



AUDIT REPORT

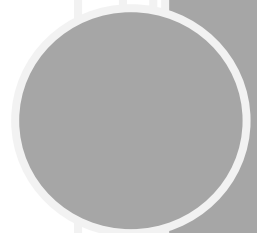
DALLAS COUNTY

County Treasurer - 1st Quarter - FY2022

Darryl D. Thomas
Dallas County Auditor

ISSUED: 3/2/2022

RELEASED: APRIL 6, 2022



County Treasurer - 1st Quarter - FY2022

TABLE OF CONTENTS

MANAGEMENT LETTER 3

EXECUTIVE SUMMARY..... 4

INTRODUCTION 5

DETAILS 6

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 - FY2022" Report. In order to reduce paper usage, a hard copy will not be sent through in house mail except to the auditee.

In 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,

Darryl D. Thomas

Darryl D. Thomas
County Auditor

EXECUTIVE SUMMARY

A review of the Dallas County Treasurer during the first quarter of fiscal year 2022 revealed the significant observations listed below:

Summary of Significant Observations

- None identified

Repeat Observations from Previous Audits:

- Non-Sufficient Funds checks not referred to the District Attorney's Office for prosecution after 60 days.
- Deposits remain pending in excess of five business 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, 2021 through December 31, 2021.

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

DMS Deposit Adjustment

A review of Deposit Management (DMS) pending deposit reports during the first quarter of fiscal year 2022 revealed one check deposit batch totaling \$15,340.20 remained pending in excess of 30 business days after the initial system entry date. **Status:** After notification from Internal Audit, the deposit batch was cancelled in DMS on December 12, 2021. Local Government Code 113 requires the County Treasurer to receive all money belonging to the County and transmit the original receipt to the County Auditor. All monies received should be promptly receipted and deposited consistent with Local Government Code, § 113.022. Inconsistent management review of pending deposits resulted in overstated revenue and inaccurate financial records.

Recommendation

DMS Deposit Adjustment

Management should implement deposit procedures to ensure consistent supervisory review of all pending deposits for timely processing.

Management Action Plan

- Management will follow deposit procedures to ensure consistent supervisory review of all pending deposits.

Auditors Response

- None

Cash Management - Deposits/Receipting

A review of the Oracle and the County-Wide Receipting (CWR) pending deposit reports during the first quarter of fiscal year 2022 revealed that four CWR deposits totaling \$113,318.51 were approved in excess of five business days after the initial system entry date. Chapter 113 of the Local Government Code 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. Section 74-692 of the Dallas County Code requires that the County Auditor's Office be notified immediately (within one day) of any out of balance condition involving money. Cash control procedures should include verification and deposit of funds payable to the county with follow-up on all exceptions.



Inconsistent management oversight and untimely follow-up on deposit issues resulted in inaccurate deposit balances and delayed revenue recognition.

Recommendation

Cash Management - Deposits/Receipting

Management should develop cash deposit procedures to include:

- More frequent review of pending deposit reports.
- Timely communication with departments on all unresolved deposits.

Management Action Plan

- Management will conduct more frequent review of all pending deposit reports and will have more timely communication with departments on all unresolved deposits.

Auditors Response

- None

NSF Checks

A review of non-sufficient funds (NSF) checks on hand as of November 19, 2021 revealed that three outstanding NSF checks totaling \$7,452.27 were not referred to the District Attorney's Office for prosecution after 60 business days. **Status:** All checks were referred to the District Attorney's office on December 28, 2021.

Per Dallas County Recommended Accounting Policies for Returned Checks dated October 20, 2004, the Treasurer should verify that returned check debts reflected on the bank reports reconcile to checks deposited by Dallas County, update the NSF Checks listings, 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 a loss of Dallas County funds due to amounts that are unrecoverable.

Recommendation

NSF Checks

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



Management Action Plan

- Our procedures are being followed; however, the return date should not be considered in the audit process because that is not the actual date we receive it in our office by mail to process. The date we receive it is the date we start processing all returns.

Auditors Response

- The specific issue was not addressed since the finding related to the Treasurer's staff not reconciling the NSF account against the GL and their listing.

cc: Darryl Martin, Commissioners Court Administrator