

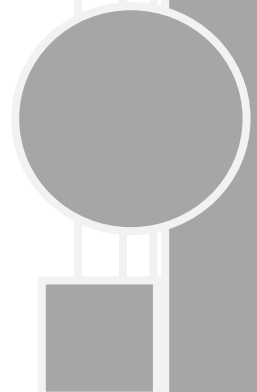


AUDIT REPORT

DALLAS COUNTY

COUNTY TREASURER - 1ST QUARTER - FY2024

Wendwessen Stefanos, CPA
First Assistant County Auditor
ISSUED: 7/9/2024
RELEASED: JULY 16, 2024



County Treasurer - 1st Quarter - FY2024

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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 - 1st Quarter - FY2024**" Report. In order to reduce paper usage, a hard copy will not be sent through in-house mail.

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

EXECUTIVE SUMMARY

A review of the Dallas County Treasurer during the first quarter of fiscal year 2024 revealed the following:

Summary of Significant Observations:

- **Bank Reconciliations:** October 2023 and November 2023 bank reconciliations were not completed as of February 27, 2024. This has resulted in unreconciled account balances and an increased potential for account fraud, bank errors, or unauthorized withdrawals.

Repeat Observations from Previous Audits:

- **Bank Reconciliations:** Monthly bank reconciliations are not timely completed.
- **Pending Deposits:** Deposits remain pending in excess of five business days.
- **Non-Sufficient Funds (NSF) Checks:** NSF checks are not referred to the District Attorney's Office for prosecution after 60 days.

Only those weaknesses which have come to our attention as a result of the audit have been reported. It is the responsibility of the department management to establish and maintain effective internal control over compliance with the requirement of laws, regulations, and contracts applicable to the department.

INTRODUCTION

Dallas County Auditor's Office mission is to provide responsible, progressive leadership by accomplishing the following:

- Comply with applicable laws and regulations.
- Safeguard and monitor the assets of the County utilizing sound fiscal policies.
- Assess risk and establish and administer adequate internal controls.
- Accurately record and report financial transactions of the County.
- Ensure accurate and timely processing of amounts due to County employees and vendors.
- Set an example of honesty, fairness and professionalism for Dallas County government.
- Provide services with integrity.
- Work in partnership with all departments to resolve all issues of the County.
- Strive to utilize the latest efficient and effective technology in the performance of tasks.
- Provide technical support and training in the development, implementation, and maintenance of information systems.
- Hold ourselves accountable to the citizens of the County at all times.
- Be responsive to the elected officials and department heads of Dallas County.

The objectives of this audit are to:

1. Ensure compliance with statutory requirements
2. Evaluate internal controls
3. Verification of accuracy and completeness of reporting
4. Review controls over safeguarding of assets

This audit covered the period of October 1, 2023 through December 31, 2023.

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****NSF Checks****Criteria**

Per Dallas County Recommended Accounting Policies for Returned Checks dated October 20, 2004; the Treasurer 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.

Review

A review of all 41 non-sufficient funds (NSF) checks on hand totaling \$29,179 as of October 31, 2023 revealed:

- Ten outstanding NSF checks totaling \$5,811 were not referred to the District Attorney's Office for collection after 60 business days.
 - NSF checks on hand have been outstanding from 68 to 85 business days.

Cause/Effect

Inconsistent updates and monitoring of the outstanding NSF Check list may result in a loss of Dallas County funds due to amounts that are unrecoverable.

Recommendation

NSF Checks

Management should:

- Ensure outstanding NSF checks are timely referred to the District Attorney's Office for prosecution after 60 business days.

Management Action Plan

- The NSF checks were late in being processed.
- All have been paid or referred to the District Attorney's Office.

Auditor's Response

- None



Bank Reconciliations

Criteria

Per Local Government Code 113.008 (d), "The county treasurer shall reconcile all balances and transactions for each treasury account in the county depository's statement of activity to the transactions and balances shown on the treasurer's records; and ensure all financial adjustments are made regarding the depository account as required."

Standard internal control procedures require timely completion of bank reconciliations, including review, research, and matching of reconciliation items by account. Bank reconciliations should be reviewed by supervisors for accuracy and completeness with reconciling items clearing periodically.

Review

A review of all 77 bank reconciliations during the first quarter of fiscal year 2024 revealed:

- Bank reconciliations for October 2023 and November 2023 were not completed for all 77 accounts as of February 27, 2024.
- Bank reconciliations for funds 120 and 467 remain unreconciled for September 2023 as of February 20, 2024.

Status: All completed bank reconciliations (September 2023 to December 2023) were received April 23, 2024.

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

- Monthly reconciliations are performed of the bank accounts to the general ledger.
- Reconciling items are resolved in a timely manner.

Cause/Effect

Unanticipated position vacancies and a lack of trained backup staff resulted in delayed bank reconciliations, unreconciled account balances, and an increased potential for account fraud, bank errors, or unauthorized withdrawals.



Recommendation

Bank Reconciliations

Management should:

- Ensure timely reconciliations of major accounts including supervisory review.
- Perform reconciliations of all bank accounts listed on the active accounts list.
- Cross-train staff to complete additional tasks during employee absences.

Management Action Plan

- The bank reconciliations should be up to date since the audit.
- The department accepts the findings.
- The department has a plan for oversight and should notice an improvement during the next audit.

Auditor's Response

- None

cc: Darryl Martin, Commissioners Court Administrator