



# AUDIT REPORT

DALLAS COUNTY

COUNTY TREASURER - FY2020 (3RD QUARTER)

Darryl D. Thomas  
Dallas County Auditor  
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# COUNTY TREASURER - FY2020 (3RD QUARTER)

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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**

Honorable Pauline Medrano  
County Treasurer  
Dallas, Texas

Attached is the County Auditor's final report entitled "**County Treasurer - FY2020 (3rd Quarter)**" 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". The signature is fluid and cursive.

Darryl D. Thomas  
County Auditor

## **EXECUTIVE SUMMARY**

A review of the Dallas County Treasurer during the third quarter of fiscal year 2020 revealed the significant observations listed below:

### **Summary of Significant Observations**

- None identified

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

- Delays in processing refunds to the credit card chargeback account.
- Non-Sufficient Funds checks not referred to the District Attorney's Office for prosecution after 60 days.

## 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 April 1, 2020 through June 30, 2020.

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

### **NSF Outstanding Checks on Hand**

A review of non-sufficient funds (NSF) checks on hand as of June 30, 2020 revealed that five outstanding checks totaling \$843.00 were not referred to the District Attorney's Office for prosecution in excess of 60 business days after the check return date.

Per Dallas County Recommended Accounting Policies for Returned Checks dated October 20, 2004, the Treasurer's Office should verify that returned check debits reflected on the bank reports reconcile to checks deposited by Dallas County; update the NSF Checks listing, prepare journal entries to establish receivables; submit completed complaint letters and original returned checks to the District Attorney for prosecution; and monitor collection efforts and charge backs. Inconsistent updates and monitoring of the outstanding NSF Check list may result in potential loss of Dallas County funds due to amounts that are unrecoverable.

### **Recommendation**

#### **NSF Outstanding Checks on Hand**

Management should periodically review the outstanding NSF checks list to ensure that they are timely referred to District Attorney's Office for collection after 60 business days.

### **Management Action Plan**

Management agrees with the auditor's recommendations.

### **Auditors Response**

None

### **Status of Cash**

A review of cash status and float issues for the third quarter of fiscal year 2020 revealed a United Health Care (UHC) Cobra payment in the amount of \$348,766.06 was received on March 11, 2020, but not deposited until June 11, 2020. On July 22, 2020.

The role of a County Treasurer as defined in various sections of the Local Government Code and paraphrased by the Texas Association of Counties is as the chief custodian of county finance, who is charged with the safekeeping and investing of county funds. This includes the maintenance and reconciliation of all checking accounts under the care of the county treasurer and the disbursement of funds. Government Code 113 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.

Inconsistent management oversight to establish process controls to identify correct accounts for wire deposits and issue checks has resulted in inaccurate financial records/unreconciled fund deposits. Further, the lack of controls related to United Healthcare payments has resulted in delayed revenue recognition and increased the potential for monetary losses to Dallas County.

**Recommendation**

**Status of Cash**

Management should develop procedures cash process that include:

- Prompt communication to other departments regarding benefit payments received.

**Management Action Plan**

Management agrees with the auditor's recommendations.

**Auditors Response**

None

cc: Darryl Martin, Commissioners Court Administrator