Clerk, Trust Audit Response

I would like to thank the Auditor's Office for their approach and professionalism in this audit. We take our responsibility for oversight very seriously, and appreciate the Auditor's Office partnership to ensure we safeguard the public's money and records to the highest degree possible.

Observation 1: We observed an account where the judicial order to invest \$254,202 was dated July 7, 2016, but the funds had not been deposited into an interest bearing account as of November 29, 2016, 104 business days after the date of the order. The Auditor's Office immediately contacted the County Clerk's Office, and the funds were invested on November 30, 2016. As a result, interest totaling \$423.93 was not accrued to the registry account. On December 13, 2016, the Commissioners Court approved \$423.93 from the County Clerk's Professional Liability Fund to make the registry account whole. This condition occurred because the Accounting Office did not receive the judicial order to invest from the County Clerk Civil Courts department. We observed nine additional accounts where it took between eight and eleven business days between the date of the judicial order and the date the funds were invested into an interest bearing account. The delays did not cause a material loss of interest earned on the invested amounts.

The Civil Department has written procedures to ensure judicial orders are processed and then forwarded to the Accounting Department. We have also created a log to ensure these orders are received in a timely manner by the Accounting Department.



Mary Louise Garcia
County Clerk

TARRANT COUNTY COURTHOUSE

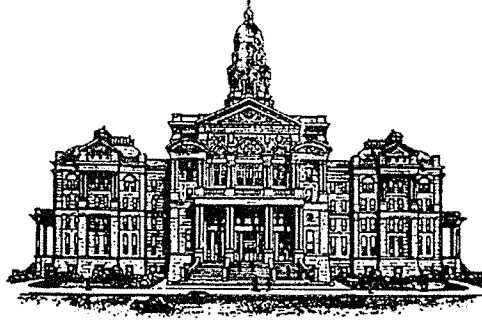
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Observation 2: We observed four accounts with small balances after disbursements were made to the respective trustees. The largest balance was \$48.84. This condition occurred because the judicial orders did not always include the accurate amount of earned interest to be distributed, along with the principal balance, to the trustees. The oldest court order was dated July 24, 2009, and the most recent court order was dated June 13, 2012.

This will now be handled by Accounting. Notification letters will be mailed to attorneys that have incorrectly completed their judicial order. The District Clerk's accounting department has a similar process. This letter has been approved by David Hudson.

Observation 3: We observed one account where 17 business days elapsed before the invested funds were recorded into Odyssey. Based on the recording date, County Clerk staff may have detected the error during the monthly reconciliation process.

When the notification to invest the funds with the bank is sent, the bank account will be monitored. Once account shows the investment is active, the Odyssey event will be entered. A second person will be assigned as a verifier. The final step in this process will continue to include a monthly reconciliation report.



Mary Louise Garcia
County Clerk

TARRANT COUNTY COURTHOUSE

100 W. WEATHERFORD
Fort Worth Texas 76196-0401

Observation 4: We observed six accounts where information recorded in Odyssey was not accurate and complete. Specifically:

- One account showed an investment date five days before the funds were actually received.

A report will be generated that will compare the dates and will be adjusted, if needed.

Respectfully,



Mary Louise Garcia, County Clerk