




**DALLAS COUNTY
COUNTY AUDITOR**

REPORT ON INTERNAL CONTROL & COMPLIANCE

TO: Honorable Joe Wells
Dallas County Treasurer

FROM: Virginia A. Porter 
County Auditor

SUBJECT: Review of Statutory Reporting and Compliance – FY2011

ISSUE DATE: April 30, 2013

RELEASE DATE: July 5, 2013

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, 2011.

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
- Review of collateral holdings and safekeeping receipts
- 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 new technology initiatives and associated processes
- 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 first elected as the 33rd Dallas County Treasurer to serve a four year term beginning January 1, 2007. 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 reducing banking costs and expediting the point at which funds are available.

New/Continuing Initiatives

- Pay Mode (ACH) was implemented during calendar year 2009 with ongoing improvements. Electronic payments rather than hard copy check payments are processed to pay 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.
- Banking processes (positive pay and credit cards) are being reviewed and updated in coordination with the depository bank.

Disclosures

As of September 30, 2011, total Arbitrage Rebate liability was \$74,088 and total outstanding Bonded Debt was \$172,878,177 which includes a \$28,493,177 interest balance and \$144,385,000 principal balance. The County Treasurer acts as paying agent for the County's bonds.

FINDINGS

Banking

Bank Contract – A sample review of monthly analysis statements revealed some banking fees charged by the Bank are not delineated in the bank contract (umbrella Agreement for Government Banking Services) or part of the Request for Application response.

Overdraft charges on the account analysis statements (due to incomplete cash flow forecasting for short term needs) were applied against available banking reserves or waived as part of the new bank contract. Waiver of charges in excess of earnings ceased beginning February 1, 2012.

Cash Management

Banking fees - Account analysis service charges are assessed on special funds, Section 8, Forfeiture, Seized, and Restitution accounts without reimbursement to the General Fund.

Bank Reconciliation – Due to personnel changes and a lapse in implementing back-up procedures, a delay in completing bank reconciliations occurred. Compensating controls were continually monitored.

Status of Prior Year Finding: Reconciling items dating to 2006 on Credit Card Fee Account #671 remain unresolved.

Non-Sufficient Funds (NSF) Checks – Treasurer's Hot Check List balance dated June 30, 2011 includes unreconciled items and outstanding NSF checks.

Deposits / Clearing Accounts – Clearing accounts are established to expedite transfer and reconciliation efforts. Several delays in transferring/processing from clearing accounts were noted. Insufficient details received for external incoming wire transfer result in instances of transfers to incorrect revenue / fund accounts and various pending Frost bank deposits.

Receipting is managed using two systems requiring additional time to reconcile and consolidate daily bank deposits.

Accounts Receivable

Accounts Receivable – Oracle set-up is configured for Forensics and Road & Bridge. Processing and reporting deadlines are followed.

Bonded Liabilities

Bond Sales

During the year under review, Dallas County sold \$73,945,000 in three Bond Series, in part to refund existing bonds with a lower interest rate. Required accounts and amortization schedules established.

Reports

Monthly Reports – Review of January 2011 and September 2011 monthly Treasurer’s report revealed report discrepancies of interest purchased. Reports filed with Commissioners Court in accordance to statutes are unaudited and include reconciliation errors. Annual review by external auditor is not presented to Commissioners Court.

Miscellaneous

Investments – Support schedules and reconciliations are maintained for all investments. Classification discrepancies noted for purchased investments on trade tickets as well as instances of investment terms with low earnings rate when higher rates are available.

Using manual tracking methods and without use of a sophisticated investment module, investments typically adhere to internal policy and incorporate acceptable low risk interest rates.

RECOMMENDATIONS

Banking

Bank Contract – Monitor monthly analysis statements for accuracy and appropriateness. Evaluate all bank contracted services annually to reaffirm requirements and allocation options for costs. Notify the Bank to provide a written schedule (in accordance with the contract) of all new fees/charges and increased fees for acceptance / rejection and approval / denial by Dallas County.

Evaluate new cash management tools to automate and improve projections of future cash flow requirements for investment decisions.

Cash Management

Banking fees - Consolidate or close accounts and request reimbursement for banking costs as business needs, contracts, and/or statutes allow.

Bank Reconciliation – Complete all bank reconciliations in timely manner including evidence of supervisory review. Reassign staff as necessary to perform critical core functions. Clear items outstanding greater than ninety (90) days.

NSF Checks – Coordinate with the responsible (source) department to research and clear old outstanding items. Continue monitoring, management and improving technological methods of recovering or prosecuting cases of insufficient funds through cooperative efforts among participating departments.

Deposits / Clearing Accounts – Coordinate with departments to provide sufficient details in order to clear funds to the appropriate accounts 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. Pursue full rollout of County Wide Receipting.

Accounts Receivable

Accounts Receivable – Continue periodic follow-up of outstanding receivables and notification to respective departments. Review limitations of central processing and options for expansion.

Bonded Debt

Bond Sales – Continue fulfillment of duties specified by Dallas County Code, Section 70-562 and Court order No. 2010-1914 dated November 16, 2010 to maintain bond ratings.

Reports

Monthly Report – Monthly reports should agree to financial records including the general ledger. Monthly investment report should evidence supervisory review for accuracy and completeness before publishing and submitting to Commissioners Court. Headings / captions used on reports should be descriptive of actual information portrayed.

Miscellaneous

Investments – Trade tickets / authorization forms should be complete, include proper financial terminology and evidence supervisory review. Consider installation of an automated tracking module to vet and track investments, continue to invest funds for maximum security and maximized earnings of invested funds, manage terms to reduce significant long term investments during current historically low rates. File the independent auditor's review of financials with Commissioners Court.

Current Findings / Observations and Recommendations

Finding templates numbered 11-CT-01-01 thru 08 are attached. Management responses are incorporated on the templates.

SUMMARY

This report is intended for the information and use of the Treasurer's office. 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 Treasurer's office.

County Treasurer's office is high risk due to the amount and volume of transactions processed and non-integrated systems. A management plan should be developed to address banking costs and identify a funding source for charges exceeding earnings. Documentation and review of realized interest (net of premium amortization) and year end market adjustments should be expanded.

Ongoing emphasis must be placed on detailed reconciliations, processes timing and effective automation. Our review was conducted on a test basis and was not designed to identify all deficiencies in internal control. Adherence to and follow-through with recommendations should strengthen internal controls and compliance with Dallas County's policies and procedures.

cc: Darryl Martin
Ryan Brown, OBE



Finding Number: 11-CT-01-1a
Date: January 23, 2013
Audit: County Treasurer FY2011
Auditor(s) Assigned: TB/TM

<p>Finding:</p>	<p>Bank Contract: Overdraft Interest Charge/Earning Credit</p> <ul style="list-style-type: none"> • Overdraft interest rate of 7.25% (prime plus 4%) charged by the bank is not specified in the bank contract. • Various bank accounts reflect overdrafts on daily bank balance reports. Unresolved charges at contract term must be funded by cash transfer. (Mispostings are occasionally noted on investment worksheets – without automated controls to timely detect differences bank overdrafts may occur.) • Collected overdraft interest charges totaling \$21,140.40 were applied against available banking reserves (or waived for August and September 2011 as part of the new bank contract) for the fiscal year ended September 30, 2011. • Bank proposal and contract included Bank agreement to waive six (6) months of Client’s analyzed monthly service fees beginning on July 1, 2011. (Bank subsequently indicated waiver period to start August 1, 2011 through January 31, 2012) <ul style="list-style-type: none"> ○ FDIC assessments, State Street, Bloomberg, and insurance trust account charges not reflected on analysis statements. Bank reportedly tracked manually during first six month period.
<p>Work paper Reference: (or other method by which finding was identified)</p>	<p>Bank contract effective 2005 – 2009, as extended through June 2011 Bank of America Account Analysis Statements and detailed analysis of earnings credit calculation worksheet. Bank contract effective June 8, 2011 authorized on Court Order 2011-968 for award of Request for Application (RFA) 2011-056-5509. (4 year term)</p>
<p>Condition: (Describe the current condition)</p>	<p>Reference spreadsheets are routinely updated denoting significant transactions and timing such as debt, bond payment, tax transactions and payroll. A daily review of available funds using electronic bank data and expected next day controlled disbursements is performed prior to confirming daily investment purchases.</p> <p>Investable funds are debited from various funds/bank accounts/transferred to 882 (wire transfer account) and wired to brokers upon purchase of third party investments. Audit approval for transfers outside depository is obtained. Brokers are approved annually through investment policy. (This process designed as flow through with no idle balance expected at the end-of-day. At the end of day, any balance or overdraft due to errors must be evaluated.</p> <p>A misposting on the investment worksheet or an unexpected disbursement noted after the investment purchase may result in bank overdraft. Mispostings may occur due to human error.</p> <p>Bank contract does not address interest rate for overdraft costs but an overdraft interest rate is recorded on the Account Analysis Statement.</p>
<p>Criteria: (Describe the optimal condition)</p>	<p>Dallas County investment policy, which in part things states: <i>“Dallas County’s investment strategy for General Operating Funds shall be made to ensure that anticipated cash flows are matched with adequate investment liquidity”</i></p> <p>Bank of America Depository Contract, which states in part: <i>“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</i></p>



	<p><i>enhancements to the operations and services of Dallas County.”</i></p> <p>Treasury Services Agreement General Provisions submitted by Bank of America as part of contract agreement states in part: <i>“To assist in Bank’s establishment or maintenance of overdraft limits or other processing arrangements, County shall provide Bank with such financial information as Bank reasonably requests.”</i> <i>”Except as otherwise provided, County must have Collected and Available Funds on deposit in its account sufficient to cover such obligations under the Agreement. For purposes of satisfying County’s payment obligations, Bank may consider any overdraft line or credit arrangement County has with Bank.”</i> <i>“County shall pay Bank for each Service in accordance with Bank’s schedule of charges currently in effect for County, except as Bank agrees otherwise (in writing) from time to time. Bank will provide County a copy of the current schedule of charges on request. All charges are subject to change upon 30 days prior written notice to County from Bank (unless otherwise agreed in writing), except that any increase in charges to offset any increase of fees charged to Bank by a Supplier for services used in delivering any Service may become effective in less than 30 days.”</i> <i>9. Overdrafts “With respect to a Service, Bank may, at its sole discretion allow an overdraft to occur in County’s account. Except as Bank agrees or advises County otherwise in writing, County must repay Bank immediately, without demand, the amount of the overdraft plus any overdraft charges. In such cases, the fact that Bank previously allowed an overdraft to occur does not obligate Bank to do so in the future. Additional terms and conditions contained in the Account agreement may also apply to such overdrafts.”</i></p> <p>According to GFOA Best Practices, “Cash flow forecasting can determine what dollar amount of the portfolio needs to remain liquid to meet disbursement obligations, generally on a monthly basis. Also, it can identify core funds, or those funds available for longer-term investing which allows a longer maximum maturity. For instance, cash flow forecasts can help identify reasonable maximum maturity and a weighted average maturity for safety and liquidity in the portfolio. Cash flow forecasting is distinct from governmental accounting and budgeting. It is a forecast to measure the organization’s ability to meet liquidity needs. The ultimate goal of this forecast is to mitigate the need for short-term borrowing or liquidation of securities (investments) before maturity. Cash forecasting should take into consideration all organization-wide portfolios and funds. This allows spending patterns to be coordinated to mitigate potential shortfalls and balance the flow of funds.”</p>
<p>Cause: (Describe the cause of the condition if possible)</p>	<ul style="list-style-type: none"> • Fluctuating balances for accounts without controlled disbursements. • RFA criteria and RFA bid proposal did not address interest rate on account overdraft activity.
<p>Effect: (Describe or quantify any adverse effects)</p>	<p>Assessment of overdraft charges by the depository bank offset with available bank credits reduced available bank credits for other banking charges contributing to an overall deficit and potential budgetary expenditure.</p>
<p>Recommendation: (Describe corrective action)</p>	<ul style="list-style-type: none"> • Continue to monitor bank accounts balances to avoid or address overdrawn bank accounts. • Expand cash management tools to project future cash flow requirements of various funds before making investment decisions. Whenever possible recalculate to confirm the optimum daily investment purchases. • Incorporate all banking elements (including fees, rates, and services) in future contract bids. • Obtain a written schedule of overdraft interest rate charges from the Bank. Consult with Civil District Attorney as to whether formal Commissioners Court approval is required.
<p>Responsible Department or Organization:</p>	<p>County Treasurer</p>
<p>Management’s Response:</p>	<p><input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree Respondent: Honorable Joe Wells Date: 6-7-2013</p>
<p>Comments:</p>	
<p>Disposition:</p>	<p><input checked="" type="checkbox"/> Audit Report <input type="checkbox"/> Oral Comment <input type="checkbox"/> Deleted From Consideration</p>



Finding Number: 11-CT-01-1b
Date: January 22, 2013
Audit: County Treasurer FY2011
Auditor(s) Assigned: TB/TM

<p>Finding:</p>	<p>Bank Contract: Miscellaneous A sample review of account analysis statements revealed:</p> <ul style="list-style-type: none"> • Various banking fees charged by the Bank are not specified in the bank contract (Umbrella Agreement for Government Banking Services) or part of the Request for Application response. • Dallas County <u>Schools</u> (and corresponding banking charges) incorrectly included by Bank under Dallas County analysis statements. • Analysis statements have several account grouping errors between Dallas County and Tax accounts. • Instances of banking fees charged absent contractual authority. • Account analysis service charges on bank accounts: <ul style="list-style-type: none"> ○ Not reimbursed to the General Fund (Fund 467, 535, 537, 538, 540 through 547, 610, etc.) ○ Not active or with a zero bank balance (Fund 507 and 608)
<p>Lack of control over Work paper Reference: (or other method by which finding was identified)</p>	<p>Bank contract effective 2005 – 2009, as extended through June 7, 2011 Bank contract effective June 8, 2011 authorized on Court Order 2011-968 for award of Request for Application (RFA) 2011-056-5509. (4 year term) Bank of America Account Analysis Statements and detailed analysis of earnings credit calculation worksheet.</p>
<p>Condition: (Describe the current condition)</p>	<p>As per Dallas County Commissioners Court Order 2009-550 dated March 24, 2009, the original bank contract was amended (Amendment # 3) to include:</p> <ol style="list-style-type: none"> 1. Extending the 2005-2009 bank contract for an additional two year period ending June 7, 2011. 2. Bank of America agreed to provide armored transport service to the County with the same cost as the bank pays for the armored car service without surcharge or administrative fee. 3. This amendment incorporates the Merchant Services Agreement and all related provisions into the Depository Contract. 4. Dallas County Financial Review Committee selected BOA for the new depository Bank for a four year term beginning June 8, 2011 and ending June 7, 2015 based on cost of services, and focus on revenue. <p>New four year depository agreement term started effective June 8, 2011. New Bank contract establishes fees, bank charges, and other related costs (including courier service, blank check stock, Bloomberg Financial Service, Trust Services payments for the Dallas County Employees Benefit Trust, payments to Image Cash Letter vendor for annual maintenance, and payments for services to Third Party Holding Agents for investment transactions) to be charged to available earnings credits.</p> <ul style="list-style-type: none"> • If un-sufficient credits are earned on available balance, actual banking cost must be funded with cash payment. County Treasurer staff calculates projected balance, managing investments accordingly.
<p>Criteria: (Describe the optimal condition)</p>	<p>Local Government Code, § 116.021. DEPOSITORY AND SUBDEPOSITORY CONTRACTS. (a) The commissioners court of a county shall select by the process provided by this subchapter or by Subchapter C, Chapter 262, one or more banks in the county and enter a contract with each selected bank for the deposit of the county's public funds. The county shall contract with a bank under this section for a two-year or four-year contract term. On expiration of a contract under this section, the contract may be renewed for two years under terms negotiated by the commissioners court.</p>



	<p>Treasury Services Agreement General Provisions submitted by Bank of America as part of contract agreement states in part: <i>“County shall pay Bank for each Service in accordance with Bank’s schedule of charges currently in effect for County, except as Bank agrees otherwise (in writing) from time to time. Bank will provide County a copy of the current schedule of charges on request. All charges are subject to change upon 30 days prior written notice to County from Bank (unless otherwise agreed in writing), except that any increase in charges to offset any increase of fees charged to Bank by a Supplier for services used in delivering any Service may become effective in less than 30 days.”</i></p> <p>According to GFOA Best Practices, contracts for banking services should specify services, fees, and other components of compensation. Governments should evaluate the relative benefits and costs of paying for services through direct fees, compensating balances, or a combination of the two (blended). Factors to consider in this evaluation are the earnings credit rate, reserve requirements and insurance fees on deposits. Needs should also be evaluated in comparison to the costs and benefits of specific banking services.</p>
<p>Cause: (Describe the cause of the condition if possible)</p>	<ul style="list-style-type: none"> • Bank errors on grouping, inclusion of non-County accounts on analysis statements, and exclusion of ‘other’ charges from analysis statements. • Inadequate monitoring of analysis statements for accuracy and completeness. • RFA criteria and RFA bid proposal did not address all banking fees charged. Schedule of additional fees not presented to County.
<p>Effect: (Describe or quantify any adverse effects)</p>	<ul style="list-style-type: none"> • Assessment of various charges and fees by the depository bank are offset with available banking reserves or result in an increased deficit. • Instances of banking fees assessed on analysis statements not negotiated/approved by County.
<p>Recommendation: (Describe corrective action)</p>	<ul style="list-style-type: none"> • Monitor monthly analysis statements for accuracy and appropriateness. • Continue to evaluate need for financial services and options for service delivery (courier, Bloomberg, etc.). Request that the Bank discontinue services not needed to reduce charges/fees. Evaluate courier routes for need. • Consolidate or close accounts and request reimbursement for banking costs as business needs, contracts, and/or statutes allow. Coordinate with departments requiring separate accounting (but not necessarily a separate bank account) to establish project accounting within the General Fund. • Provide options to negotiate all banking elements (fees, rates, services, etc.) in future RFA’s. • Request that the Bank provide a written schedule (in accordance with the contract) of all fees/charges. Consult with Civil District Attorney as to whether formal Commissioners Court approval is required to accept any new or increased fees.
<p>Responsible Department or Organization:</p>	<p>County Treasurer</p>
<p>Management’s Response:</p>	<p><input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree Respondent: Honorable Joe Wells Date: 6-7-2013</p>
<p>Comments:</p>	
<p>Disposition:</p>	<p><input checked="" type="checkbox"/> Audit Report <input type="checkbox"/> Oral Comment <input type="checkbox"/> Deleted From Consideration</p>



Finding Number: 11-CT-01-02
Date: December 22, 2011
Audit: County Treasurer FY 2011
Auditor(s) Assigned: JK

<p>Finding:</p>	<p>Bank Reconciliations</p> <ul style="list-style-type: none"> Bank reconciliations were not completed timely and did not reflect supervisory review. Response: Employee performing bank reconciliations transferred to another department. Supervisor designated as back-up did not complete reconciliations and subsequently resigned. Status: FY2011 bank reconciliations are now completed within 45 days after month end. <p>Status of Prior Year Findings</p> <ul style="list-style-type: none"> Various old reconciling items dating back to 2006 exist on Credit Card Fee Account - #671. Status: Unresolved.
<p>Work paper Reference: (or other method by which finding was identified)</p>	<p>Review of County Treasurer’s bank reconciliations and Auditor’s proof of cash Dallas County Paycheck Positive Pay Extract and Transmit History Report Positive pay Reject Report and Register of Approved Checks</p>
<p>Condition: (Describe the current condition)</p>	<ul style="list-style-type: none"> - All Dallas County checking accounts except jury are covered by Positive Pay. Different processes to transmit check files to the bank are used. When the issued checks are presented for payment at the bank, they are compared electronically against the list of transmitted checks. The check-issue file sent to the bank contains the check number, account number, issue date, and dollar amount. Prior to November 2010, bank notification of rejects was presented by telephone. Back-up plans for notice on County holidays was not established. - Procedurally, bank reconciliations are scheduled / researched timely. However, due to personnel changes and other priorities, there was a delay in completing various reconciliations including the general fund and jury fund for approximately four months in FY 2011. Management review of daily transactions and other compensating controls remained in place. - ACH Blocks & Filters are used to block all ACH debits and/or credits from posting to the County’s account(s) and ACH Filters are used to set various criteria to authorize certain ACH debits and/or credits and to post to the County’s accounts while excluding others - Departmental tracking and receipting is relied on for transfer of settled credit card activity and revenue recognition.
<p>Criteria: (Describe the best practice.)</p>	<p>Per Local Government Code (LGC) § 113.008, the County Treasurer is responsible for bank reconciliations. Financial controls require reconciliation of bank statements to include review, research, and matching of reconciling items by account. Bank reconciliations are reviewed by supervisors for accuracy and completion with reconciling items clearing, periodically.</p> <p>Best practices require banking controls to be in place to prevent unauthorized access and improper withdrawals of funds. Control measures include the use of Positive Pay files of checks issued, ACH filters and ACH blocks. Other safeguards include dual authorization for electronic fund transfers. Necessary research of data regarding settlement of credit card activity is available through contractual agreements. Extra care and follow-up should be performed when system failures or new processes occur. The outstanding check register should be reviewed for anomalies/errors.</p> <p>LGC § 132.007 provides for a county to charge a reasonable fee for providing access, collecting payments, or providing services authorized by this section over the Internet.</p>



	<p>LGC § 132.002 provides for a county to collect and retain a fee for processing payments by credit card.</p> <p>LGC § 132.003 provides for a county to set a processing fee that is reasonably related to the expense incurred in processing the payment by credit card; however, a flat fee may not exceed \$5 per payment transaction or at a rate that may not exceed 5% of the fee/court cost being paid.</p>			
<p>Cause: (Describe the cause of the condition if possible)</p>	<p>Limited procedural documentation and cross training for critical functions Inconsistent monitoring of bank reconciliation to ensure all bank reconciliations completed and old reconciling items reviewed/clearly timely.</p>			
<p>Effect: (Describe or quantify any adverse effects)</p>	<p>Potential loss of funds if corrections are incomplete or untimely. Risk of bank shortages or unrecovered funds.</p>			
<p>Recommendation: (Describe corrective action)</p>	<ul style="list-style-type: none"> • Complete all bank reconciliations in a timely manner. All bank reconciliation should include evidence of supervisory review and should clear all outstanding items over ninety (90) days. • Update and review documented bank reconciliation's procedures annually. • Update and review Positive Pay procedures to ensure the appropriate individual is notified timely when the bank initiates a rejection of checks. • Affirm all available credit card reconciliation tools updated timely by gateway/processor agent. 			
<p>Responsible Department or Organization:</p>	<p>County Treasurer</p>			
<p>Management's Response:</p>	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	<p>Respondent: Honorable Joe Wells</p>	<p>Date: 6-7-2013</p>
<p>Comments:</p>	<p>Currently, Bank reconciliations are completed timely and monthly.</p>			
<p>Disposition:</p>	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration	



Finding Number: 11-CT-01-03
Date: January 3, 2013
Audit: County Treasurer FY 2011
Auditor(s) Assigned: TB

<p>Finding:</p>	<p>Non-Sufficient Funds (NSF) Review of Treasurer’s Hot Check List as of 6/30/2011 revealed the following:</p> <ul style="list-style-type: none"> • The outstanding list does not reconcile to Oracle General Ledger balance • Outstanding checks with “NSF” as return reason have return dates ranging from 12/14/1999 to 6/30/2011. Of the 1466 transactions with “NSF” as reason, 1429 are 90 days old (based on returned date). • Return reason column does not include standardized convention for the reasons. • Excess Treasurer’s fees reduced deposits to Fund 170 leaving open balances on fully paid checks when posting payments received from District Attorney Collections. • Return Check fees taken although District Attorney occasionally waived these fees and closed cases. • Hot Check List does not track the date that the complaint letter is submitted to DA office.
<p>Workpaper Reference: (or other method by which finding was identified)</p>	<p>Treasurer’s Hot Check list dated 6/30/2011 Oracle General Ledger (account 170.000.10010)</p>
<p>Condition: (Describe the current condition)</p>	<p>NSF checks are returned by the bank directly to the County Treasurer for accounting and routing to the appropriate department for collection. The County Treasurer Staff inter-references NSF debits reflected on the bank reports to checks deposited by Dallas County and updates the Treasurer’s Hot Check listing (adding new NSF entries). County Treasurer’s staff prepares a journal entry to GL Fund 170 (debit revenue account 48210 and credit cash) and forwards to the County Auditor for posting. Changes in 2011 resulted in the Treasurer mailing letters to customers allowing 10 days to pay before submitting to the DA.</p> <p>A photo static copy of each check along with a Treasurer’s office form is sent to the source department that originally receipted the check. Some departments delay returning the form in an attempt to collect the return item from the customer. The form asks for the name of the cashier who received the check, the date the check was received, and the telephone number of the cashier receiving the check. The department verifies the original receipt is recorded and assesses a NSF fee. The form is returned to the County Treasurer, who sends it and the check to the District Attorney for collection when conditions met.</p> <p>A completed compliant letter is submitted to the District Attorney’s offices for prosecution. NSF items that remain uncollected 90 days after submission of complaint letters to the DA are inconsistently: reversed from the subsidiary system by the receiving (source) department; or, removed from the Hot Check listing. However no consistent practice is established to reverse the hot check receivable entry when debt is re-established in the subsidiary system. NSF collections recorded to fund 170 using form 98’s and associated hot check fees are verified before manual matching and removing entry from Hot Checks listing.</p> <p>For delayed collection of NSF’s items, the Treasurer or DA should provide sufficient data to the source department for recording the payment to the subsidiary system. For receivables not previously reversed from the subsidiary system by the source department, the funds are deposited to Fund 170 to clear the existing receivable.</p>
<p>Criteria: (Describe the optimal condition)</p>	<p>Local Government Code, § 118.141 to 118.144 authorizes the County Treasurer to collect fees for returned checks, stop payment orders, and copies of certain records.</p> <p>Dallas County Recommended Accounting Policies for Returned Checks dated October 20, 2004 include: verification that returned check debits reflected on the bank reports reconcile to checks deposited by Dallas County; updates to the Hot Checks listing, preparation of journal entries to establish receivables; submission of a completed complaint letter and original</p>



	<p>returned check to the District Attorney for prosecution; and monitoring of collection efforts and charge backs.</p> <p>Local Government Code, § 114.026 to 114.044 makes the Treasurer responsible for reporting on all monies received and disbursed.</p> <p>Local Government Code, § 113.063 indicates that claims and report on claims should be given to the County Treasurer.</p>				
Cause: (Describe the cause of the condition if possible)	<p>Inconsistent updates and monitoring of the Hot Check List for returned items. Delays in processing and follow-up by other involved departments.</p>				
Effect: (Describe or quantify any adverse effects)	<p>Potential for overstatement of revenues and errors in subsidiary systems. Funds remitted to State of Texas and/or other entities for uncollected NSF checks.</p>				
Recommendation: (Describe corrective action)	<ul style="list-style-type: none"> • Update staff training materials with Dallas County Recommend Accounting Policies on Returned Checks. • Coordinate with source department to reconcile and reverse original revenue or collection posting. • Provide NSF documentation and complaint, timely, to the District Attorney. • Verify funds cleared bank before any refund/disbursements processed. • Review District Attorney cases on Odyssey Hot Check system to determine proper allocation to Fund 170 and Fund 120. 				
Responsible Department or Organization:	<p>Treasurer's Office Receiving (source) Department</p>				
Management's Response:	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	Respondent:	Honorable Joe Wells	Date: 6-7-2013
Comments:	<p>Process updated timely, currently.</p>				
Disposition:	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration		



Finding Number: 11-CT-01-04
Date: December 31, 2012
Audit: County Treasurer FY11
Auditor Assigned: TB

<p>Finding:</p>	<p>Cash Management – Deposits and Clearing Accounts:</p> <ul style="list-style-type: none"> • Instances of check and wire deposits misposted to general ledger accounts and/or with delays • Instances of check and wire deposits posted as one transaction to Countywide Receipting (CWR) without sufficient accounting detail for online research • Unidentified deposits/un-reconciled activity • Delay in clearing Frost Bank deposits on Pending Deposit List <ul style="list-style-type: none"> ◦ Treasurer’s manual ledger for tracking Frost 882 activity does not include sufficient information for online research, such as 98 number and source code <p>Response: <i>Frost deposits require timely completion of 98’s from the County Clerk’s office.</i></p>
<p>Work paper Reference: (or other method by which finding was identified)</p>	<p>Review of receipt journal corrections and receipted payments in subsidiary system Review of bank statements and General Ledger (GL) activity Wire deposit dated 10/12/2010 from Social Security deposited in error to 532.0.21310.0.0.91002.0.0, instead of 466.0.47040.2010.0.0.05900.0.</p>
<p>Condition: (Describe the current condition)</p>	<p>County Treasurer personnel recognize electronic deposits by matching with internal notices, formally receipt, assign accounting and approve transaction for general ledger posting. Incoming wire transfers lacking accounting details are consistently recorded to a designated account for unknown receipts and routed for followed-up and/or transfer to appropriate code. Transfer errors were noted which requires additional staff time and research. Electronic deposits to the bank include maturing investments, federal/state grantor reimbursements, state statutory transfers, and credit card settlements.</p> <p>Established clearing accounts temporarily accumulate funds remitted from various entities for transfer to another bank account. Entities that remit electronic payments to the County obtain bank routing information from County Treasurer and electronically transmit funds with abbreviated identifying data. County Treasurer staff manually compares the transit routing data with other deposit information filed by various county offices (County Auditor; grantor requests; Sheriff Office; municipal and state service requests; County Clerk Frost Bank 98 deposit forms; and others).</p> <p>Treasurer’s personnel use a manual process of listing 882 amounts on a sheet of paper and the date of Frost Bank transaction. The department associated to Frost bank transaction is not listed consistently. The manual process is labor intensive, lacks search options and is dependent on accurate filings from external departments, causes amounts to be reconciled inappropriately and without sufficient support.</p> <p>Full account reconciliations are performed as time allows but not always before fiscal year end. FY 2011 reconciling items were not considered material for general ledger post-closing nor inclusion in CAFR.</p> <p>a. account transfers not properly recorded: \$8,139.11 b. pending deposits from Frost Bank: \$4,257 c. differences to Frost Bank from 98 deposits: \$3,983</p>
<p>Criteria: (Describe the optimal condition)</p>	<p>Best practice for clearing accounts includes timely review/reconciliation/research/clearing consistently in accordance with LGC § 113:</p> <ul style="list-style-type: none"> • According to LGC § 113.001, the County Treasurer, as chief custodian of county funds, shall keep in a designated depository and shall account for all money belonging to the county. • According to LGC § 113.003, the County Treasurer shall receive all money belonging to the



	<p>county from whatever source it may be derived.</p> <ul style="list-style-type: none"> • According to LGC § 113.021 (b), the County Treasurer shall deposit the money in the county depository in the proper fund to the credit of the person or department collecting the money. • According to LGC § 113.008, the County Treasurer is responsible for bank reconciliations. Financial controls require reconciliation of bank statements to include review, research, and matching of reconciling items by account. Bank reconciliations are reviewed by supervisors for accuracy and completion with reconciling items clearing, periodically. <p>Best practice for cash management – Concept and Practices:</p> <ol style="list-style-type: none"> (a) Cash mobilization – Get cash as fast as you can. (b) Controlled disbursement – Release the cash at the last possible moment (c) The investment program—Do something worthwhile with the cash in the meantime. <p>Best practice for the deposit of funds includes the following:</p> <ul style="list-style-type: none"> • Accurate and timely processing of form 98’s from departments in accordance with LGC § 113.022. • Departments processing receipts and payments in an organized and efficient manner including Treasurer staff coordination with the appropriate department to resolve exceptions. • Banking contract provide centralized control / responsibility for resolving deposit questions with County Treasurer
<p>Cause: (Describe the cause of the condition if possible)</p>	<p>Limited research options on incoming deposits which lack accounting details. Non-integrated financial systems for e-commerce and accompanying manual worksheets. Incomplete A/R interfacing.</p>
<p>Effect: (Describe or quantify any adverse effects)</p>	<p>Delayed revenue recognition, reporting variances for GL and State reporting, and high level reviews and manual processing. Additional staff time to research and correct variances. Risk of bank shortages or unrecovered funds if irregularities go undetected.</p>
<p>Recommendation: (Describe corrective action)</p>	<ul style="list-style-type: none"> • Coordinate with departments to provide sufficient accounting details 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. • Monitor all clearing and pass thru accounts including 882 daily to ensure that balances are cleared. • Document formal reconciliations at least monthly using basic A/R functionality. • 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. • Update and monitor CWR receipt procedures providing that: <ul style="list-style-type: none"> • Sufficient description to identify service included. • Wire / ACH transaction postings include the bank reference number (for each payment) in the wire number field. • Check postings include the check number field populated with the 12 rightmost digits. Each individual check should be posted whenever possible. • Money Order postings (entered as checks) include letters “MO” followed by the 10 rightmost digits of the money order number in the check number field. • A separate CWR receipt is created for each payer. Multiple payments received from same entity can be processed as one transaction provided each payment is detailed by amount and instrument number in the field designated for payment information. <p>Frost Bank depositing and posting errors should be corrected. Review process flow with</p>



	originating department and document procedures to identify and resolve discrepancies.				
Responsible Department or Organization:	County Treasurer				
Management's Response:	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	Respondent:	Honorable Joe Wells	Date: 6-17-2013
Comments:	Frost Bank process has been updated. Transit routing information comes from the payer. Data field set-up/configuration in CWR requires County Auditor's assistance.				
Disposition:	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration		



Finding Number: 11-CT-01-05
Date: December 27, 2011
Audit: County Treasurer FY2011
Auditor(s) Assigned: JK

<p>Finding:</p>	<p>Accounts Receivable – Greater than 90 days Review of Oracle accounts receivable aging reports reveal:</p> <ul style="list-style-type: none"> Investigation/review procedures have not resolved internal receivables aged more than 90 days. <p>Status: The Road and Bridge Districts and Facilities Management Department reviewed request for payments (RFPs) and cleared the Oracle AR invoices.</p>
<p>Work paper Reference: (or other method by which finding was identified)</p>	<p>Oracle Accounts Receivable (AR) Aging reports dated September 30, 2011 Accounts Receivable invoices outstanding more than of 90 days on September 30, 2011 totaled \$203,235.51 (15.3% of total outstanding invoices) for Forensic Science and \$40,279.75 (52.85% of total outstanding invoices) for the Road & Bridge Districts.</p>
<p>Condition: (Describe the current condition)</p>	<ul style="list-style-type: none"> Oracle system configuration vests county wide processing controls with the Treasurer to match and clear all transactions. Accounts Receivable set-up is not consistent for department users (Forensic Science and Road & Bridge Districts) causing potential for error in matching correct customer account to the appropriate department. Monthly/periodic deadlines for clearing internal invoices are not enforced. Payments for invoices are received by the Dallas County Treasurer’s office and recorded to Oracle AR. The Treasurer’s office notifies the Institute of Forensic Science (IFS) on a monthly basis of invoices that are 60 days past due. IFS administrator and other IFS staff perform limited collection duties as time permits including research of unapplied or misapplied payments. <p>County Treasurer and IFS address correction of past billing/receipting errors, as time allows, improving reliance on individual account balances within the system.</p>
<p>Criteria: (Describe the optimal condition)</p>	<p>In accordance with Local Government Code, § 113.902, the county treasurer shall direct prosecution for the recovery of any debt owed to the county, as provided by law, and shall supervise the collection of the debt.</p> <p>In accordance with Local Government Code, § 113.063, each officer who collects a fine, penalty, forfeiture, judgment, tax, other indebtedness, or payment obligation owed to the county shall keep a descriptive list of those claims.</p> <p>In accordance with Commissioner Court Order No. 2000-039, Phase II of the Memorandum of Understanding for Projects and Accounts Receivable Responsibilities, dated January 4, 2000:</p> <ul style="list-style-type: none"> County Treasurer is assigned supervisory responsibility over Oracle accounts receivable. County Treasurer will notify user departments of invoices that are 60 days overdue and forward a copy to the county auditor. User departments will be responsible for collecting overdue invoices. <p>Past due statements should be sent no less than monthly with account holds placed on non-responsive vendors. Uncollectible accounts over \$1,000 should be referred to the District Attorney – Civil Division or a third party collector.</p>
<p>Cause: (Describe the cause of the condition if possible)</p>	<p>Inconsistent written procedures for handling past due accounts and lack of a consistent charge-off mechanism. Insufficient staff for follow-up. Complexity of system configured for centralized vs. decentralized control limits special configuration for a department.</p>



Effect: (Describe or quantify any adverse effects)	Delayed revenue recognition, slow cash flow, lack of a consistent charge-off mechanism, and/or inaccurate account receivable postings.				
Recommendation: (Describe corrective action)	The County Treasurer, together with IFS and the Road and Bridge Districts, should develop procedures for handling past due accounts and internal receivables that include: <ul style="list-style-type: none"> • Developing high level corrective action plan, assignments, and periodic follow-up of outstanding receivables, jointly. • Researching old outstanding items and notification to respective departments in writing. • Pursuing recovery of outstanding receivables through Civil District Attorney or outside collections. 				
Responsible Department or Organization:	County Treasurer Road & Bridge Districts Forensic Science				
Management's Response:	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	Respondent:	Honorable Joe Wells	Date: 6-7-13
Comments:	Treasurer's office applies payments with IFS and R&B Districts responsible for collections.				
Disposition:	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration		



Finding Number: 11-CT-01-06
Date: 29-December 2011
Audit: County Treasurer FY2011
Auditor(s) Assigned: JK

<p>Finding:</p>	<p>Bond Sales Dallas County Code Section 70-562 (c) has not been updated to reflect authorizing investment order. County Treasurer is designated paying agent for bonds and responsible for analysis of escrowed refunding account. Bond amortization records were updated and investments accounts established.</p> <p>During Fiscal Year 2011, Dallas County sold the following bonds:</p> <ul style="list-style-type: none"> • \$30,495,000 in Unlimited Tax Refunding Bonds Series, 2011A • \$1,905,000 in Limited Tax Refunding Bonds, Series 2011B and • \$41,545,000 in Limited Tax Notes, Series 2011 <p>Fund 433 established for deposit of bond sales with requisite tax levy established debt sinking Fund (205). S&P approved a credit rating of AAA/Stable for this issue</p>
<p>Work paper Reference: (or other method by which finding was identified)</p>	<p>Official Statement dated April 12, 2011</p> <p>Unlimited Tax Refunding Bonds Series 2011A authorized \$35,000,000 and issued \$30,495,000 dated: May 18, 2011, due: August 15, 2021. Ct Order 2011-556 dated March 22, 2011.</p> <p>Limited Tax Refunding Bonds Series 2011B authorized \$2,500,000 and issued \$1,905,000 dated: May 18, 2011, due: August 15, 2012. Ct Order 2011-557 dated March 22, 2011.</p> <p>Limited Tax Notes Series 2011 authorized \$47,000,000 and issued \$41,545,000 dated: May 18, 2011, due: February 15, 2018. Ct Order 2011-555 dated March 22, 2011.</p> <p>Dallas County Code.</p>
<p>Condition: (Describe the current condition)</p>	<p>Timely filings of SEC mandated financial statements were completed for the 2011 Bond series listed above. Proceeds from the sale of the Bonds will be used to (i) refund a portion of the County's outstanding bonds and (ii) pay costs of issuance related to the bonds. The refunding was undertaken to lower the County's debt service payments and produce a present value savings to the County. Proceeds from the sale of the notes will be used to pay contractual obligations incurred in connection with (i) improving, remodeling, and equipping medical facilities, holding cell smoke devices, control center, stainless steel showers, and intercom system at the Lew Sterrett Justice Center; (ii) improving, remodeling, and equipping the George L. Allen, Sr. Courts Building; (iii) improving, remodeling, and equipping the Frank Crowley Courts Building; (iv) improving, remodeling, and equipping the County Records Building; (v) updating elevators and purchasing an enhanced and expanded video conference system for County offices; (vi) paying the costs of professional services related to the forgoing; and (vii) paying the costs of issuance of the notes.</p> <p>The Treasurer maintains a bond book with amortization schedules and incorporates debt payment dates in cash flow projections.</p> <p>Investment of available bond funds are established with earned interest deposited to the sinking fund.</p> <p>The 2011 series of bonds are issued with the Treasurer's office being responsible for receipt of cash, amortization of the debt, and regulatory filings.</p>
<p>Criteria: (Describe the optimal condition)</p>	<p>In accordance with Dallas County Code Section 70-562 (c) and Dallas County investment policy authorized under Court Order No. 2010-1914, the county treasurer shall be responsible for the handling and payment of all bonded indebtedness of the county and shall serve as</p>



	paying agent/registrar for the county bond and/or certificate issues, as authorized by the commissioners court, and shall serve as liaison with any county arbitrage rebate service. <ul style="list-style-type: none"> • Dallas County Code Section 70-562 (c) reflects 87-2033 as the authorizing court order number. • The 2011A Bonds are being issued in accordance with the Constitution and laws of the State of Texas including Chapter 1207, Texas Government Code, as amended, and an order passed by the Commissioners Court of the County (the "2011A Order"). • The 2011B Bonds are being issued in accordance with the Constitution and laws of the State of Texas including Chapter 1207, Texas Government Code, as amended, and an order passed by the Commissioners Court of the County (the "2011B Order"). • The Notes are being issued in accordance with the Constitution and laws of the State of Texas including Chapters 1371 and 1431, Texas Government Code, as amended, and an order passed by the Commissioners Court of the County (the "Notes Order" and, collectively with the 2011A Order and the 2011B Order, the "Orders") (see "THE OBLIGATIONS – Authority for Issuance" herein) 				
Cause: (Describe the cause of the condition if possible)	Dallas County Code not updated.				
Effect: (Describe or quantify any adverse effects)	N/A				
Recommendation: (Describe corrective action)	Continue fulfillment of duties specified by Dallas County Code, Section 70-562 and Court order No. 2010-1914 dated November 16, 2010 to maintain bond ratings. Submit authorized updates to the Dallas County Code.				
Responsible Department or Organization:	County Treasurer				
Management's Response:	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree	Respondent:	Honorable Joe Wells	Date: 6-17-13 & 6-24-13
Comments:	Dallas County Code will be reviewed for necessary updates.				
Disposition:	<input checked="" type="checkbox"/> Audit Report	<input type="checkbox"/> Oral Comment	<input type="checkbox"/> Deleted From Consideration		



Finding Number: 11-CT-01-07
Date: December 12, 2012
Audit: County Treasurer FY 2011
Auditor Assigned: TB

<p>Finding:</p>	<p>Monthly Report: Review of Treasurer’s office monthly reports as of 1/31/2011 and as of 9/30/2011 revealed the following:</p> <ul style="list-style-type: none"> • Includes interest purchased as a part of investment • Includes column headings on Dallas County Outstanding Fund Investments that are not clear. For instance, the column “Investment Amount” should be noted as Par/Face Value plus or minus premium or discount. (negatively impacts disclosure of risk tolerance) • Includes total for Fund 120 that does not agree to Oracle General Ledger or Investment Listing. No evidence of reconciliation denoted on filed documents. <ul style="list-style-type: none"> - For Fund 120, the Treasurer’s January 2011 monthly report reflects \$393,435,771.11 while Oracle GL indicates \$393,419,854.05. - For Fund 120, the Treasurer’s September 2011 monthly report reflects \$323,119,297.65 while Oracle GL indicates \$323,076,369.96.
<p>Work paper Reference: (or other method by which finding was identified)</p>	<p>Dallas County Outstanding Fund Investment Report as of 1/31/2011 and 9/30/2011 Oracle GL</p>
<p>Condition: (Describe the current condition)</p>	<p>January and September investment reports don’t inter-reference to source documents. In accordance with statute, a monthly report is prepared listing cash and investments. Revenue approach is used for this reporting. Major investment schedules included are :</p> <ol style="list-style-type: none"> 1. Dallas County Treasurer funds invested 2. Interest Earned for Dallas County 3. Dallas County Outstanding Fund Investments 4. Collateral Pledges for County Funds <p>Investment activity is updated daily to a spreadsheet. Daily investment activity includes recognition of maturities and bank ledger balance, acceptance of best broker bid and analysis of premiums, discounts, quarterly interest payments, callable payments, etc. and subsequent confirmation to trade tickets. New investments are detailed on internal Trade Ticket/Authorization form, reviewed by a second person, and forwarded to reconcilers in offices of County Auditors, County Treasurer, and other offices as appropriate. Broker and bank bid/reports are reviewed daily for investment information or reconciliation. The schedules developed for statutory reporting are prepared by County Treasurer’s staff using Symphony, but report headings are not responsive to regulatory reporting definitions. Schedules are prepared monthly and are not reconciled to General Ledger accounts. General Ledger transactions are generated by Treasurer’s Investment Manager using Oracle. Other schedules for reporting investments using the same data base are quarterly public funds investment reports.</p> <p>Reports filed with Commissioners Court based on monthly reports are unaudited and include reconciliation errors.</p>
<p>Criteria: (Describe the optimal condition)</p>	<p>GFOA Best Practices regarding Local Government investment portfolios stress a strong understanding of investment objectives for the legal entity and of the legal structure and operating procedures of investment broker/pool. Market risk, effect of changing interest rates on Present Value of fixed income security, must be managed and disclosed in annual financial reports. Investors should be aware of risk tolerance and confirm that the market risk assumed is within an acceptable tolerance level.</p> <p>Per accounting standards, revenue approach may be used for recording purchase of accrued interest. Interest revenue may be debited for the accrued interest purchased. The subsequent collection of interest would then be credited in full to the interest revenue. Records must clearly state premium/discount accounting method not utilized.</p>



	<p>Per Local Government Code Sec. 114.026 (a), at least once a month at regular term of the commissioners court, the county treasurer shall make a detailed report of all activities. The method of accounting is not delineated per statute.</p> <p>Per Dallas County code / investments policy (approved in accordance with Public Funds Investment Act): Sec. 70-474. - Investment reporting and auditing. (a) Not less than quarterly the county treasurer shall prepare and submit to the commissioners court a written report of the county's investment transactions for the preceding reporting period, in addition to other information that may be required by the county. The report shall contain:</p> <ol style="list-style-type: none"> 1. A detail of the investment position of the county on the date of the report. 2. A summary statement of each pooled fund group that states the beginning market value for the reporting period, additions and changes to the market value during the period, and the ending market value for the period. 3. The book value and market value of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested. 4. The maturity date of each separately invested asset that has a maturity date. 5. The account or fund or pooled group fund of the county from which each individual investment was acquired. 6. Compliance of the county investment portfolio as it relates to the investment strategy expressed in section 70-463, as well as other relevant provisions of this article.
<p>Cause: (Describe the cause of the condition if possible)</p>	<p>Reconciliation of details not evidenced Reliance on manual process</p>
<p>Effect: (Describe or quantify any adverse effects)</p>	<p>External parties who rely on reports and terminology may be misled. Complicates return on investment calculations.</p>
<p>Recommendation: (Describe corrective action)</p>	<ul style="list-style-type: none"> • Outstanding Fund Investment Monthly report should agree to financial records including the general ledger for the period being reported upon. • Understand fully maturity structure of a security ensuring headings/captions used on reports are descriptive of actual information portrayed. • Investment reports should evidence supervisory review for accuracy and completeness before publishing report and submitting to Commissioner Court. • Risk tolerance should be clearly stated and market risk denoted as within the approved level.
<p>Responsible Department or Organization:</p>	<p>County Treasurer</p>
<p>Management's Response:</p>	<p><input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree Respondent: Honorable Joe Wells Date: 6-7-2013</p>
<p>Comments:</p>	<p></p>
<p>Disposition:</p>	<p><input checked="" type="checkbox"/> Audit Report <input type="checkbox"/> Oral Comment <input type="checkbox"/> Deleted From Consideration</p>



Finding Number: 11-CT-01-08
Date: December 12, 2012
Audit: County Treasurer FY12
Auditor Assigned: TB

<p>Finding:</p>	<p>Investments:</p> <ul style="list-style-type: none"> • Investments were made as authorized by policy and statutes. • Internal Trade Ticket designated components of purchased investment inconsistent with market definitions. • Trade documentation is not consistently recorded. • Funds with long term investment opportunities invested with short term (1 day). • Results of annual review by independent auditor are not filed with Commissioners Court.
<p>Work paper Reference: (or other method by which finding was identified)</p>	<p>Dallas County Outstanding Fund Investment Report Trade Ticket for 8/05/2011 and 12/16/2011 Purchase documentation and daily investment journals prepared by Treasurer's office</p>
<p>Condition: (Describe the current condition)</p>	<ul style="list-style-type: none"> • All investments are made according to the Dallas County Investment Policy as approved on Commissioners Court No. 2011-2011 (replaces No. 2010-1914) dated November 22, 2011 which provides at least annually, the County Treasurer reviews and revises the list of qualified brokers authorized to engage in investment transactions with Dallas County. The list is submitted through the Dallas County Financial Review Committee for approval by Commissioners Court. The County Treasurer solicits bids daily either in writing or electronically, for investments from no less than three contracted brokers/banks for each investment period (generally two years). The selection is made based on the projected cash requirements as well as the target of weighted average maturity life of the total portfolio held at or below the required two year limit. Requisite funds for short term requirements are generally managed with Repurchase Agreements, TexPool and depository interest account. All investments made outside the depository require two signatures for transfer. County Treasurer submits quarterly investment report to Commissioners Court for filing. Policies are reviewed annually and any updates are codified through court order. • Distribution for funds 205 (Debt Service) and 120 (General Fund), 433 (Tax Notes Series 2011) and 424 (Unlimited Tax Road Bonds Series 2000) are made according to budget and predetermined schedules whenever possible • Investment practices developed for statutory reporting are prepared by County Treasurer's staff using Symphony software but are not incorporated in any Disaster Recovery Plan
<p>Criteria: (Describe the optimal condition)</p>	<p>Government Code Sec. 2256.023 (d) If an entity invests in other than money market mutual funds, investment pools or accounts offered by its depository bank in the form of certificates of deposit, or money market accounts or similar accounts, the reports prepared by the investment officers under this section shall be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the governing body by that auditor.</p> <p>Cash flow projections are developed and updated to determine:</p> <ol style="list-style-type: none"> a) The dollar amount of the portfolio that needs to remain liquid to meet disbursement obligations within a six-month period (short-term) b) What dollar amount is required within the next 6 – 120 month period, and c) Whether there is a 'core' of funds available for longer-term investing. <p><u>Amortized cost method</u> 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. Per accounting standards, revenue approach may be used for recording purchase of accrued interest by debiting interest revenue account.</p> <p>Dallas County Code, Sec. 70-474. - Investment reporting and auditing. (a) Not less than quarterly the county treasurer shall prepare and submit to the commissioners court a written report of the county's investment transactions for the</p>



	<p>preceding reporting period, in addition to other information that may be required by the county. The report shall contain:</p> <ol style="list-style-type: none"> 1. A detail of the investment position of the county on the date of the report. 2. A summary statement of each pooled fund group that states the beginning market value for the reporting period, additions and changes to the market value during the period, and the ending market value for the period. 3. The book value and market value of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested. 4. The maturity date of each separately invested asset that has a maturity date. 5. The account or fund or pooled group fund of the county from which each individual investment was acquired. 6. A statement indicating compliance of the county investment portfolio as it relates to the investment strategy expressed in section 70-463, as well as other relevant provisions of this article. <p>Dallas Count Code, Sec. 70-463. - Investment strategy. (f) General strategy.</p> <ol style="list-style-type: none"> 1. The county's investment portfolio shall consist of a variety of securities which may include any or all of the authorized investments listed in section 70-267. 2. It shall be the general practice of the county to utilize an investment strategy based on section 70-262, which also defines yield objectives, as well as V.T.C.A., Government Code § 2256.006, and shall participate in a daily auction of funds for investment through contracted financial brokers and/or banks to the highest and best bidder or invest funds directly with the depository bank and expect that all related collateral confirmations thereto be confirmed and received within the required time frames. The county shall in general be conservative in its investment programs consistent with section 70-268 as administered by a qualified, capable investment staff in the county treasurer's office. All investments shall be collateralized at a minimum of 102 percent of par value. 3. It is the county's intent to hold purchased securities to the stated maturity date and to have invested in such a manner to insure both the safety and liquidity of such transaction. In the event, however, the need arises to sell securities before the stated maturity date, said securities shall be analyzed to determine the appropriate time to liquidate said securities and minimize any potential real or book value loss to the county. <p>The county investment portfolio shall not exceed a weighted average maturity life of two years for the entire investment portfolio.</p>
<p>Cause: (Describe the cause of the condition if possible)</p>	<p>Incomplete data verification with Trade ticket documentation Limited review of economic conditions before committing/investing funds long term. Use of manual process and outdated software</p>
<p>Effect: (Describe or quantify any adverse effects)</p>	<p>Low investment earnings and revenue from available invested funds</p>
<p>Recommendation: (Describe corrective action)</p>	<ul style="list-style-type: none"> • Trade Ticket/Authorization should be inter-referenced and vetted for accuracy, completeness, and proper use of financial terminology. • Investment practice should reflect maximum security as well as maximum earnings. • Automated system should be considered to vet and track investments. • Results of annual review by independent auditor should be filed with Commissioners Court.
<p>Responsible Department or Organization:</p>	<p>County Treasurer</p>
<p>Management's Response:</p>	<p><input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree Respondent: Honorable Joe Wells Date: 6-7-2013</p>
<p>Comments:</p>	<p></p>
<p>Disposition:</p>	<p><input checked="" type="checkbox"/> Audit Report <input type="checkbox"/> Oral Comment <input type="checkbox"/> Deleted From Consideration</p>