

Collin County Texas 07.14
 COUNTY FUNDS INDEMNIFICATION REQUEST FORM

Official's Name ANDREA THOMPSON	Current Date 12/22/14	Amount of Loss \$ 1,473.24
Department/Division Name DISTRICT CLERK	Date of Loss 3/18/14	Police Report Attached? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Commissioners Court Collin County, Texas		

Local Government Code §157.903 authorizes the commissioners court of a county by order to provide for the indemnification of an elected or appointed county officer against personal liability for the loss of county funds, or loss of or damage to personal property, incurred by the officer in the performance of official duties if the loss was not the result of the officer's negligence or criminal action. Therefore, I respectfully request Commissioners Court to approve this indemnification request and authorize the Collin County Auditor to charge off the above amount of County funds or property, which have been determined to be missing or stolen

Cause of Loss (Attach additional sheet if necessary)

SEE ATTACHMENTS FOR ALL COMMENTS

Position of Official Regarding Loss (Attach additional sheet if necessary)

Current Internal Controls to Prevent Loss (Attach additional sheet if necessary)

Additional Controls Implemented to Prevent Future Losses (If applicable) (Attach additional sheet if necessary)

Action Taken to Recover Funds (Attach additional sheet if necessary)

Signed By Andrea Thompson	Title District Clerk
Official's Signature Andrea Thompson	Date 12-30-14

TO BE COMPLETED BY COUNTY AUDITOR

Based upon the Auditor's Office review, the above listed loss amount being requested for indemnification

DOES appear to be accurate.

DOES NOT appear to be accurate. Based upon our review, the loss amount is

After review of the circumstances, the Auditor's office recommends

Indemnification

Not Indemnifying

County Auditor Signature _____ Date _____

ACCOUNT CODING TO BE USED

	FUND/DIVISION	OBJECT	AMOUNT	CHECK OR JOURNAL ENTRY
DR				
CR				

TO BE COMPLETED BY COMMISSIONERS COURT

Indemnification APPROVED NOT APPROVED by Commissioners Court

Signed By _____

County Judge Signature _____ Date _____

County Funds Indemnification Request Responses

Cause of Loss:

On March 18, 2014, a deposit was made into the court account for \$268,381.90. The funds were erroneously receipted into Odyssey as a civil bond by Michaela Bailey. The money should have been receipted as a registry deposit so the financial office knows to deposit it in an interest bearing account. The clerk who receipted the funds never gave the order to the Financial office, which is a backup step to let the financial office know how the funds should be deposited. Every month Amber Kincheloe reviews the registry receipt journal to ensure that all funds that need to be invested are invested. Since the money was placed in the system as a civil bond it was not reflected on the report as funds that should have been invested. On December 10, 2014, the error was discovered and reported to management.

Position of Official Reporting Loss:

The loss was not the result of fraud or negligence on the part of the elected official. Policies and procedures were in place which addressed the proper handling of registry deposits, but were not followed by staff. Following the notification of the loss, additional measures were implemented to avoid future loss and staff involved were disciplined.

Current Internal Controls to Prevent Loss:

At the time of the loss, there were policies and procedures in place which addressed the handling of registry funds. An October 19, 2012, policy specifically directs "Any time registry money is taken in, whether at the front counter or through the mail, the clerk that accepted the money needs to check the final order and see if that money is ordered to be invested in an interest bearing account."

Additional internal controls in place at the time of the loss included:

- (1) Before receipting funds into Odyssey, the clerk is required to have a court order, and to appropriately receipt funds, as outlined in the order.
- (2) The clerk is required to provide a copy of the order to the Financial office, so that they are notified that funds are to be appropriately deposited.
- (3) The Financial office runs a Registry Receipt Journal report monthly to ensure that all funds to be invested are deposited in the bank. For each item listed on the report, the Financial office staff reviews the court order and compares it with the corresponding deposit.
- (4) The Financial office runs an Uninvested Funds report every 45 days and gives it to court clerks to review. The clerk reviews the report to make sure that in closed cases funds are appropriately invested and if there is an order releasing the funds, the funds are appropriately disbursed. (November 21, 2012 policy memo)
- (5) When a check is taken to the bank for deposit, a letter accompanies the check directing the bank to deposit the check into an interest bearing account.

Additional Internal Controls Implemented to Prevent Future Loss:

Despite having several policies and double checks in place, our controls did not account for the clerk receipting the money incorrectly as a civil bond. To prevent this from happening in the future, additional steps have been implemented.

- (1) At time of receipt **of all funds for deposit**, a clerk is required provide a copy of the order to the Financial office.
- (2) The Accounting Tech in the financial office will run a weekly registry receipt journal that includes both civil bonds **and** registry deposits. All deposits listed on the journal will be individually reviewed and all orders checked to ensure that all transactions have been correctly deposited as ordered by the court.
- (3) As a further double check, on a monthly basis the Financial Supervisor will review the registry receipt journal to compare deposits with the corresponding order to ensure that all funds were appropriately invested.
- (4) The cash handling policy has been updated to specifically address how to properly handle the receipting of civil bonds and registry funds. In addition, the policy addresses that court clerks must now review both pending and closed cases on the Uninvested funds report. The updated policy will be reviewed with and signed by each clerk.

Action Taken to Recover Funds

No legal action is needed. This was a clerk error, which resulted in money not properly being invested in an interest bearing account. The clerk who made the initial error in not receipting the money correctly was terminated prior to the discovery and the supervising clerk was disciplined upon discovery of the error. An affidavit has been filed with the Auditor's office requesting funds to cover the interest that would have accrued if properly invested at time of receipt.

District Clerk Loss Report

Date Event Reported: December 10th, 2014	Date of Loss: April 4th, 2014 to December 10th, 2014
Person Completing Report: Amber Kincheloe	Amount of Loss: \$1,473.24
<p>Detailed Description of Loss (Include dates, circumstances of loss, people involved, value of the loss, and any other pertinent information):</p> <p>On March 18th, 2014, a deposit was made into the court account for \$268,381.90. The funds were erroneously receipted into Odyssey as a civil bond by Michaela Bailey. The money should have been receipted as a registry deposit so the financial office knows to deposit it in an interest bearing account. The clerk who receipted the funds never gave the order to the financial office, which is a backup step to let the financial office know how the funds should be deposited. Every month Amber Kincheloe reviews the registry receipt journal to ensure that all funds that need to be invested are invested. Since the money was placed in the system as a civil bond it was not reflected on the report as funds that should have been invested. On December 10th, 2014, the error was discovered and reported to management.</p>	
<p>How was the loss identified and who identified the loss:</p> <p>Every month Amber Kincheloe runs a Registry Journal Report and reviews all money that has been deposited into the registry to ensure that all funds that need to be invested are properly invested. Each registry deposit is looked up by case number and the order is reviewed to ensure that all funds are placed in the appropriate account. Since the money was placed in the system as a civil bond it did not stand out as funds that should have been invested. On December 10th while reviewing the registry journal for November, Amber started double checking the registry journal from the last few months. It was discovered that the funds were actually registry funds and should have been invested.</p>	
<p>Current policies and procedures (if any) which would have prevented the loss:</p> <p>Policy dated October 19, 2012, includes the following:</p> <ul style="list-style-type: none"> • Clerk is required to read the order directing funds to be deposited with the court to see if funds should be deposited into an interest bearing account. • The order will state if money should be deposited as registry funds or civil bond funds. The clerk who receives the money is expected to enter funds into Odyssey so that funds are reflected in the appropriate account (first check). • If the order states for the funds to be invested, the clerk must provide an order to the financial office as a double check, so they are aware of how funds should be deposited (second check). • The financial supervisor runs a Registry Receipt Journal each month. Every registry 	

transaction for the month is looked up by case number and the order is reviewed to ensure that anything needing to be invested is deposited with the bank (third check). In this instance the policy did not work because the money was originally applied incorrectly and an order was never received by the financial office.

- The Cash Handling Policy requires all money to be invested to be taken to the bank with a copy of the order and a letter signed by the District Clerk stating that the money is to be deposited in an interest bearing account.

Policy dated November 20, 2012, addresses the following:

- The Financial office runs an Uninvested Funds report every 30 days for each court clerk to review. The policy instructs clerks to check the status of each case on the report. If a case is closed or dismissed they are to review the final order to determine who the funds belong to. They also check for closed cases with registry funds to ensure that all money that needs to be invested is properly invested (fourth check).
- If the case is closed or dismissed and the final order does not give instructions for how to disburse the money, the clerk is expected to contact the person who deposited the money, via a Notice of Funds in the Registry of the Court letter, which requests that they submit an order to release funds.

What policies and procedures need to be changed or added to prevent this from occurring in the future:

In addition to the four steps above, to prevent this from happening in the future, the accounting tech will run a weekly registry receipt journal that includes both civil bonds and registry deposits. All deposits listed on the journal will be reviewed individually and all orders will be checked to ensure that money was correctly deposited (fifth check). This will ensure that all money needing to be invested is deposited with the bank.

The financial supervisor will continue to review the receipt journal on a monthly basis, now looking at both registry and civil bond money, to ensure that nothing was missed during the weekly review (sixth check).

The cash handling policy will be updated to include information on how to properly handle registry funds and civil bonds. The policy will also include the clerk reviewing the Uninvested Funds report for both closed and pending cases. Clerk will be required to check orders in all cases and every order that is received in the District Clerk's office involving money being deposited will be sent to the financial office for review. This will ensure that all money on deposit with the District Clerks office will be reviewed each month. Each clerk will re-sign the policy stating that they understand the correct procedure for handling all funds on deposit with the District Clerks office.

What actions were taken to recover the loss (police report filed, etc.):

No legal action is needed, money was not stolen this was a clerk error. The clerk who made the original error was terminated. An affidavit will be filed with the Auditor's Office requesting funds to

replace the interest that was lost on this case.

Signed by:

Franklin Lincolnton

Date:

12/26/14

Please include backup documentation including policies and procedures, examples of reports, police reports, court orders, etc.