



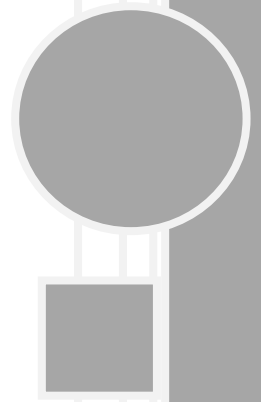
# AUDIT REPORT

DALLAS COUNTY  
PUBLIC WORKS - FY2022

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First Assistant County Auditor

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## Public Works - 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**

Alberta Blair  
Director of Public Works  
Dallas, Texas

Attached is the County Auditor's final report entitled "**Public Works - 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,

*Wendwessen Stefanos*

Wendwessen Stefanos, CPA  
First Assistant County Auditor

## **EXECUTIVE SUMMARY**

A review was performed in accordance with statutory guidelines on the records of Public Works for fiscal year 2022. Priority areas of risk that need consideration by management are:

### **Summary of Significant Observations:**

- **Bid Deposits and Refunds:**
  - Bid deposits were not recorded on manual receipts, receipted into the County-Wide Receipting (CWR) system, and/or deposited with the County Treasurer at the time funds were tendered. Only deposits associated with winning bids were deposited once a property was awarded. There is a potential risk that bid deposits could be lost or stolen.
  - Request for Payments were not submitted and approved by Accounts Payable for bid deposits returned to unsuccessful bidders. A proper audit trail of deposits was not followed. The tracking of deposits was not available.
  - The second highest bid deposit for three different properties was returned prior to the property being awarded to the successful bidders by the Commissioners Court. The department's policies and procedures were not being followed.

### **Repeat Observations from Previous Audits:**

- **Manual Receipts:**
  - Manual receipt numbers were not recorded in CWR when computer receipts were created.

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, 2021 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****Manual Receipts****Criteria**

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 money must be deposited without exception on or before the fifth business day after the day on which the money is received.

Standard internal control procedures related to the manual receipt process require that manual receipts should only be written during system downtime. The manual receipt should reflect the appropriate property name and amount paid. Once the system is restored, the payments are to be posted to the County Wide Receipting (CWR) system. The manual receipt number should be entered into the CWR Comment field.

**Review**

All seven manual receipts issued during fiscal year 2022 were traced to County Wide Receipting (CWR) system for proper posting. The following was identified:

- Manual receipt numbers were not recorded on the Comment field in CWR.

**Cause/Effect**

Clerical oversight and inconsistent controls over the manual receipt process do not allow for a proper audit trail to be established. This has resulted in an increased risk that funds may be misappropriated.

**Recommendation**

Manual Receipts

Management should:

- Ensure written manual receipt policies and procedures include recording the manual receipt number on the computer-generated receipt from CWR.
- Train staff on the manual receipting process.
- Periodically review manual receipt books for completeness and proper posting to the County Wide Receipting System.



## **Management Action Plan**

This was previously discussed and future CWR receipts will reflect the manual receipt number.

## **Auditor's Response**

- None

## **Bid Deposits and Refunds**

### **Criteria**

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 money must be deposited without exception on or before the fifth business day after the day on which the money is received.

Per section 13 of Public Work's Bid and Purchase Agreements, "Dallas County will retain the top two highest bid deposits submitted until an award is made by the Dallas County Commissioners Court, and that all other bid deposits will be returned at the bid opening or upon request of the unsuccessful bidder."

Standard internal control procedures related to the cash management process require:

- Adequate segregation of duties should exist between personnel authorized to receive, receipt, and return deposits. No one individual should perform two or more business processes.
- All funds received during the bidding process should be receipted in CWR and deposited to the Treasurer's Office. To refund payments to unsuccessful bidders, a Request for Payment should be sent to Accounts Payable.
- The department should maintain a log documenting which employee is returning the deposit to the appropriate payee and require Identification verification when the payee picks up their deposit in person.

### **Review**

A review of the internal control walkthrough in September 2023 and an inquiry to the process related to deposits and returns revealed:

- There is a lack of segregation of duties.
  - One employee receives and returns the bid deposits.



- Bid deposits were not recorded on manual receipts, receipted into the County Wide Receipting (CWR) system, and/or deposited with the County Treasurer at the time funds are tendered. Only deposits associated with winning bids are deposited once a property is awarded.
- Request for Payments were not submitted and approved by Accounts Payable for bid deposits returned to unsuccessful bidders.
- Unsuccessful bidders' checks are returned via certified mail or in person. When picking up checks in person, they are not required to show proof of identification.

A review of all five checks returned in fiscal year 2022 via certified mail or in-person revealed:

- The second-highest bid deposit for three properties totaling \$8,206.60 was returned prior to the properties being awarded to the successful bidders by Commissioners Court.
- The department did not document on the transmittal letter which employee returned two deposits to a bidder who picked up their check in person. A log should be maintained by the department to determine which employee returns the deposits to the customers who pick up their check in person. Currently, the customer signs the letter when picking up their check.

### **Cause/Effect**

The lack of management oversight and inconsistent controls over the receiving, receipting, and returning of deposits have resulted in a manual process without an audit trail. Additionally, it increases the risk that funds may be misappropriated.

### **Recommendation**

#### Bid Deposits and Refunds

Management should:

- Develop procedures where the duties of receiving, receipting, and returning deposits are properly segregated.
- Deposit all monies in accordance with Local Government Code §113.022, including bid deposits made by unsuccessful bidders.
- Submit Request for Payments to Accounts Payable to refund money to unsuccessful bidders.
- Adhere to procedures that require ID verification when returning bid deposits to unsuccessful bidders who decide to pick up refunds in person.
- Adhere to the policies outlined in the Bid and Purchase Agreement.





- Maintain a log of all deposits returned, who returned them, how they were returned, and to whom they were returned.

## **Management Action Plan**

### **Bid deposits:**

The bid deposits remain in a sealed envelope in the custody of the Purchasing Department until the bid opening date and time, when all bids are opened and read. Only then are the deposits touched. The Purchasing Department records the check number and amount of the deposits on their receipt log that Public Works signs off on as being received. Upon receipt, the check number and deposit amounts are again recorded on the Public Works Bid Tabulation Sheet with the bid results. At the same time, the manual receipts are prepared for the highest qualified bidder for each property only. A copy of the receipt with the checks is given to the Senior Secretary the same day, who then works with the Financial Outreach Manager to deposit the checks with the County Treasurer.

The Director of Purchasing has confirmed that Purchasing Department can hold the checks up to 48 hours after bid opening to complete their Receipt Log of all the bids and bid deposits received, and to make copies for their records before handing off to Public Works when they are signed for as received.

Note: Award of property occurs after Commissioners Court approval of the sale to the high bidders and only after the full purchase price has been received and deposited.

### **Bid deposits returned to unsuccessful bidders:**

Upon receipt of the deposit checks from the Purchasing Department, Public Works immediately prepares a deposit return letter and return the original checks by certified mail for the unsuccessful bidders and maintains a copy of the letter and check copy with the agreement. For bidders who were not successful and contact the Public Works department to make arrangements to pick up checks, we do so and have them sign off that it was picked up. We would not recommend depositing these funds as it takes 4-6 weeks to return to the unsuccessful bidders. This would be a deterrent to anyone interested in bidding on County properties as we would be tying up their funds that they would want to use to purchase other properties and to participate in other auctions.



## Returned deposit:

The second highest bid deposit for three different properties was returned prior to the property being awarded to the successful bidders by the Commissioners Court. The department's policies and procedures were not being followed.

## Auditor's Response

- Current departmental policies and procedures as it relates to bid deposits received are not in compliance with Local Government Code §113.022

cc: Darryl Martin, Commissioners Court Administrator.