



AUDIT REPORT

DALLAS COUNTY

COUNTY TREASURER - 3RD QUARTER - FY2024

Timothy J. Hicks, CPA
County Auditor

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County Treasurer - 3rd 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 - 3rd 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,

Timothy J. Hicks

Timothy J. Hicks, CPA
County Auditor

EXECUTIVE SUMMARY

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

Summary of Significant Observations:

- **Bank Reconciliations:** Bank reconciliations for March 2024 were not reviewed by a supervisor within 45 days.
 - 17 bank accounts were not reconciled as of July 22, 2024. This has increased the potential for undetected account fraud, bank errors, or unauthorized withdrawals.

Repeat Observations from Previous Audits:

- **Bank Reconciliations:** Monthly bank reconciliations are not timely completed.
- **Non-Sufficient Funds (NSF) Checks:** NSF checks are not consistently 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 April 1, 2024 through June 30, 2024.

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 23 non-sufficient funds (NSF) checks on hand totaling \$1,385,426 as of May 15, 2024 revealed:

- One outstanding NSF check totaling \$134 was not referred to the District Attorney's Office for prosecution after 60 days.
 - NSF check on hand has been outstanding for 73 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

- Related to the collection of \$134, the Treasurer's Office has communicated with the department and is waiting for a response.

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."

Per department procedures, bank reconciliations are to be completed within 45 days of the month's ending activity.

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

Review

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

- For all 77 accounts, bank reconciliations for March 2024 were not reviewed by a supervisor within 45 business days.
- 17 bank accounts were not reconciled as of July 22, 2024.

Status: As of August 5, 2024, all 17 bank accounts remain unreconciled.

Cause/Effect

This was due to unanticipated position vacancies, a lack of trained backup staff, and inconsistent supervisory review. This has increased the potential for undetected 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.

Management Action Plan

- As of mid-August 2024, the reconciliations are up-to-date.

DALLAS COUNTY



COUNTY AUDITOR

Auditor's Response

- None

cc: Darryl Martin, Commissioners Court Administrator