



AUDIT REPORT

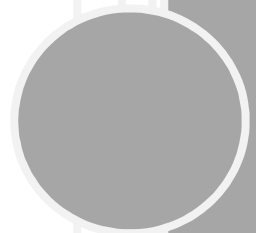
DALLAS COUNTY

County Treasurer - FY2021 (4th Quarter)

Darryl D. Thomas
Dallas County Auditor

ISSUED: 12/22/2021

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County Treasurer - FY2021 (4th Quarter)

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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 - FY2021 (4th Quarter)" 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 fourth quarter of fiscal year 2020 revealed the significant observations listed below:

Summary of Significant Observations

- Treasurer's Office bank reconciliations were out of balance a total of \$14,870,859.45 due to transactions being applied to a closed general ledger period

Repeat Observations from Previous Audits:

- Variances between Treasurer's NSF list and Oracle NSF balance

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



DETAILS

NSF Checks

A comparison of the July 2021 Treasurer's Office Non-Sufficient Funds (NSF) Listing to the Oracle NSF general ledger balance revealed a variance of \$3,234.52 over the general ledger amount. Dallas County Recommended Accounting Policies for Returned Checks dated October 20, 2004 directs the Treasurer to verify that returned check debits reflected on the bank reports reconcile to checks deposited by Dallas County; to update the NSF Checks listing, to prepare journal entries to establish receivables; to submit completed complaint letters and original returned checks to the District Attorney for prosecution; and to monitor collection efforts and charge backs. 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. 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. Inconsistent updates to the outstanding NSF check list and lack of monthly reconciliation of the NSF list to the general ledger combined with untimely inquiry/department follow up on variances has resulted in reporting differences on the Oracle general ledger without documented explanations, potential errors in subsidiary NSF balances, and non-recovery of amounts due to Dallas County.

Recommendation

NSF Checks

Management should develop NSF processing procedures to ensure that the:

- NSF listing is reconciled monthly to the general ledger.
- \$30 NSF fee is collected when balance due is paid at the Treasurer's Office as well as direct departments to collect the NSF fee.

Management Action Plan

- Procedures will continue to be followed as well as balancing and communicating with the Auditor's Office. In addition, paperwork will be submitted to the Auditor's Office within the same month to avoid timing issues.

Auditors Response

- None



Delayed Bank Reconciliations

On November 16, 2021, our office was notified that the Treasurer's Office bank reconciliations were out of balance a total of \$14,870,859.45 due to transactions being applied to a closed general ledger period. A review of the bank reconciliations for the fourth quarter of fiscal year 2021 revealed the reconciliation of three funds for the month of September was delayed in completion more than 30 business days. **Status:** The reconciliation of all accounts was verified by Internal Audit on November 22, 2021.

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. Key personnel and back-up staff should be aware of critical general ledger deadlines related to year-end close. The extended absence of key personnel combined with back-up staff not being aware of critical deadlines resulted in transactions being entered to a closed general ledger period. Additional staff time was required to identify the misapplied transactions and complete the reconciliation. Additionally, due to material size of the out of balance amount, Dallas County may receive a significant finding on the independent audit of the Annual Comprehensive Financial Report (ACFR).

Recommendation

Delayed Bank Reconciliations

Management should implement account reconciliation procedures that include:

- Request notifications from Auditor's Office to include reconciliation staff on general ledger closure date
- Timely reconciliations of major accounts including supervisory review

Management Action Plan

- We will request notification from the Auditor's Office to include reconciliation staff on general ledger closure to avoid the situation in September 2021 when the General Ledger was closed three days before the end of the month without notice.
- We will submit reconciliation of major accounts including supervisory review within 45 days of the month that is being reconciled.
- It is our understanding that the bank reconciliation for the fourth quarter for Fiscal Year 2021 was completed by Friday, November 19th, four days after the due date and not 30-days after.

Auditors Response

- None

cc: Darryl Martin, Commissioners Court Administrator