AUDIT REPORT

DALLAS COUNTY

COUNTY TREASURER - 3RD QUARTER - FY2023

Wessen B. Stefanos
First Assistant County Auditor

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County Treasurer - 3rd Quarter - FY2023

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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 - FY2023**" Report. In order to reduce paper usage, a hard copy will not be sent through in-house mail except to the auditee.

If you prefer that released reports be emailed to a different (or additional) recipient, please inform me of the name and the change will be made.

Respectfully,

Wendwessen Stefanos

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First Assistant County Auditor

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EXECUTIVE SUMMARY

A review of the Dallas County Treasurer during the third quarter of fiscal year 2023 revealed the following:

Summary of Significant Observations:

- **Bank Reconciliations**: May and June bank reconciliations were not completed as of August 28, 2023.
- **Pending Deposits**: Deposit delays occurred more than five days after the initial system entry dates.

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.

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.

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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, 2023 through June 30, 2023.

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

Pending Deposits

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.

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 for purposes of identifying and substantiating any shortages, which may subsequently require indemnification.

Standard internal control procedures require separation of duties, documented procedures, and immediate reconciliation and updates for transactions involving cash, (such as automated deposit reconciliation with the bank). Cash control procedures should include verification and deposit of funds payable to the County with follow-up of all exceptions.

A review of all pending County-Wide Receipting (CWR) deposits during the third quarter of fiscal year 2023 revealed:

- 47 CWR deposits totaling $306,232.71 were approved or adjusted more than five business days after the initial system entry dates.
    - Of these, 33 were Justice of the Peace (JP) Court deposits totaling $139,093.47 with deposit/adjustment dates ranging from 49 to 176 business days after initial collection. JP Court deposits included six cash deposits totaling $22,117.20.

Inconsistent supervisory review, lack of a trained back-up staff during an employee's absence, and untimely follow-up on deposit issues resulted in inaccurate deposit balances and delayed revenue recognition.

Recommendation

Pending Deposits

Management should:

- Frequently review pending deposit reports.
- Deposit and adjust funds daily.
- Timely communicate all unresolved deposits to departments for immediate resolutions.
- Comply with Dallas County Code 74-692.

Management Action Plan

- The Pending Deposit Report (DC-13) is run every afternoon after daily deposits have been posted in CLASS.

- When deposits are reset more than two-days, departments are notified of their pending deposits. The Auditor's Office is notified of any deposits that need an adjustment within 24-hours.
- Departments are notified within 24-hours of their deposit discrepancy. They are requested to provide a resolution to correct their deposit prior to being out of compliance after the 5th day.
- A copy of Local Government Code 74-692 is sent with the initial e-mail regarding their deposit discrepancy.

Auditor's Response

- None

Status of Identified Cash Variances

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.

A follow-up on the status of all cash variances identified by the County Auditor's Financial Audit section's review of cash proofs during the third quarter of fiscal year 2023 revealed:

- Three June deposit transfers totaling $4,765.72 for Fund 166 were deposited to Fund 120 in error.

Status: Memo of Notifications for fund transfer correction was completed on July 18, 2023.

A lack of consistent supervisory review and clerical errors when transferring deposits between funds resulted in inaccurate bank balances and required additional transfers to correct accounts.

Recommendation

Status of Identified Cash Variances

Management should:

- Review deposit transfers prior to posting.
- Ensure daily reconciling of account balances.

Management Action Plan

- This occurrence has been corrected. Currently, the DC19 CWR Report is verified against the transfer sheet, ensuring the accounts and amounts match prior to approving the deposit transfers in Cashpro.

Auditor's Response

- None

Bank Reconciliation

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 reconciliation of bank statements to include 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.

A review of bank reconciliations during the third quarter of fiscal year 2023 revealed:

- The May and June reconciliations were not completed as of August 28, 2023.

Status: A part-time bookkeeper was hired to help complete the outstanding bank reconciliations.

Unanticipated position vacancies and a lack of trained backup staff resulted in delayed bank reconciliations and unreconciled account balances.

Recommendation

Bank Reconciliation

Management should:

- Ensure timely reconciliations of major accounts including supervisory review.
- Cross-train staff to complete additional tasks during employee absences.

Management Action Plan

- Fusion has caused a huge disruption in our reconciliation process. Reports were not available since "go live" to provide the information needed to process the reconciliations, which was no fault of the Treasurer's Office. We are still working from two systems trying to meet deadlines and clean up errors made within Oracle Fusion. Staff turnover played a major part as well; however, we are in the process of training other staff members to help reconcile some of the accounts to try to meet the deadlines set in place. Going forward, we will continue to work with Financial Audit to get our bank reconciliations up to date.

Auditor's Response

- None

cc: Darryl Martin, Commissioners Court Administrator