



**Travis County District Clerk's Office
County Invested Trust Fund Examination**

#15-27

October 9, 2015

TRAVIS COUNTY
AUDITOR'S OFFICE

NICKI RILEY, CPA
COUNTY AUDITOR



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To: Velva Price
Travis County District Clerk

From: Nicki Riley, CPA
Travis County Auditor

Date: October 9, 2015

Subject: District Clerk Invested Trust accounts examination

Scheduled as part of our statutory requirements, the (REC) Risk Evaluation and Consulting Division of the Travis County Auditor's Office has completed a review of the Travis County District Clerk's Office Invested Trust accounts. We conducted our examination in accordance with the applicable statutes governing the County Auditor's Office and those relating to County financial and accounting protocols. As a result of our examination, we are providing this report on our findings and recommendations.

BACKGROUND

In Texas, each district and county clerk maintains a registry of the court to receive payments ordered tendered into the court's registry. The funds deposited into the Registry are accrued from various court-ordered proceedings to be held in interest-bearing accounts until they are disbursed by an order of the court. These court orders relate to civil cases, and can be classified as either Minor's Trust Funds, which are set up for children under the age of 18, or Interpleader Trust Funds, which are set up for adults.

Invested trust funds are typically placed in certificates of deposit (CDs) with the County's depository. At times, the District Judge on the civil case may require that invested trust funds be invested in a different type of financial instrument or be placed in a different financial institution. The District Clerk issues IRS Form 1099's for the interest earned on these accounts.

SCOPE OF EXAMINATION

This examination included an assessment of the adequacy and effectiveness of the overall system of financial controls in place for the District Clerk's Invested Trust accounts during the period January 1, 2015 to June 30, 2015. The scope of this examination included an examination of the controls over handling and accounting for open, closed, and unclaimed trust accounts, as well as the issuance of 1099's and financial statements for the court registry.

EXAMINATION METHODOLOGY

Our work was based on applying sampling procedures to office records and on verbal and written representations from this office. Sampling relates to examining, on a test basis, evidence supporting the amounts and disclosures in the financial records and statements. The use of sampling techniques would not necessarily disclose all matters in the Clerk's financial statements, financial records, and financial controls for registry funds that might be material weaknesses or misstatements. In regards to the written and verbal representations made by this office, unless otherwise noted in this report, office management maintains that the assertions we relied upon in the examination were correct to the best of their knowledge.

SUMMARY OF FINDINGS

Based upon our examination, we noted no material misstatements or internal control weaknesses in the accounting protocols for the invested trust accounts.

OPINION OF INTERNAL CONTROL SYSTEM

Based upon our examination, we gave the overall system of financial controls for the District Clerk's registry funds a rating of "Good", indicating this area has well-established internal controls with few, if any, minor weaknesses noted. See Attachment A for a description for each of the ratings we use to describe the effectiveness of the internal controls environment for the functional area under review.

ATTACHMENTS

Attachment A: This attachment contains descriptions for each of the ratings we use to describe the effectiveness of the internal controls environment for the functional area under review.

Attachment B: A copy of the financial statement for this functional area as of June 30, 2015 is provided in Attachment B. The express purpose of presenting these statements is to provide

feedback to Travis County officials. These financial statements have not been audited by Travis County's external auditors.

EXAMINATION TEAM

Lisa Denton, CFE, Senior Auditor
Jennifer Bodiker, Staff Auditor

CLOSING

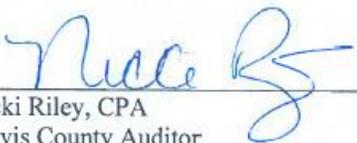
This report is intended solely for the information and use of your office and the Commissioners' Court. We greatly appreciate the cooperation and assistance received from the management and staff of the Travis County District Clerk's Office during this examination. Please contact us if you have any questions or concerns regarding this report.



David Jangerman, CIA
Chief Assistant County Auditor I – Risk
Evaluation and Consulting Division



Patti Smith, CPA
First Assistant County Auditor



Nicki Riley, CPA
Travis County Auditor

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Robert Chappell, Financial Manager, District Clerk's Office
Managers, County Auditor's Office
Examination File

ATTACHMENT A – INTERNAL CONTROLS RATING KEY

A good internal control system reduces the risk of errors, defalcations, and misappropriations of funds. Weak internal control systems provide an environment in which errors, defalcations, and misappropriations of funds can go undetected. The following details the various grades we assign to internal control systems:

RATING	RATING DESCRIPTION
Good	Well-established internal controls with few, if any, minor weaknesses noted
Adequate	The overall solid system of internal controls is sufficient to outweigh noted weaknesses
Requires Improvement	Internal control weaknesses exist that moderately impact the overall system of internal controls
Requires Significant Improvement	Significant internal control weaknesses exist that negatively impact the overall system of internal controls
Inadequate	The existing system of internal controls is materially ineffective

ATTACHMENT B – FINANCIAL STATEMENTS

**Travis County District Clerk - Invested Trust
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
June 30, 2015**

Assets	
Certificates of deposit	<u>\$ 9,076,852</u>
Total assets	<u><u>\$ 9,076,852</u></u>
Liabilities	
Due to third parties	<u>\$ 9,076,852</u>
Total liabilities	<u>9,076,852</u>
Net Assets	<u><u>\$ -</u></u>

NOTE: The express purpose of presenting this financial statement and the appropriate findings is to comply with applicable local government code statutes and to provide internal control feedback to Travis County officials. This financial statement has not been audited by Travis County's external auditors.