

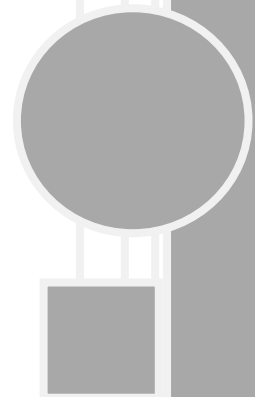


AUDIT REPORT

DALLAS COUNTY

HOUSEHOLD HAZARDOUS WASTE - FY2019

Darryl D. Thomas
Dallas County Auditor
ISSUED: July 23, 2020
RELEASED: September 01, 2020



HOUSEHOLD HAZARDOUS WASTE - FY2019

TABLE OF CONTENTS

MANAGEMENT LETTER.....	3
EXECUTIVE SUMMARY.....	4
INTRODUCTION.....	5
DETAILS.....	6
Cash Management and Deposits	6
Manual Receipts.....	7
County Property Inventory	9

This report is intended for the information and use of the agency/department. While we have reviewed internal controls and financial reports, this review will not necessarily disclose all matters of a material weakness. It is the responsibility of the department to establish and maintain effective internal control over compliance with the requirements of laws, regulations, and contracts applicable to the department



DALLAS COUNTY
COUNTY AUDITOR

MANAGEMENT LETTER

Earle Blakney
HHW Program Manager
Dallas, Texas

Attached is the County Auditor's final report entitled "**Household Hazardous Waste - FY2019**" Report. In order to reduce paper usage, a hard copy will not be sent through in-house mail except to the auditee.

If you prefer that released reports be emailed to a different (or additional) recipient, please inform me of the name and the change will be made.

Respectfully,

A handwritten signature in blue ink that reads "Darryl D. Thomas".

Darryl D. Thomas
County Auditor

EXECUTIVE SUMMARY

A review of the Household Hazardous Waste department for fiscal year 2019 revealed the following significant observations listed below:

Summary of Significant Observations

- Funds from eight transactions deposited between six and 36 business days after being received by the department.
- Non-contract customers making in person payments do not receive an official Dallas County receipt.
- One employee retrieves the mail, receipts all payments, reconciles and prepares the deposit, bills the participating cities, and initiates vendor payments.
- \$94.51 in undeposited funds from waste collections was retained to make change for customers.

Repeat Observations from Previous Audits:

- Not applicable

Only those weaknesses which have come to our attention as a result of the audit have been reported. It is the responsibility of the department management to establish and maintain effective internal control over compliance with the requirement of laws, regulations, and contracts applicable to the department.

INTRODUCTION

Dallas County Auditor's Office mission is to provide responsible, progressive leadership by accomplishing the following:

- Comply with applicable laws and regulations
- Safeguard and monitor the assets of the County utilizing sound fiscal policies
- Assess risk and establish and administer adequate internal controls
- Accurately record and report financial transactions of the County
- Ensure accurate and timely processing of amounts due to County employees and vendors
- Set an example of honesty, fairness and professionalism for Dallas County government
- Provide services with integrity
- Work in partnership with all departments to resolve all issues of the County
- Strive to utilize the latest efficient and effective technology in the performance of tasks
- Provide technical support and training in the development, implementation, and maintenance of information systems
- Hold ourselves accountable to the citizens of the County at all times
- Be responsive to the elected officials and department heads of Dallas County

The objectives of this audit are to:

1. Ensure compliance with statutory requirements
2. Evaluate internal controls
3. Verification of accuracy and completeness of reporting
4. Review controls over safeguarding of assets

This audit covered the period of October 1, 2018 through September 30, 2019.

The audit procedures will include interviews with key process owners, observation of transactions processing, data analysis and sample testing of transactions. The main system used will also be reviewed and incorporated as part of the testing of transactions.

DETAILS

Cash Management and Deposits

An unannounced cash count performed on June 8, 2020 identified \$94.51 in undeposited funds from waste collection receipts was retained to make change for customers. Additionally, an internal control walkthrough of cash management processes and inquiry of department personnel revealed one employee retrieves the mail, receipts all payments, reconciles and prepares the deposit, bills the participating cities, and initiates vendor payments; the department did not have access to the County-Wide Receipting (CWR) system to issue customer receipts. Management review and approval was not required prior to the issuance of invoices to NCTCOG member cities. Check payments received in person did not include the customer's driver's license number on the face of the check and customer payments tendered by check were not compared to the Treasurer's Office NSF list; Additionally, the department did not maintain an approved change fund for customer transactions and signed copies of the manual deposit sheet were not retained by the department.

Per Local Government Code, § 113.022, all monies received should be promptly receipted and deposited with the County Treasurer on or before the next regular business day after the date on which the money is received. If this deadline cannot be met, the officer or person must deposit the money, without exception, on or before the fifth business day after the day on which the money is received. Specific controls related to cash and deposit management indicate that a mail log of payments is maintained and adequate segregation of duties should exist between personnel authorized to receipt payments, void payments and prepare the deposit, so that no one user performs two or more business processes that could result in a compromise of the integrity of the process or allow that person to commit and conceal fraud.

Lack of segregation of duties and minimal deposit management oversight has resulted in decreased controls over billing/invoices and deposits and increased the potential that funds may be lost or misappropriated.

Recommendation

Cash Management and Deposits

Management should:

- Deposit funds consistent with Local Government Code, § 113.022.
- Request an approved changed fund for customer transactions.
- Request access to the County-Wide Receipting system.
- Establish compensating controls for receipting, depositing, billing, and invoicing which include supervisory review.
- Establish procedures for the acceptance of payments tendered by check which include comparing customer information to the Treasurer's NSF check list and writing the payer's driver's license number on the face of the check.

Management Action Plan

- HHW has only two employees that can handle the financial transaction. We will attempt to segregate the receiving and the depositing of the payments. This is not always possible due to lunch breaks, vacations and schedules but we will do it when possible.
- The Manager will receive the mail and payments and staff will do the reconciliation, deposits, and billing and vendor payments.
- Management review and approval is currently and has always been required and done prior to issuance of invoices to the HHW Network cities.
- We will begin including the driver's license number on the face of the check.
- We will begin to compare the checks to the Treasurer's office NSF list when possible.
- We were not aware that our change fund was not approved and all funds were deposited when requested by the audit team. This fund has been audited annually since 2016 and we were never told that it was not an approved fund.
- Signed copies of the manual deposit sheets are retained. We were not asked for them by the auditor.

Auditors Response

None

Manual Receipts

A review of all manual receipts issued during fiscal year 2019, responses to the Internal Control Questionnaire (ICQ) and a walk-through of manual receipt procedures revealed funds from eight transactions totaling \$872.76 were deposited more than five business days after being received including two transactions that were

deposited 22 and 36 business days after being received. Additionally, non-contract customers were not provided an official Dallas County manual receipt when making a payment in person; instead, these customers were provided an internally created form that lacked a unique identifying number based on a sequential series.

Per Local Government Code, § 113.022, all monies received should be promptly receipted and deposited consistent with Local Government Code, § 113.022. Further, a county officer or other person who receives money shall deposit the money with the County Treasurer on or before the next regular business day after the date on which the money is received. If this deadline cannot be met, the officer or person must deposit the money, without exception, on or before the fifth business day after the day on which the money is received. Dallas County Code Section 74-691, further states that an official receipts shall be written or generated immediately for all collections made in the official capacity of the various offices of the county. Receipts may be in the form of pre-numbered autographic receipts or pre-numbered book bound receipts, cash register receipts or machine validated receipts issued, cash register totals, validating machine totals or other approved procedures for establishing accountability.

A lack of supervisory review, lack of access to computerized receipting, and insufficient controls related to manual receipts and deposits resulted in delayed revenue recognition and increased the potential that funds may be lost or misappropriated.

Recommendation

Manual Receipts

Management should:

- Implement procedures for manual receipts to ensure funds are remitted to the County Treasurer's Office as specified in Local Government Code, § 113.022. Management should review adherence to these procedures.
- Request access to the County-Wide Receipting (CWR) system.
- Contact Supply Room to obtain official Dallas County manual receipts until CWR can be implemented.

Management Action Plan

- We have Loomis (secure courier) come every Thursday to transport our deposits to the Treasurer's office. We deposit all funds received during the prior week.
- During FY2019, we received fifteen manual deposits, totaling \$1,495. We would probably spend more on Loomis coming a second time during the week for deposits than the deposits are that they are transporting.

- We have had unopened deposit bags return to us up to three weeks after sending them by Loomis because they delivered them to the wrong location. When this has occurred, we have notified the Treasurer's office of the problem and retained the deposit bag per the Treasurer's office instructions and redeposited the funds.
- The checks that we receive in the mail are also deposited on the Thursday Loomis pickup. If they are being aged from the date of issuance, then we are not going to be in compliance with the five day policy. They are issued from three to ten days prior to us receiving them. We have created of spreadsheet to document the date we receive and deposit funds to track this.
- We now have an official Dallas County manual receipt books and are issuing receipts.
- We were not aware that our receipts were not approved. These receipts have been audited annually since 2016 and we were never told that that were not approved.

Auditors Response

None

County Property Inventory

A review of the Oracle DC Assets and FAMP inventory reports and inquiry of department staff revealed there were no written procedures related to tracking property inventory and one item valued at \$1,260 could not be located in the department. Per Dallas County Code Sec. 90-373, all departments heads and elected officials are responsible for maintaining property assigned to their department, proper inventory records, and making appropriate reports as required.

Lack of supervisory review and training related to property inventory tracking combined with infrequent updates to the vendor inventory tracking system has resulted in incomplete and inaccurate inventory and increased potential that property inventory may be lost or stolen.

Recommendation

County Property Inventory

Management should establish written property inventory procedures that include:

- Internal controls for inventory tracking.
- Maintaining an accurate and current inventory database.
- Reviewing the county property assets and FAMP inventory system annually and resolving discrepancies.

Management Action Plan

- We do a facility walkthrough daily, checking for safety issues, missing equipment and security issues.
- Dallas County also does a county owned property audit annually.
- The missing pressure washer was non-operable and identified for surplus in 2016 and we thought it had been sent to Surplus with some other equipment. In 2018, during a Dallas County equipment audit, it was discovered missing and reported to the auditor as missing. It was not included on the 2019 and 2020 audit sheet. We were not aware that it was still an issue.

Auditors Response

None

cc: Darryl Martin, Commissioners Court Administrator