



COMMISSIONERS COURT  
COMMUNICATION

REFERENCE NUMBER

PAGE 1 OF

10

DATE:

7/24/2012

SUBJECT: **RECEIVE AND FILE THE AUDITOR'S REPORT FOR THE REVIEW OF THE TARRANT COUNTY CLERK PROBATE SECTION**

**COMMISSIONERS COURT ACTION REQUESTED:**

It is requested that the Commissioners Court receive and file the Auditor's Report for the Tarrant County Clerk Probate Section.

**BACKGROUND:**

The Auditor's Office reviewed the internal controls established by the County Clerk Probate Section for the fifteen (15) months ended September 30, 2011. The scope of the review did not include mental health cases. Due to the observations described in the report, the Auditor's Office expressed no opinion regarding the accuracy of the financial records of the Probate Section. Specifically, the Auditor's Office could not determine whether all monies collected were properly recorded and deposited.

It should also be noted that the Auditor's Office has never performed a thorough audit of the Probate Section. Many of the issues identified during the audit result from practices and procedures that have been in place for many years. The County Clerk's Office has already begun implementing procedural changes to address some of these issues.

Attached to this report is a written response from the County Clerk.

**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

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June 20, 2012

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

Re: Auditor's Report – County Clerk Probate Section

### SUMMARY

In accordance with Local Government Code, Subchapter A, Sections 115.001 *Examination of Records*, and 115.002 *Examination of Books and Reports*, we reviewed the internal controls established by the County Clerk Probate Section for the 15 months ended September 30, 2011. Our review did not include mental health cases. It should be noted that the Auditor's Office has never performed a thorough audit of the Probate Section. Many of the issues identified during the audit result from practices and procedures that have been in place for many years. The County Clerk's Office has already begun implementing procedural changes to address some of these issues.

Due to the observations described below, we express no opinion regarding the accuracy of the financial records of the Probate Section. Specifically, we could not determine whether all monies collected were properly recorded and deposited.

Observation 1 System controls over Odyssey were not adequate.

Observation 2 Accounts receivable balances relative to the Probate Section were not reported to the Auditor's Office.

Observation 3 Segregation of duties was not adequate.

Observation 4 Reconciliation procedures were not adequate.

We discussed these issues with the County Clerk and staff on April 18, 2012. Attached to this report is the County Clerk's management response.

## **BACKGROUND**

The primary function of the probate courts is transferring title of the decedent's property to heirs and/or beneficiaries. The probate courts also establish guardianships for incapacitated persons and minors, and supervise the administration of the estates of deceased and incapacitated persons.

Tarrant County has two probate courts. Probate cases are initiated by filing an application with the County Clerk. Usually, attorneys file the applications on behalf of applicants except for small estates of less than \$50,000. The County Clerk's Office is responsible for accepting the filing of an application of probate cases, collecting the appropriate fees, and maintaining the case records. The County Clerk's Office permanently retains probate court records.

During our review period, the County Clerk's Office recorded probate receipts totaling approximately \$7.5 million into Odyssey, including trust fund receipts totaling approximately \$5.6 million.

## **OBSERVATIONS AND RECOMMENDATIONS**

### ***Observation 1 – System controls over Odyssey were not adequate.***

#### **Observation**

During our review, we observed that system controls within Odyssey were not adequate. Odyssey is designed and programmed to use *one* series of sequentially-numbered transaction ID numbers for *all* County fee offices that use Odyssey. This makes it difficult, and nearly impossible, to determine the user or the user department responsible for deleting or adjusting transactions. We also observed the following:

- 1) System controls did not prevent Probate staff from deleting assessed fees or costs recorded in Odyssey. Furthermore, independent or supervisory approval was not required to delete transactions. Once the transaction is deleted, no audit trail exists, and the data is no longer in the database. System reports show a skipped transaction ID number, but it is almost impossible to determine who or what department deleted the transaction. This condition occurred because the security settings were not programmed to prevent users from deleting transactions.
- 2) System controls did not prevent clerks from adjusting pre-populated fees in Odyssey. We observed instances where clerks adjusted fees without an independent review and approval. Odyssey allowed users to change pre-populated fees since only the *current* fee schedule was programmed into the system. This condition occurred because cases converted from the Mainframe to Odyssey did not have assessed fees. Odyssey requires an assessed fee in order to process a payment. Staff adjusted the amount of current fee schedule to reflect the fee amounts in effect at the time the case was filed.

As a result, fraudulent and erroneous transactions may not be prevented or detected. For example, a clerk could collect cash for filing of a case, delete or adjust the amount of the fees shown in Odyssey, and pocket the money. These fraudulent transactions could go undetected since management reports do not exist to monitor these types of transactions.

### **Actions/Recommendations**

Upon communicating these issues, County Clerk management immediately contacted IT and requested the following system changes:

- 1) Controls that prevent staff, including managers and supervisors, from deleting or adjusting fees already populated in Odyssey.
- 2) When programming new fees into Odyssey, prior fees schedules should be retained. County Clerk management also requested that IT re-program fees schedules back to 2010. In cases where fees prior to 2010 are applicable, management stated that they would open an IT work ticket requesting that the fees be revised for a particular case.

IT staff should also request that Odyssey provide a separate series of transaction ID numbers for *each* user department in future versions.

***Observation 2 – Accounts receivable balances relative to the Probate Section were not reported to the Auditor's Office.***

### **Background**

Prior to the implementation of Odyssey in March 2009, the County Clerk's Probate Section used the Mainframe system to record financial information. Except for the Trust Fund, all financial data receipted in the Mainframe was converted into Odyssey. The Mainframe was essentially designed as a court system rather than a financial system.

According to management's policies and procedures, staff should collect full payment for fees at the time the application is filed.

### **Observation**

We found that accounts receivable balances relative to the Probate Section were not reported to the Auditor's Office. *Based on our limited testing, we do not believe Probate accounts receivable balances would be material to the County's financial statements.* This condition occurred because County Clerk management did not realize accounts receivable balances existed in the Probate Section since department policies and procedures require full payment at the time of filing. However, Probate staff had collected partial payments.

The Mainframe did not allow Probate staff to assess fees into the system. Instead, staff recorded only the amount of the payments received. Since the Mainframe was not designed as a financial system, it did not provide reports for management to identify partial payments and resulting accounts receivable balances. During implementation of Odyssey, IT converted the financial data based on the amount of *receipts* recorded in the Mainframe. Odyssey has more financial functionality, and therefore, staff assesses fees into the system. However, staff has continued to accept and record partial payments into Odyssey. Although Odyssey provides reports that show partial payments and accounts receivable balances, management had not requested these reports since they believed that the Probate Section only accepted payment in full.

As a result, the County Clerk's accounts receivable balance reported on the County's financial statements was understated. Although we do not believe that this understatement is material to the County's financial statements, we could not determine the amount of this understatement since it would require review of the individual cases in the Mainframe system. Since management did not know accounts receivable balances existed in the Probate Section, procedures had not been implemented to monitor accounts receivable transactions and to invoice any outstanding amounts due.

### **Actions/Recommendations**

The County Clerk began reporting Probate accounts receivable balances recorded in Odyssey to the Auditor's Office in January 2012. Furthermore, management began invoicing outstanding fees owed to the County that are recorded in Odyssey in July 2011.

We also recommend the following:

- 1) Management should consult with the District Attorney's Office regarding whether the County Clerk and IT should convert the remaining financial data (unpaid balances) from the Mainframe system to Odyssey. This process would require a tremendous amount of time since it would require a review on a case-by-case basis.
- 2) Billing information should be recorded into Odyssey and independently reviewed for accuracy before the invoices are sent to the responsible parties.

### ***Observation 3 – Segregation of duties was not adequate.***

#### **Background**

Lack of segregation of duties occurs when a few employees are required to perform incompatible duties. Reducing the risk of fraud and errors is the primary objective of segregating certain duties. This objective is achieved by disseminating the tasks and associated privileges for a specific business process among multiple users. In situations where it is impossible to separate duties due to the small number of employees, additional controls should be implemented to reduce the risk of fraud and errors.

### **Observation**

Users who had the “supervisory role” in Odyssey had the ability to adjust and void their own receipts or charges without an independent approval. Furthermore, management did not review the adjustments and voids on a periodic basis. This condition occurred because adequate system controls had not been established. Due to the lack of segregation of duties and management’s review of adjustments and voids, unauthorized and erroneous transactions may not be prevented or detected.

### **Action/Recommendation**

According to County Clerk management, system controls have been established in Odyssey that prevent individuals, whether supervisory or clerical staff, from adjusting or voiding their own transactions. *No further recommendation is required.*

### ***Observation 4 – Reconciliation procedures were not adequate.***

### **Background**

The County Clerk Accounting staff performs separate monthly reconciliations of the general fund and the trust fund. Accounting staff uses the Trust Fund receipts report generated from Odyssey to *manually* record the same transactions (receipts) into the Mainframe.

The Odyssey Trust Fund Module, which will be used to process trust fund disbursements, has not gone into production as of the date of this report.

### **Observation**

When more than one system is used to record transactions, it is important to reconcile the transactions entered between the two systems for accuracy and completeness. We observed the following:

1. Trust Fund amounts recorded on the Mainframe *Probate Transaction Listing* did not agree with those amounts recorded on the Odyssey *Receipt Journal by Fund and Fee Code* report by approximately \$78,000. This difference was caused by two manual entries made by IT to correct prior transactions. Reconciliation procedures did not detect this difference.
2. An incorrect case number was recorded in the Mainframe to record a receipt. Accounting subsequently discovered the error because the clerk could not find a case when preparing a trust fund disbursement from the account three months later.

These conditions occurred because accounting staff did not have adequate reconciliation procedures to ensure the completeness and accuracy of Trust Fund transactions, including manual entries, recorded in both systems. Without adequate reviews and reconciliations, errors and irregularities may go undetected.

**Recommendation**

We recommend that the County Clerk implement procedures to ensure that year-to-date transactions recorded in the Mainframe system be reconciled to transactions recorded in Odyssey.

**CLOSING REMARKS**

We appreciate the responsiveness and cooperation of the Count Clerk staff during our review. Please call me if you have any questions regarding the contents of this report.

Sincerely,



S. Renée Tidwell, CPA  
County Auditor

*Attachment:*  
Management's Response dated July 16, 2012

*Audit Team:*  
Kim Trussell, Audit Manager  
Maki Ogata, Senior Auditor

*Distribution:*  
Jeff Nicholson, Operations Manager  
Frieda McCaskill, Accounting Manager  
Arlene Junior, Civil Courts Manager  
Melei Kelly, IT Systems Manager



**MARY LOUISE GARCIA  
COUNTY CLERK**

**TARRANT COUNTY COURTHOUSE**

**100 W. Weatherford Street  
Fort Worth Texas 76196-0401**

**Date: July 16, 2012**

**To: Renee Tidwell, County Auditor**

**From: Mary Louise Garcia, County Clerk** *MLG*

**Reference: Probate Audit Response**

This is the first in-depth audit for the County Clerk Probate section and the Odyssey system. We would like to thank the Auditor's Office for their professionalism and expertise in this audit. Probate mainframe was developed as a case management system around 1990. This system was never designed to function as an accounting system. For over 20 years the financial capability of Probate mainframe was limited to receipt issuance for actual money collected. This system was not designed to maintain assessments, related receivables or fee table history. On March 31, 2009 Probate case management was transitioned to the Odyssey system. Odyssey provides enhanced financial capabilities compared to the mainframe. However, the historical database converted to Odyssey is limited by the capability of the mainframe architecture.

**Observation 1 – System controls over Odyssey were not adequate.**

The ability to delete charges has been removed from all roles. All charge reversals, voids and adjustments require management approval upon inspection and explanation from the clerk. These transactions are traceable on the Transaction Listing report and are monitored daily by the Civil Manager. In addition, notices have been posted throughout the office advising customers if they do not receive a receipt with each financial transaction, they should request to speak to a manager immediately.

Roles have been modified requiring the supervisor to initiate an IT ticket for assistance to revise system assigned fees resulting from prior fee periods. The Probate mainframe system did not utilize fee schedule configuration so there were no schedules to convert into Odyssey. A system has been developed to preserve fee schedules in Odyssey beginning with 2010 and will continue to be maintained from this point forward.

IT staff is aware that Odyssey architecture does not allow a restructure of Audit ID's by department. Information Technologies cannot change the structure. We were advised this modification is not in Tyler's current scope; however, we will continue to request for future releases. This system limitation precludes the periodic review of reports to identify exceptions.



**Observation 2 – Accounts receivable balances relative to the Probate Section were not reported to the Auditor’s Office.**

Full payment is due at the time of filing. However, there are case types where statute and safety of the public necessitate a receivable balance- Affidavits of Inability to Pay, Mental Health cases filed by public hospitals, State agencies, Section 887 Trust For a Minor Without a Guardianship, and court appointed Guardianships. Efficiencies for Bill of Cost Initiation and tracking have been refined. The District Attorney’s Office has strong opinions regarding the appropriate treatment of receivable balances and Bill of Cost processes for these case types, and will be providing guidance on how best to handle them. Infrequently, filings are received by mail absent the total filing fee. When this occurs, the clerk immediately contacts the filer in an attempt to collect the balance via credit card payment or to bring the balance of the fee to our office the same day. No monies are posted on the case until the full amount is received. If the filer cannot settle the balance the same day, we conditionally file the case and/or document. If the balance is not received within 24 hours, the check and all documents are returned to the customer. A standard receivables report exists in Odyssey; however, it is not adaptable to the business processes in the County Clerk’s Office. Custom reports were developed by Information Technologies and are monitored by the Civil Manager. Functionality to capture and maintain unpaid balances did not exist in Probate mainframe so this information does not exist in a database for pre conversion data. To obtain these balances would involve manually reviewing each individual physical case jacket or the document images for cases that existed in the mainframe and all related paper records prior to mainframe for the Probate Courts. Research would include reference to the appropriate fee schedule in place at the time of filing to determine the correct assessment, comparison to all associated receipts, and manually posting the case transactions with backdate into Odyssey to calculate potential receivable balances. This assumes only active cases or older cases with additional activity after 1990 were entered into Probate mainframe. There are 3,484 receipts in the mainframe prior to 1990; oldest case is from year 1898. The District Attorney’s Office is evaluating a recommendation for this work.

**Observation 3 – Segregation of duties was not adequate.**

Established business procedures do not allow the same person who issues a receipt to void or modify their own receipt. In Odyssey the ability for managers and supervisors to void or reverse their own receipts has been deactivated. Modifications to these receipts require approval from another manager in the system. The Civil Manager generates a financial transaction report daily to monitor voids, adjustments and reversals. In addition, Accounting reviews the Receipt Journal report, drills down to the modification on each case to validate the controls. Accounting writes the name of the person performing the modification on the Receipt Journal report.

**Observation 4 – Reconciliation procedures were not adequate.**

The County Clerk’s Office is in the process of preparing mainframe Trust Fund data for conversion into Odyssey. Currently, all Civil Trust accounts are maintained in and reported from the mainframe. Trust money is collected in the clerk area and an Odyssey receipt is issued. These receipts along with a deposit slip copy are delivered to Accounting for verification and manual entry into the mainframe. All new deposits, subsequent deposits, interest earned, interest penalty, investment renewals and disbursements are maintained in the mainframe. Reporting for Trust Funds is issued from the mainframe; reporting for Trust Funds is not produced through Odyssey. Trust Funds from the mainframe are monitored daily and timely reconciled with the bank for accuracy. Trust Funds have been correctly reported and all monies are appropriately accounted for and collateralized. The difference noted by Internal Audit was from Odyssey on a case management conversion correction performed in Information Technologies. This transaction was entered with the date of the correction instead of the back date. This was one of several corrections being entered at the time during a weekend while there were fewer interruptions. Since the correction updates occurred on a non-workday, it did not appear on the Odyssey deposit reports from regular business. However, this transaction was recorded in the mainframe Trust correctly and reported correctly. Odyssey backdating procedures have been developed to allow supervisors to correct conversion data with

managerial oversight through reporting. This will provide traceable documentation for corrections to conversion data. New Trust accounts opened in the mainframe require manual entry. If there is an instance of an account number entered incorrectly, the account can be found by searching the name. Until the registry conversion is complete we have added a verification procedure of a second staff member accessing each case in the mainframe that is listed on the Odyssey Receipt Journal report to verify case number and name are correct.