AUDIT REPORT

DALLAS COUNTY

FIRE MARSHAL - FY2021 AND FY2022

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County Auditor

ISSUED: 8/21/2024
RELEASED: SEPTEMBER 24, 2024

Fire Marshal - FY2021 and FY2022

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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

Robert De Los Santos
Fire Marshal
Dallas, Texas

Attached is the County Auditor's final report entitled "**Fire Marshal - FY2021 and FY2022**" 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,

Timothy J. Hicks

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County Auditor

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EXECUTIVE SUMMARY

A review of the Dallas County Fire Marshal during fiscal years 2021 and 2022 including an expanded review of computer receipts associated with permits and inspections revealed:

Summary of Significant Observations:

- **Computer Receipts and Deposits:** 35 instances in which collection fees totaling $6,871 for either site plan reviews, operational permits, building permits, or meter releases were not posted to the County Wide Receipting (CWR) system. This resulted in delayed revenue recognition.
- **CWR Financial Setup and Fee Schedule:** Two employees were assigned Cashier and Supervisor roles in CWR, but only one is responsible for receipting and depositing funds. This increases the risk that funds may be lost, stolen, or misappropriated.

Repeat Observations from Previous Audits:

- **Computer Receipts and Deposits:** Collection fees not posted to the CWR system consistent with Dallas County Code 74-691 and Local Government Code § 113.022.
- **Computer Receipts and Deposits:** No segregation of duties in the receipting and depositing process.

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.

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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, 2020 through September 30, 2022.

The audit procedures may have included interviews with key process owners, observation of transactions processing, data analysis and sample testing of transactions. The main system used may have been reviewed and incorporated as part of the testing of transactions.

DETAILS

CWR Financial Set-Up and Fee Schedule

Criteria

Per the County Wide Receipting (CWR) Administration manual, though a person assigned the role of Supervisor may also be assigned the role of Cashier, it is expected that they will only create transactions infrequently.

Standard internal control procedures require that adequate segregation of duties exist between personnel authorized to receipt payments, void payments and prepare the deposit. This ensures one user does not perform two or more business processes that could result in a compromise of the integrity of the process or allow the person to commit and conceal fraud. In addition, receipts in CWR should accurately reference the data posted on the department's website.

Review

A review of the CWR fee schedule and financial system user set-up for fiscal years 2021 and 2022 revealed:

- Two employees are assigned Cashier and Supervisor roles in CWR, but only one is responsible for receipting and depositing funds. There is no segregation of duties in the receipting process.
- The department's Fire Code fee schedule is not accurately reflected in the CWR system set-up.

Cause/Effect

A lack of management oversight, inadequate segregation of duties, and an incomplete fee code set-up in the CWR system have increased the potential that funds may be lost, stolen, or misappropriated.

Recommendation
CWR Financial Set-Up and Fee Schedule

Management should:

- Ensure adequate segregation of duties related to the collecting, receipting, voiding, and depositing of funds.

- Contact the ERP and Financial System team to request CWR DC5 Item Listing be updated to reflect all current fee types.

Management Action Plan

- The department concurs with the findings.

Auditor's Response

- None

Computer Receipts and Deposits

Criteria

Per Local Government Code, § 113.022, "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."

Per Dallas County Code 74-691 (as updated May 2023), "official receipts shall be written or generated immediately for all collections made in the official capacity of the various offices of the county."

Per Dallas County Fire Code Section 8.2, "the Dallas County Fire Marshal must maintain all applications for, and file copies of permits for a retention period of three (3) years. Drawings and specifications on file with the Dallas County Fire Marshal may be destroyed after completion of the structure."

Per Dallas County Fire Code Section 8.3, "fees for permits and inspections are to be set by Commissioners Court." Also, it states that "fees shall be paid at the time plans are submitted for review unless other arrangements have been made and approved by the County Auditor."

Per standard internal control procedures related to cash and deposit management, funds on hand are reconciled daily to the system receipt control total with evidence of supervisory review. In addition, adequate segregation of duties should exist between personnel authorized to receipt payments, void payments and prepare the deposit. This ensures 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.

Review

A comparison of all 155 computer receipts issued during fiscal years 2021 and 2022 to the Fire Marshal department logs and issued permits revealed:

- 35 instances in which revenue totaling $6,871 recorded on the department's log spreadsheet for either site plan reviews, operational permits, building permits, or meter releases were not posted to the CWR system.
- 45 instances in which the application and/or permit was not provided to validate the amount of payment received was correct transaction totaling $6,801.
- 15 computer receipts in which the service fees collected did not agree to the department's Fire Code fee schedule.
  - Three receipts totaling $1,996 were over-collected.
  - 12 receipts totaling $1,192 were under-collected.
- Two receipt batches totaling $175 were deposited with the Treasurer's Office between six and 13 days.
- One computer receipt totaling $75 was issued and voided by the same user.

An internal control walk-through was performed on June 22,2023. The following risk was identified:

- Deposits are not reviewed by a second party or a supervisor.

Criteria/Effect

Lack of management oversight, lack of written cash handling/receipting procedures, and incomplete training related to the receipting process have resulted in delayed revenue recognition. In addition, inadequate segregation of duties has increased the potential that funds may be lost or misappropriated.

Recommendation

Computer Receipts and Deposits

Management should:

- Deposit or return funds received for site plan reviews, operational permits, building permits, or meter releases.
- Review daily receipts and ensure deposits are completed timely in accordance with Local Government Code § 113.022.
- Ensure service fees are assessed and collected in compliance with applicable statutes and Commissioners Court orders. Service fees should be accurately reflected on CWR receipts and the department's website.
- Reconcile funds against the system control total on a daily basis. The deposit should be verified by an employee with supervisory rights and submitted daily.

- Establish written cash handling/receipt procedures that emphasize receipts are to be verified for accuracy of amount, payment type, permit/application number, and payor before issuing to a customer.
- Periodically review system reports and daily work for accuracy and staff compliance with established policies and procedures.

Management Action Plan

- The department concurs with the findings.

Auditor's Response

- None

Credit Cards

Criteria

Per Local Government Code, § 113.022, "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."

Standard internal control procedures require that funds on hand be reconciled daily to the system control total with evidence of supervisory review.

Review

A review of all 113 online credit card transactions posted to County Wide Receipting (CWR) during fiscal years 2021 and 2022 revealed:

- 21 online credit card transactions in which the payor's name differed from the name indicated on the computer receipt.
- 15 online credit card transactions totaling $3,316 were receipted between six and 24 business days. This exceeded statutory requirement of five business days.
- For two instances totaling $200, a duplicate online credit card transaction was posted in CWR.

Status: The department reimbursed the Treasurer's Office for the duplicate transactions on 07/05/2022 (Check #120802679) and 10/07/2022 (Check #120810406).

Cause/Effect

Clerical errors and a lack of supervisory oversight to ensure credit card transactions are timely posted have resulted in receipt errors not being detected. In addition, there was an increased potential for revenue loss and misappropriation of assets.

Recommendation

Credit Cards

Management should:

- Review credit card settlement reports against payments posted to County Wide Receipting (CWR) for accuracy and completeness.
- Receipt all credit card transactions to CWR on a daily basis.

Management Action Plan

- The department concurs with the findings.

Auditor's Response

- None

Time and Attendance

Criteria

Per Dallas County Code, Sec. 82-175 (c) to (e), supervisors are responsible for ensuring employee time records are accurate and that no abuses occur. Only supervisors have the authority to correct employee time record errors or omissions. Supervisors are responsible for recording employee vacation and sick time and for entering time for employees who are working outside their department work area. Supervisors are responsible for checking daily start times, meal periods, end times, vacation time, sick time, compensatory time, and overtime to ensure employees are in compliance with their shift work schedule and the county's overtime policies. Supervisors are responsible for promptly documenting actions warranting discipline and for promptly reporting possible fraud to the county auditor.

Per Dallas County Code Sec. 82-490(a), "Paid sick leave is provided to continue the salary of eligible employees who are absent from work because of illness, injury, disability, or medical appointments. Eligible employees may use sick leave for illness of, injury to, or need to obtain medical or dental consultation for the employee and/or other eligible family members."

Review

Inquiry of management related to time and attendance observations during onsite fieldwork between June 22, 2023 and July 19, 2023 revealed:

- One employee was observed absent (eight hours), but regular time was posted in Kronos rather than sick leave.
    - Per discussions with the Assistant Fire Marshal on July 13, 2023, the employee was out sick.

Cause/Effect

Lack of supervisory review of time posted in Kronos has resulted in official time and attendance records that do not accurately reflect time taken.

Recommendation
Time and Attendance

Management should:

- Ensure actual hours worked, meal periods, vacation time, sick time, holiday time, jury duty, compensatory time, overtime, ATO, etc. are properly and timely posted to Kronos in accordance with the Dallas County Code.

Management Action Plan

- The department concurs with the findings.

Auditor's Response

- None

cc: Darryl Martin, Commissioners Court Administrator