AUDIT REPORT

DALLAS COUNTY

CONSTABLE PRECINCT NO 1 AUDIT - FY 2022

Wendwessen Stefanos, CPA
First Assistant County Auditor

ISSUED: 6/11/2024
RELEASED: JULY 26, 2024

Constable Precinct No 1 Audit - FY 2022

TABLE OF CONTENTS

Constable Precinct No 1 Audit - FY 2022 2

MANAGEMENT LETTER 3

EXECUTIVE SUMMARY 4

INTRODUCTION 5

DETAILS 6

- Cash Count 6
- Manual Receipts 7
- Computer Receipts 9
- Special Fund Review 10
- Commission and Interest 11
- Property and Evidence Room 13

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

Honorable Tracey Gulley
Constable Precinct No. 1
Dallas, Texas

Attached is the County Auditor's final report entitled "**Constable Precinct No 1 Audit - FY 2022**" 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,

wessen Stefanos

Wendwessen Stefanos, CPA
First Assistant County Auditor

500 Elm Street, Suite 4200 Dallas, Texas 75202 TEL: 214-653-6472
FAX: 214-653-6440

EXECUTIVE SUMMARY

A review was performed in accordance with statutory guidelines on the records and reports of Constable Precinct No. 1 for the period October 01, 2021 through September 30, 2022.

Summary of Significant Observations:

Cash Count:

- 103 unreceipted checks totaling $15,694 received between April 6, 2023 and June 30, 2023 based on check date. This increased the risk for funds to be lost or misappropriated.
- Six Constable Precinct 1 deposits totaling $2,040 were held at the Treasurer's Office due to check errors. This delayed revenue recognition.

Property/Evidence Inventory:

- Three items located in the property room were recorded as destroyed on the Inventory List. This resulted in inaccurate inventory records.
- Unreceipted funds in the amount of $172 were located in the Property and Evidence room. This increases the risk that funds could be lost or misappropriated.

Repeat observations from Previous Audits:

- **Special Fund review:** The special fund account is not reconciled by the department nor are funds escheated as required by statute.
- **Computer/Manual Receipts:** Inconsistency in applying proper procedure for computer and manual receipts void/cancellation.
- **Commission Calculation:** Inconsistency in applying correct interest rate, date, and fees for commission calculations.
- **Property/Evidence Inventory:** Inventory items located in the property room but recorded as destroyed on the department's inventory list.

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.

500 Elm Street, Suite 4200 Dallas, Texas 75202 TEL: 214-653-6472
FAX: 214-653-6440

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

Cash Count

Criteria

Per Local Government Code, Sec. 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 standard internal control procedures, all monies received belonging to Dallas County should be promptly receipted. Receipts should be verified for accuracy of amount, payment type, case number, and payer before issuing to a customer. Checks should be receipted for the written legal amount and made payable to Dallas County or to the constable.

Review

A random cash count performed July 10, 2023 and inquiry of precinct personnel regarding un-receipted funds and documented deposit delays for fiscal year 2022 revealed:

- 103 unreceipted checks received between April 6, 2023 and June 30, 2023 based on check date. The total unreceipted amounts were $15,694.
- Six check deposits totaling $2,040 were held at the Treasurer's Office due to check errors including missing payer signatures, missing written legal amount, and expired checks.

Status: Treasurer's Office performed adjustments between November 11, 2021 and September 9, 2022 to correct the check errors.

Cause/Effect

Lack of supervisory review and clerical errors have resulted in deposit errors which delayed revenue recognition.

Recommendation

Cash Count

Management should:

- Promptly receipt and deposit all monies consistent with Local Government Code, Sec 113.
- Review for required check elements including written legal amount, payer signature and that the check is negotiable based on the check date prior to receipting.
- Ensure periodic supervisory review of adherence to internal control procedures.

Management Action Plan

- Promptly receipt and deposit all monies consistent with Local Government Code, Sec 113.
- Review receipts for accuracy prior to issuing to customers.
- Review payment instruments for all required elements to ensure completion and accuracy.

Auditor's Response

- None

Manual Receipts

Criteria

Per standard internal control procedures:

- All receipts should be accounted for and properly used to affix responsibility, enhance cash controls, and prevent the assertion that monies were paid and to identify refunds due.
- Manual receipts are issued in sequential order with the correct case number referenced, payment amount, tender type, payee name, payment date, and the name of the employee who received the funds.
- Manual receipts are written only during system downtime.
- Manual receipts are not altered but instead voided and re-issued.
- Manual receipts are reviewed by management for accuracy and completeness to ensure receipts are properly posted.

Review

A review of all 37 manual receipts and corresponding computer receipts issued during fiscal year 2022 revealed:

- One manual receipt does not have the amount the customer paid on the receipt. The computer receipt associated with the manual receipt was entered for $6,878.
- One manual receipt posted to the computer system without recording the manual receipt number.

- The payee names on two manual receipts totaling $39,535 did not match the payee names on the associated computer receipts.
- Two manual receipt numbers totaling $72,680 were listed incorrectly on the computer receipt.
- The check number on one manual receipt was altered when the customer brought a replacement check instead of voiding and reissuing the manual receipt.

Cause/Effect

A lack of consistent supervisory review, clerical errors, and inconsistent internal controls over manual receipting have resulted in inaccurate record keeping and a loss of the audit trail between manual receipts and computer receipts.

Recommendation

Manual Receipts

Management should implement procedures to strengthen internal controls related to manual receipts to include:

- Ensuring the manual receipt numbers are listed on the computer receipt and manual receipts are issued in sequential order.
- Voiding manual receipts and re-issuing instead of altering the receipt details.
- Ensuring that funds are deposited consistent with LGC 113.
- Periodic review of manual receipts with the corresponding computer receipt to verify receipt details match.

Management Action Plan

- Will not alter manual receipt details instead will void and reissue.
- Write manual receipts only during system downtime.
- Document manual receipt numbers on the corresponding computer receipts.
- Issue manual receipts in sequential order.
- Ensure that deposit of funds are consistent with LGC Sec 113.022.

Also, management will perform a periodic review of manual receipts with corresponding computer receipts to ensure accuracy.

Auditor's Response

- None

Computer Receipts

Criteria

Per Local Government Code Sec. 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 related to voiding receipts require that formal approval be required before adjustments are processed. In addition, financial transactions should reflect proper segregation of duties related to the assessment and reduction of fees (automatic and manual) and receipting of payments.

Review

A review of all 25 voided computer receipts for continuity and all 148 deposits totaling $860,989 to identify any delays during fiscal year 2022 revealed:

- Six check receipt batches totaling $21,009 were deposited between six and nine business days, exceeding the five business days deposit requirement.
- 12 computer receipts totaling $1,470 were issued and voided by the same user.
- One computer receipt for $80 was voided without a valid explanation.

Cause/Effect

Inconsistent management oversight, untimely follow-up on deposit issues, and improper segregation of receipting duties have resulted in delayed revenue recognition. Additionally, there is a potential risk of misappropriation of Dallas County funds.

Recommendation

Computer Receipts

Management should:

- Ensure funds are deposited timely consistent with Local Government Code, Sec.113.022.
- Segregate duties between the receipting and voiding of payments.
- Ensure all computer receipt voids include an explanation for the void.
- Periodically review user roles to ensure access and functionality are appropriate.

Management Action Plan

- Deposit funds timely and consistent with LGC, Sec 113.022.
- Ensure that transactions are not receipted and voided by the same user.
- Include an explanation for all voided receipts.

Auditor's Response

- None

Special Fund Review

Criteria

Property Code § 72 and 76 requires escheating either to the county treasurer (if $100 or under) or the Texas State Comptroller (if over $100).

Per Local Government Code §113.008, an official with special funds shall reconcile all balances and transactions in the statement of activity against the balances of the official's records of each month.

Standard internal control procedures require the separation of duties, documented procedures, and immediate reconciliation and updates for transactions involving cash, including automated deposit reconciliation with the bank. The special fund should be reconciled timely and reviewed by management periodically to ensure that money is promptly disbursed for the correct amount, to the appropriate parties, and from the correct funding source.

Review

A review of all special fund activity and related general ledgers for the fiscal year 2022 revealed:

- The department did not prepare the fiscal year 2022 special fund reconciliation by the start of the audit. This included 33 transactions that were not reconciled to the general ledger by the department.
- Special fund balances over three years (as of March 1, 2022) old totaling $43,485 have not been researched for either disbursing to applicable parties, recovering excess disbursements, or escheating to the County Treasurer or Texas State Comptroller.

Responses to the Internal Control Questionnaire revealed inconsistencies between department responses and actual processes. The department response below did not correspond with audit observations:

- Unclaimed funds are researched for disbursing to the Texas State Comptroller and/or the County Treasurer.
- Stale-dated checks are not consistently researched for possible re-issuance.

Cause/Effect

These instances occurred because of a lack of management oversight to complete periodic reconciliations of the special fund account. Limited staff training and improper internal control procedures may result in possible special fund ledger variances, disbursement delays to entities and individuals, undetected posting errors, and possible penalties from the State for not following escheatment statutes.

Recommendation

Special Fund Review

Management should:

- Review and periodically reconcile of the special fund control ledger to the Oracle general ledger.
- Research old balances for disbursement to applicable parties, recovery of excess disbursements, or escheatment to the County Treasurer or Texas State Comptroller.

Management Action Plan

- Review and periodically reconcile the special fund ledger to the Oracle general ledger.
- Research old balances for disbursement to appropriate parties or escheat funds to the County Treasurer or Texas State Comptroller.

Auditor's Response

- None

Commission and Interest

Criteria

Texas Finance Code, Sec. 304.005 (a) states, "post-judgment interest on a money judgment of a court in this state accrues during the period beginning on the date the judgment is rendered and ending on the date the judgment is satisfied." If partial payments are made, the interest is

calculated on the reduced amount of the judgment and commission is based on what was paid rather than the judgment amount.

Dallas County Commissioners Court Orders 2021-0934 and 2020-0974 state that "commission calculations should include judgment, interest, and attorney fees collected while excluding any court costs."

Review

A review of commissions and interest for all non-sale and sale collections made during the fiscal year 2022 revealed:

- Five commission amounts totaling $(1,201.69) were under calculated.
- One commission amount totaling $305.89 was over calculated.
- Two interest amounts totaling $(413.77) were under calculated.
- Two interest amounts totaling $57.26 were over calculated.

Cause/Effect

Lack of management oversight, insufficient staff training, incorrect calculations for commissions, and use of incorrect judgment amounts for interest calculations have resulted in understated commission collections, overstated interest revenues, noncompliance with County policies and court orders, additional collections required for commissions and interest, or refunds needed to defendants for overpayments.

Recommendation

Commission and Interest

Management should:

- Issue refunds for excess commission collections.
- Assess the feasibility of recovering the under-collected amounts.
- Maintain detailed records for case payments and judgment documents.
- Calculate interest according to the language specified in the judgment, using the judgment date to the date satisfied, unless the judgment states otherwise.
- Ensure calculations are reviewed and verified by another staff member at the precinct, preferably the Chief Deputy or Chief Clerk.

Management Action Plan

- Issue refunds for the excess commission collections.
- Maintain detailed records for judgments and case payments.

- Ensure calculations are reviewed and verified by another department staff member, preferably the Chief Deputy or Chief Clerk.
- Calculate the interest from the judgment date to the date the amount due was satisfied and unless otherwise stated in the judgment.
- Assess the feasibility of recovering under-collected amounts.

Auditor's Response

- None

Property and Evidence Room

Criteria

Dallas County Code 90-373 states that all department heads and elected officials are responsible for maintaining property in their department, proper inventory records, and making appropriate reports as required. The evidence officer should ensure all relevant details of property and evidence items are accurately recorded on both manual and electronic inventory logs kept by the department.

Review

We reviewed a random sample of 23 of 270 items on the Constable 1 property and evidence inventory list or located in the Property and Evidence room. The following was identified:

- Three items located in the property room were recorded as destroyed on the Inventory List.
- Unreceipted funds in the amount of $172 were located in the Property and Evidence room.
- Three items from the inventory list were missing the Property and Evidence Inventory report form.

Cause/Effect

Inconsistent supervisory review, lack of periodic physical counts, and inaccurate record keeping have resulted in location and inventory variances and possible loss of property and evidence items.

Recommendation

Property and Evidence Room

Management should:

- Periodically perform a complete and physical inventory of the property and evidence room items.
- Maintain accurate records of the department's cumulative Inventory list to ensure all items have been added timely.
- Require supervisory review and approval of the inventory evidenced by signature and date.
- Ensure any cash processed is receipted immediately to the special fund account until case is resolved.

Management Action Plan

- Perform complete physical inventory periodically of the property and evidence room items and maintain accurate recordkeeping of the inventory lists.
- Ensure any cash processed is receipted immediately to the special fund account until case is resolved.
- Require supervisor review and approval of the inventory evidenced by signature and date.

Auditor's Response

- None

cc: Darryl Martin, Commissioners Court Administrator