TO: Honorable Joe Wells
                Dallas County Treasurer

FROM: Virginia A. Porter
                County Auditor

SUBJECT: Review of Statutory Reporting and Compliance – FY 2009

ISSUE DATE: November 18, 2010

RELEASE DATE: December 22, 2010

SCOPE
As part of ongoing reviews of County Departments and compliance with statutory regulations, we have reviewed financial records and statutory compliance within the County Treasurer Department for the period ending September 30, 2009.

REVIEW PROCEDURES
Standard review processes were applied to data from the department in order to evaluate internal controls and reporting accuracy within the department. A random sampling of total activity was selected for certain procedures, while others were reviewed in their entirety. Transactions were evaluated based on risk, dollar value of transactions, volume of transactions and noted internal control weaknesses. Review steps included, but were not limited to, the following:

- Reviewed cash management procedures including activity related to deposits and disbursements
- Reviewed clearing account activity
- Reviewed bank reconciliations
- Reviewed investment activity for compliance with county policy and state statutes
- Examined bond registers and traced entries to payment records
- Assessed compliance with V.T.C.A., L.G.C., § 113 and 114
- Reviewed Bank of America Account Analysis for earnings credits and charges

General
The First Texas Legislature created the Dallas County Treasurer's office in 1846. Honorable Joe Wells was elected as the 33rd Dallas County Treasurer to serve a four year term beginning January 1, 2007. According to Treasurer's published reports current fiscal year (FY- 09) interest earnings was $9,234,027 as compared to previous year (FY- 08) $17,715,980. On March 27, 2009, the County Treasurer began electronically transmitting an image cash letter (ICL) to the depository bank in order to clear check or money orders received by the various Dallas County departments/offices. The ICL process reduces banking costs and expedites the point at which funds are available at the point.

New Initiatives
- Pay Mode was implemented in conjunction with the Auditor's office. Electronic payments rather than hard copy check payments are processed for paying vendor invoices and employee reimbursements. Savings occur through reduced check handling/processing costs and reduced outstanding checks and corresponding staff time to complete bank reconciliations.
- A new juror system implemented the latter part of FY2009 by Jury Services. Several manual processes have been automated resulting in increased juror payment efficiency and cost savings to the County.

- Treasurer's office continues to participate in the County vendor 'Tax Avoider' program in conjunction with the Auditor' office. The program resulted in tax collections over five million dollars.
- Treasurer's office began investing funds through TexPool in order to maximize interest earnings.

Disclosures
As of September 30, 2009, total Arbitrage Rebate liability was **$1,092,986.47** and total outstanding Bonded Debt was $175,045,300.11 which includes a $35,660,300.22 interest balance and a $139,385.000 in principal balance.

FINDINGS

Cash Management
Deposit Management System (DMS) – Erroneous / duplicate batch headers listed on DMS. System is not designed for exception processing. A system conversion with upgraded functionality is in process.

Clearing Accounts – Clearing accounts are established to expedite transfer and reconciliation efforts. Insufficient details received for external incoming wire transfers resulting in instances of transfers to incorrect revenue/fund accounts. Worksheets are used to track and monitor credit card settled funds, refunds, and chargeback activity and periodically follow-up with departments for clearing.

Bank Reconciliation – Instances of delays in resolving reconciling items.

Deposits/Receipting – Instances of erroneous / duplicate batch header records created by various County departments not assigned a treasurer's receipt number on DMS nor sent to the bank for deposit.

Bank Contract – Overdraft charges of $46,746.25 and FDIC fee assessments (not authorized under depository contract fee schedule) of $138,166.79 applied against available earnings credit for the year under review by the depository bank.

Investments/General Ledger Entries - Instances of investment purchases recorded as a single amount without separate financial accounting for par value, principal, accrued interest and/or related discount or premium.

Technology
Document Express System – Detailed process review is required. Incomplete review of check registers to control totals prior to disbursement. Thirty-six encoding errors occurred on a fund added to the automated check printing process in April 2009.

RECOMMENDATIONS

Cash Management
Deposit Management System – Continue implementation of the County Wide Receipting system and appropriate business process changes. Follow-up with corresponding department for any new DMS batches pending more than five business days.

Clearing Accounts – Coordinate with departments to provide sufficient details to clear funds to the appropriate account in a timely manner. Continue research and follow-up to clear pending credit card transactions through department's revenue recognition and/or revenue reversal for previously initiated refunds or chargebacks.

Bank Reconciliation – Continue problem resolution and corrections associated with automated Oracle cash management.

Deposit/Receipting – Continue two person certifications of funds closed out & remitted to courier with timely resolution of exceptions.

Bank Contract – Request a refund or credit from the depository bank for the unauthorized FDIC assessments of $138,166.79. Monitor bank accounts balances daily to avoid overdrawing bank accounts. Review monthly account analysis statements for charges against earnings credit.

Investments/General Ledger Entries - Investments are recorded as mandated for held to maturity method, reported at their cost with any premium or discount amortized over the life of the investment.

Technology

Document Express System – Develop control procedures to compare and reconcile Document Express Check Writer register to Oracle, Jury system, etc. check registers for the total number of checks printed and the total dollar amount disbursed. Maintain a log of check stock used and implement supervisory review and sign-off prior to release of payments.

Other

Contracts – Annual review of fees and costs associated with banking and credit card collections should be continued. Strategic planning should include review of existing contracts and new/proposed technology in order to provide most efficient services for the County. The courier contract should be amended to include a financial penalty for misrouted / unsatisfactory delivery of services.

Responses

Treasurer's office responses are included with the attached templates 09-CT-01-01 through 09-CT-01-06

SUMMARY

This report is intended for the information and use of the department. While we have reviewed internal controls and financial records, this review will not necessarily disclose all matters of 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. Adherence to and follow-through with recommendations should strengthen internal controls and compliance with Dallas County's policies and procedures.

Cc: Commissioners Court
Honorable Judge Robert Burns, LADJ

County Auditor   Dallas County, Texas

Finding Number:	09-CT-01-01
Date:	November 4, 2009
Audit:	County Treasurer FY 09
Auditor(s) Assigned:	BM, JI

Finding:	**Cash management/clearing accounts:** • Review of clearing accounts revealed that established accounts are currently used to process county transactions with a minimum of reconciliation effort on some accounts. • Review of bank activity revealed instances of wires transfers received without sufficient details to initially denote correct revenue/funds accounts. Transfer errors from '882' occur frequently in part due to daily clearing of the '882' account without sufficient deposit information. • Review of the credit card chargeback account revealed daily monitoring by Treasurer staff with notifications sent to departments requesting deducted items be cleared. **Status:** Several items pending departmental action to resolve.
Work paper Reference: (or other method by which finding was identified)	Clearing Accounts Analysis, review of bank statements, and review of account reconciliation. Current clearing accounts include: 882 - wires with daily clearance 671 - credit card fee pay accounts with monthly clearance 670 - credit card charge backs with monthly clearance 669 - credit card settlement account with two day clearance 630 - County Clerk E-Pay with variable clearance 1900- check clearing account
Condition: (Describe the current condition)	• Minor exceptions in clearing accounts timely and transferring to the appropriate account. • Treasury staff completes a credit card reconciliation worksheet using receipt data from Cyber source, bank activities, and Form 98. • Movement of funds from various clearing accounts is initiated by Treasury staff based on Form 98 submitted by departments. • Incoming wire transfers lacking accounting details are consistently recorded to a designated account for unknown receipts with instances of outgoing transfer errors noted.
Criteria: (Describe the optimal condition)	Best practice for clearing accounts includes timely review/reconciliation/clearing consistently with LGC § 113. Coordination with the appropriate department, to resolve exceptions. Reconciliation is reviewed by supervisor for accuracy and completion.
Cause: (Describe the cause of the condition if possible)	Non-integrated financial systems for e-commerce and accompanying manual worksheets.
Effect: (Describe or quantify any adverse effects)	Delayed revenue recognition, reporting variances for GL and State reporting, and high level reviews and manual processing.
Recommendation: (Describe corrective action)	• Coordinate with departments to provide sufficient accounting detail and timely submission of Form 98 to clear funds to the appropriate account in a timely manner. • Enhance/upgrade process for receipt and tracking departmental support documentation for expected incoming wire transfers. • Emphasize periodic review by supervisory personnel of all pending items. • Work with the bank to expand use of "transit routing information' enhancing identification of incoming wire/ACH. • All clearing accounts should be monitored daily to ensure that balances are cleared to correct accounts and funds.
Responsible Department or Organization:	Treasurer's Office

Management's Response:	☒ Agree	☒ Disagree	**Respondent:**	Honorable Joe Wells	**Date:**	12/17/2010
Comments:	See attachment					
Disposition:	☒ Audit Report		☐ Oral Comment		☐ Deleted From Consideration	

Cash management/clearing accounts:
- Bullet One – Agree
- Bullet Two – Have requested departments to process 98's in a timely manner and send sufficient information for processing wires. . There is a delay when the funds post to the bank, and when they post to the departments system. The clearing account 882 can only hold so much information, and we depend on the departments to send us the information needed to process in a timely manner.
- Bullet Three - Agree

Recommendation: (Describe corrective action)	• Prior to releasing checks, compare and reconcile check processing registers for each fund to business application control registers/files for both total number of checks printed and the total amount • Create/Develop a system confirmation indicating "no change" or listing exceptions regarding interfaced data from business applications files. • Update procedures document regarding system edits, reconfirm assigned system responsibility is properly supported and evidence the supervisory review of the check printing process. • Consider options to test controls for 3rd party programs that lack a test environment. • Match and log number of check stock used to number of check issued /approved for each system.
Responsible Department or Organization:	Treasurer's Office MHC Companies – Vendor for Document Express

Management's Response:	☒ Agree	☒ Disagree	Respondent:	Hon. Joe Wells	Date:	12/17/2010
Comments:	See Attachment					
Disposition:	☒ Audit Report		☐ Oral Comment		☐ Deleted From Consideration	

Finding: Check Printing Process: **Agree/Disagree**
Bullet 1: **True**
* Individuals assigned to print checks did have the authority to update/access salary fields, but this has since been changed and updated.

Bullet 2: **No Comment**
* All checks that are issued or voided are documented and accounted for on a register daily. Voided checks are kept locked away until the Auditor's office come down to witness the shredding of checks. once the checks are printed, they are verified to the registers before they are mailed out. Jury checks are verified to the registers as well as the email that is sent from Jury services verifing the number of checks and the dollar amounts are in balance.
* Comes from the New Jury system, we have no control over their system.

Bullet 3: **False/True**
*Gilda inputs bank information when there are new funds added, the information is then retained within the system itself.
*There were some checks that had to be reprinted due to the account information being incorrect, as well as other checks that were voided for various reasons, all incidents were documented on the log.

Bullet 4: **No Comment**
*Document Express does not have a test environment.

Finding Number:	09-CT-01-03
Date:	November 4, 2009
Audit:	County Treasurer FY09
Auditor(s) Assigned:	BM, JI

Finding:	**Cash Management and Deposit Procedures:** • The deposit management system (DMS) is not designed for exception processing and requires manual adjustments for unbalanced deposits, system failures, and encoding inter-reference. **Status**: Countywide receipting (CWR) implemented in phases correcting some weaknesses and requiring several workaround processes. • Forty erroneous / duplicate batch headers listed on Deposit Management System (DMS) as of September 30, 2009 dating back to December 2001.
Work paper Reference: (or other method by which finding was identified)	Ongoing review and observation of Dallas County Treasurer's Office activity.
Condition: (Describe the current condition)	Funds receipted from departments or mail-in sources are counted, encoded and batched by individual deposit form 98. A spreadsheet of check type is prepared to generate bank deposit control totals. Out of balance form 98s are set aside. Non-department receipts are recorded to miscellaneous accounts without research. County Treasurer deposits each form 98 intact but creates separate bank deposit tickets by funds category three times daily and performs daily review of DMS pending file.
Criteria: (Describe the optimal condition)	Chapter 113 of LGC requires the County Treasurer to receive all money belonging to the county and transmit the original receipt to the auditor. Best practices require separation of duties, documented procedures, and immediate reconciliation and updates for transactions involving cash, including automated deposit reconciliation with the bank. Section 74-692 of the Dallas County Code requires that the County Auditor's Office be notified immediately (within one day) of any out of balance condition. Cash control procedures should include verification and deposit of funds payable to the county with follow-up of all exceptions.
Cause: (Describe the cause of the condition if possible)	• The Legacy deposit management system is antiquated with limited features necessitating significant workarounds and generating weak documentation for exception reporting. • Incomplete verification of funds by the submitting department.
Effect: (Describe or quantify any adverse effects)	• Large number of outstanding deposits per DMS is not reflective of actual outstanding pending deposits • Deposit delays, bank investigation, and special intervention to correct duplicates. Manual matching of deposit advices to bank statements for monthly reconciliation.
Recommendation: (Describe corrective action)	• Continue with the implementation of the CWR system, including documentation and communication of necessary modifications to the CWR system in order to produce accurate and reliable information.. • All deposit form 98 variances more than $20 over / short should be put on hold until the department is contacted (as current procedure) and Auditors office counts and verifies the deposit. • All deposit form 98 variances of less than or equal to $20 over/ short should be recorded to revenue account # **48010** processed immediately and deposited at the bank. An email notification should be sent to the County Auditor and to the responsible department. • Any new DMS batches pending more than five business days should be followed up with the department who created the batch with notification to the Auditor's office of the outcome. • Old outstanding pending DMS batches should be researched and cleared as soon as practicable within the constraints of available resources.
Responsible Department or Organization:	County Treasurer

Management's Response:	☒Agree	☒ Disagree	**Respondent:**	Honorable Joe Wells	**Date:**	12/17/2010
Comments:	See attachment					
Disposition:	☒ Audit Report		☐ Oral Comment		☐ Deleted From Consideration	

Finding: Cash Management and Deposit Procedures: **Agree/Disagree**
Bullet 1: **True**
* All DMS pending deposits are reviewed weekly and deleted according to documentation received from the departments. As departments are implemented in phases with CWR, we expect to receive accurate information.
Bullet 2: **True/False**
 * Erroneous/duplicate batch headers change daily, and corrected weekly.
 * Auditor's are immediately contacted regarding all deposit 98 variances. On DMS deposits the department is contacted and the 98 is corrected. In CWR, the Cashier Supervisor will post an overage to Fund 120.48010. If short, the department will send over the funds.

County Auditor

Dallas County, Texas

Finding Number:	09-CT-01-04
Date:	November 6, 2009
Audit:	County Treasurer FY09
Auditor(s) Assigned:	JI, TR, BS

Finding:	**Bank Reconciliation:** Review of the Treasurer's Office bank reconciliation revealed: • Delay in resolving reconciling items. • Complex manual reconciliation of transaction detail • Single signature memos are sent to bank for electronic transfers identified as deposit errors on bank reconciliation. • A payroll (Fund 500) direct deposit file was duplicated in November 2008 due to a bank error. The error was not detected until four hours later and was reversed. The delay in reversing the entry allowed a few account holders to use part of the duplicated amount prior to the reversal. **Status**: All corrections and recovery of funds were completed by September 2009.
Work paper Reference: (or other method by which finding was identified)	Bank reconciliation work papers provided by the Treasurer's Office. Calculated outstanding check total compared to Oracle detail of outstanding checks is materially consistent.
Condition: (Describe the current condition)	The bank reconciliation accountant gathers all bank statements, verifies disbursement per bank (checks issued, cashed, and cancelled/voided; controlled disbursements), contacts BOA to download paid data, verifies the data, and uploads the data to a controlled system file for combining with the issued list to produce an outstanding list. A Discoverer report is run to extract the Oracle outstanding check list (120,160,166,169, etc.). • Book/Bank variances reconciled using Excel worksheet with bank statements interfaced to Oracle Cash Management System for disbursement and/or charges. • Variance amounts listed but explanation for variance is not stated. • Final month end unexplained variances between Adjusted Bank Balance and Adjusted Oracle Book Balance are not prioritized for resolution. • Amount for outstanding check totals is calculated versus reconciled with downloaded monthly bank data files. Total outstanding amount is calculated by subtracting total amount of checks paid from total amount of checks issued. • Excel worksheets developed to match and transfer credit card data and reconciled settlements against submitted 98. Charge backs request are verified against settlement records.
Criteria: (Describe the optimal condition)	Per Local Government Code §113.008, the County Treasurer is responsible for bank reconciliations. Financial controls require: • Reconciliation of bank statements to include review and matching of reconciling items by account. Bank reconciliation is reviewed by supervisor for accuracy and completion.
Cause: (Describe the cause of the condition if possible)	Incomplete documentation of common reconciling issues and suggested solution/time frame.
Effect: (Describe or quantify any adverse effects)	• Risks of bank shortages and/or GL posting errors. • Delay in recovery of duplicate funds • Potential loss of funds if corrections incomplete.
Recommendation: (Describe corrective action)	• Implement or strengthen supervisory review and sign-off on bank reconciliations requiring management review for significantly aged items. • Expand use of Oracle Cash Management programs. • Monitor major bank accounts on a timely manner to detect and correct unusual /duplicate entries.

Responsible Department or Organization:	County Treasurer					
Management's Response:	☒ Agree	☒ Disagree	Respondent:	Honorable Joe Wells	Date:	12/17/2010
Comments:	See attachment					
Disposition:	☒ Audit Report		☐ Oral Comment		☐ Deleted From Consideration	

Bank Reconciliations:

- Bullet One – Agree. Recons are completely reconciled every 45 days, delaying us in resolving reconciling items. Our goal is to recon on a daily/weekly basis and update our process electronically as much as possible.
- Bullet Two – Disagree. We simplify the transaction detail as possible, and submit detailed information to the Auditor's office.
- Bullet Three – Disagree. Any electronic transfers are initiated and approved by two different people.
- Bullet Four - Agree

Finding Number:	08-CT-01-05a
Date:	August 26, 2010
Audit:	County Treasurer FY09
Auditor(s) Assigned:	JK/TB

Finding:	**Bank Contract: Overdraft Interest Charge** • Various bank accounts reflect overdrafts. **STATUS:** Total Funds Roundup (TFR) structure has been setup to allow Fund 120 to fund overdrafts in Fund 1900. • Collected overdraft charges totaling $46,746.25 were applied against available earnings credit for the fiscal year ended September 30, 2009.
Work paper Reference: (or other method by which finding was identified)	Bank contract effective 2005 – 2009, Bank of America Account Analysis Statements, and detailed analysis of earnings credit calculation worksheet.
Condition: (Describe the current condition)	• Monies are deposited into Fund 1900. The total deposits are transferred the same day the deposits are made (whether available or unavailable) to the appropriate accounts due to the fact that Bank of America cannot divide the proceeds from one check to settle to several accounts. The movement of funds resulting in overdrafts • A daily review of available funds and expected next day controlled disbursements is performed prior to confirming daily investment purchases. A misposting on investment worksheet or unexpected disbursement needs noted after investment purchase may result in bank overdraft. Bank contract provides for overdrafts either costed through available credits or by bank charges.
Criteria: (Describe the optimal condition)	Dallas County investment policy, which in part things states: *"Dallas County's investment strategy for General Operating Funds shall be made to ensure that anticipated cash flows are matched with adequate investment liquidity"* Bank of America Depository Contract, which states in part: *"The Depository Bank shall serve as a Repository of funds for Dallas County, and as a source of Dallas County investments...Depository Bank will allow Dallas County a Daylight Overdraft Limit of $250,000,000.00 per Banking day for all Dallas County accounts...Earnings Credits so determined and accrued or some other mutually agreed upon instrument, shall be applied, to the extent available, to reimburse or pay as allowed by law for incurred expense...Other services may also be paid from excess Earnings Credits which shall include...any and all other related Depository Bank services and upgrades or enhancements to the operations and services of Dallas County."*
Cause: (Describe the cause of the condition if possible)	• Fluctuating balances for accounts without controlled disbursements. • Limited review procedures designed to prevent overdrafts due to investments.
Effect: (Describe or quantify any adverse effects)	• Assessment of overdraft charges by the depository bank offset with available bank credits and increase deficit.
Recommendation: (Describe corrective action)	• Monitor bank accounts balances to avoid overdrawing bank accounts. • Develop and monitor daily cash requirement for all operating funds.
Responsible Department or Organization:	County Treasurer
Management's Response:	☒ Agree ☐ Disagree **Respondent:** Honorable Joe Wells **Date:** 12/17/2010
Comments:	
Disposition:	☒ Audit Report ☐ Oral Comment ☐ Deleted From Consideration

Finding Number:	09-CT-01-05b
Date:	September 1, 2010
Audit:	County Treasurer FY09
Auditor(s) Assigned:	JK

Finding:	**Bank Contract: FDIC Insurance** • FDIC assessments totaling $138,166.79 were applied against available earnings credit for the fiscal year ended September 30, 2009, although per Dallas County depository contract, there shall be no fee for FDIC insurance. (see page 25 under attachment A, "Depository Bank Fee Schedule") Status: Depository bank agreed to refund and add to earnings credit
Work paper Reference: (or other method by which finding was identified)	Bank contract effective 2005 – 2009 as extended up to June 2011, Bank of America Account Analysis Statements, and detailed analysis of earning credit calculation worksheet.

Condition: (Describe the current condition)	**AMOUNT OF COLLATERAL**
	Per Government Code Sec.2257.022. (a) Except as provided by Subsection (b), the total value of eligible security to secure a deposit of public funds must be in an amount not less than the amount of the deposit of public funds:
	        (1) increased by the amount of any accrued interest; and
	        (2) reduced to the extent that the United States or an instrumentality of the United States insures the deposit.
	Bank of America calculates the amount to collateralize using the following formula: Total Deposit + Accrued Interest –FDIC Insurance = Collateral Required.
	However, since FDIC insurance is covering 100% of the non-interest bearing deposits, there is no longer a need to pledge collateral.

Criteria: (Describe the optimal condition)	Bank of America Depository Contract, which states in part: *"The Depository Bank shall serve as a Repository of funds for Dallas County, and as a source of Dallas County investments...Depository Bank will allow Dallas County a Daylight Overdraft Limit of $250,000,000.00 per Banking day for all Dallas County accounts...Earnings Credits so determined and accrued or some other mutually agreed upon instrument, shall be applied, to the extent available, to reimburse or pay as allowed by law for incurred expense...Other services may also be paid from excess Earnings Credits which shall include...any and all other related Depository Bank services and upgrades or enhancements to the operations and services of Dallas County."*
Cause: (Describe the cause of the condition if possible)	Banking rule changes on FDIC insurance not assessable under Dallas County depository contract were incorrectly assessed on monthly account analysis statements
Effect: (Describe or quantify any adverse effects)	Reduction in available earnings credit. Potential for future year's deficit in earning credit balance.
Recommendation: (Describe corrective action)	• Monitor monthly account analysis on a regular basis and notify depository bank of charges not in compliance with approved fee schedule. • Request depository bank refund or credit $138,166.79 against earnings credit.
Responsible Department or Organization:	County Treasurer

Management's Response:	☒ Agree	☐ Disagree	**Respondent:**	Honorable Joe Wells	**Date:**	12/17/2010
Comments:						
Disposition:	☒ Audit Report		☐ Oral Comment		☐ Deleted From Consideration	

Dallas County, Texas

Finding Number:	09-CT-01-06
Date:	October 4, 2010
Audit:	County Treasurer FY09
Auditor(s) Assigned:	JK

Finding:	**Investments / GL Entries** • Instances of investment purchases recorded as a single amount without separate financial accounting for par value, principal, accrued interest and/or related discount or premium.
Work paper Reference: (or other method by which finding was identified)	Daily investment sheets, trade confirmations and journal entries made to record purchases of investments.
Condition: (Describe the current condition)	Investments are posted to Dallas County Oracle General Ledger as single item. Purchased interest is not recorded properly and no receivable was set up in Oracle general ledger On November 3, 2008, Dallas County started investing in TX-Pool for short term investments due to a low interest rate environment. Interest rates ranged from 1.875% in November 2008 to 0.324% in September 2009.
Criteria: (Describe the optimal condition)	**Amortized cost method** The approach mandated for held-to-maturity securities; investments are reported at their cost with any premium or discount amortized over the life of the investment.
Cause: (Describe the cause of the condition if possible)	Purchase, sale and/or maturity of investment are not appropriately recorded to County financial records.
Effect: (Describe or quantify any adverse effects)	Miss-statement of investments and interest earnings in County financial records and potential for presentation errors in the County's CAFR.

Recommendation:
(Describe corrective action)
	Investigate options for tracking investment values:
	• Investment transactions should be recorded accurately in the County's general ledger or sub-ledger reflecting:
	   • Par value or principal purchased
	   • Discount from par value or principal
	   • Premium above par value or principal
	   • Accrued interest purchased
	• Interest income should be reduced when the first interest payment is received with a corresponding reduction to accrued interest purchased.
	• Discounts should be recorded as an increase of investment earnings and the premium should be recorded as a reduction of investment earnings upon sale or maturity of an investment.

Responsible Department or Organization:	County Treasurer

Management's Response:	☒ Agree	☒ Disagree	**Respondent:**	Honorable Joe Wells	**Date:**	12/17/2010
Comments:	See Attachment					
Disposition:	☒ Audit Report		☐ Oral Comment		☐ Deleted From Consideration	

Regarding Investments/ GL Entries,
I agree that there should be entries to record premium or discounts from par value as well as accrued interest. The audit report recommends that premiums or discounts be recorded upon the sale or maturity of investments, and that accrued interest be recorded upon the first interest payment. County Wide Receipting does not have the ability to record investments as the audit report recommends.
The current procedure is that all is recorded upon sale or maturity. I disagree to recording accrued interest on the first interest payment date, as it would lead to a complication of tracking which entries have or have not been recorded. Mr. Hayes suggested that accrued interest be recorded upon the purchase of a security.
Inasmuch as it is the intent to hold securities to maturity, I suggest that all necessary journal entries be recorded upon the purchase. We would note on our permanent copy of the trade ticket that the entries have been recorded and that as older securities mature, they would be recorded using the former method. If and when we get Oracle Treasury Management, this would all automatically be recorded and thus solve the issue.