



COMMISSIONERS COURT
COMMUNICATION

REFERENCE NUMBER CO#134903

PAGE 1 OF 7

DATE: 03/02/2021

SUBJECT: **RECEIVE AND FILE THE AUDITOR'S REPORT OF THE REGISTRY OF THE COURT ACCOUNTS HELD BY THE COUNTY CLERK AS OF SEPTEMBER 30, 2020**

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, 2020.

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, 2020. 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 jointly by the County Clerk and the depository 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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VINCE CRUZ JR.
FIRST ASSISTANT COUNTY AUDITOR
vcruz@tarrantcounty.com

February 9, 2021

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

Re: Auditor's Report – County Clerk, FY2020 Registry of the Court Accounts

SUMMARY

As required by Local Government Code Section 117.123, we performed an audit of the registry funds held by the County Clerk as of September 30, 2020. The objective of our audit was to determine whether the registry account balances shown on the attached financial statements were materially correct. We also determined whether collateral held jointly by the County Clerk and the depository was adequate. In our opinion, the County Clerk's registry account balances shown on the attached financial statements are presented fairly, in all material respects. However, we observed the following conditions that require management's attention:

- 1) The value of collateral held by the County Clerk and the depository for the month of September 2020 did not comply with Government Code §2257.104 and the depository contract. Specifically, the County Clerk's Office was under-collateralized by \$401,807. This condition occurred because County Clerk staff released collateral in July 2020 and the amount of deposited funds increased by more than \$1.5 million during September. According to the terms of the contract, the County Clerk "*...agrees to notify the bank prior to any expected increase in deposited funds that would require an increase in the amount of collateral.*" We recommend that staff monitor collateral to ensure compliance with the statute and the terms of the contract.
- 2) As previously reported, closed cases with small balances appear to be abandoned and should be escheated in accordance with the Texas Property Code. County Clerk staff is currently working through the closed cases to determine the appropriate disposition of the account balances. No additional recommendation is required at this time.

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 or to await the outcome of a legal proceeding. The registry accounts are recorded into Odyssey, the County Clerk's case management application. The clerk is responsible for the deposits, disbursements, and the investment of the registry funds. Currently, registry accounts are held at JP Morgan Chase.

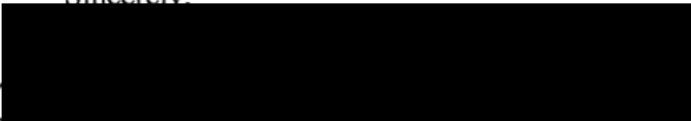
In accordance with Local Government Code Section 117.121, *Disbursement of Funds*, the Auditor's Office reviews and countersigns disbursements made from the County Clerk's Registry Accounts. The code states, "All checks or drafts issued for the disbursement of the registry fund must be submitted to the 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."

During fiscal year 2020, the County Clerk's Office presented 1,692 checks totaling \$11,407,438 for the auditor's review, approval, and countersignature. Of the 1,692 checks, four checks totaling \$13,118 were rejected for reasons including an incorrect check amount, an incorrect payee, or payment for attorney ad litem not supported by a court order. The County Clerk's Office voided all four checks and reissued three checks.

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: Clinton A. Ludwig, Chief Deputy
James Knowles, Accounting Trust Manager

Audit Team: Kim Trussell Audit Manager
Maki Brown, Senior Internal Auditor

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

Statement of Assets and Liabilities
September 30, 2020

Assets		
Cash in bank (deposits)		\$ 6,386,244
Certificate of deposits, including accrued interest		<u>18,565,996</u>
Total Assets		<u>\$ 24,952,239</u>
Liabilities		
Due to beneficiaries		<u>\$ 24,952,239</u>
Total Liabilities		<u>\$ 24,952,239</u>

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

Statement of Changes in Assets and Liabilities
Fiscal Year Ending September 30, 2020

	Uninvested	Invested	Total
Beginning Balance - September 30, 2019	\$ 7,418,206	\$ 17,682,145	\$ 25,100,352
Deposits - Registry	10,811,238		10,811,238
Deposits - Cash Bonds	1,237,369		1,237,369
Interest earned		251,000	251,000
Transfer from Invested to Uninvested	6,074,564	(6,074,552)	12
--- CD closed in Sept. booked in Oct.	4,036	(4,036)	
Transfer from Uninvested to Invested	(6,711,438)	6,711,438	-
Disbursements - Registry Accounts	(11,394,320)		(11,394,320)
Disbursements - Cash Bonds	(1,053,411)		(1,053,411)
Rounding			(1)
Ending Balance - September 30, 2020	\$ 6,386,244	\$ 18,565,996	\$ 24,952,239



Tarrant County 1895 Courthouse

Mary Louise Nicholson, County Clerk
Recording life's events since 2011

100 W. Weatherford, Rm.130
Fort Worth Texas 76196-0401

Date: February 22, 2021

From: Mary Louise Nicholson, Tarrant County Clerk

To: Renee Tidwell, Tarrant County Auditor

Reference: Response to Auditor's Report - County Clerk, Registry of the Court Accounts.

I would like to thank the Auditor's Office for their detailed approach and professionalism in this audit. We take our responsibility for oversight of our financial processes seriously and appreciate the Auditor's Office partnership to ensure we properly account for and safeguard the public's money and records.

- 1) **"The value of collateral held by the County Clerk and the depository for the month of September 2020 did not comply with Government Code §2257.104 and the depository contract. Specifically, the County Clerk's Office was under-collateralized by \$401,807. This condition occurred because County Clerk staff released collateral in July 2020 and the amount of deposited funds increased by more than \$1.5 million during September. According to the terms of the contract, the County Clerk "...agrees to notify the bank prior to any expected increase in deposited funds that would require an increase in the amount of collateral." We recommend that staff monitor collateral to ensure compliance with the statute and the terms of the contract."**

We agree with the Auditor's recommendation and have immediately updated our policy and procedures to more closely monitor the collateral amount and request increases as needed.

- 2) **"As previously reported, closed cases with small balances appear to be abandoned and should be escheated in accordance with the Texas Property Code. County Clerk staff is currently working through the closed cases to determine the appropriate disposition of the account balances. No additional recommendation is required at this time."**



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We recognize the necessity to properly escheat these small balances and are working through the closed cases to ensure that it is completed.

Respectfully,



Mary Louise Nicholson, Tarrant County Clerk