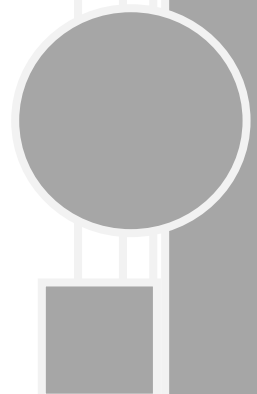




AUDIT REPORT

DALLAS COUNTY
County Treasurer - 4th Quarter - FY2022

Darryl D. Thomas
Dallas County Auditor
ISSUED: 1/9/2023
RELEASED: FEBRUARY 17, 2023



County Treasurer - 4th Quarter - FY2022

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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 - 4th 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 fourth quarter of fiscal year 2022 revealed the significant observations listed below:

Summary of Significant Observations

- Treasurer's Office bank reconciliation Oracle balance amount was decreased by \$1,000,000 and \$1,200,000 for July and August respectively, instead of adding itemized lines with a description of the variances to reconcile balance.

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

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 July 1, 2022 through September 30, 2022.

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

CWR Receipting

A review of Oracle General Ledger and the County-Wide Receipting (CWR) pending deposit reports during the fourth quarter of fiscal year 2022 revealed one CWR adjustments for (\$165.67) was completed 27 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 of all exceptions. Inconsistent supervisory review and untimely follow-up on deposit issues resulted in inaccurate deposit balances.

Recommendation

CWR Receipting

Management should develop cash deposit procedures to include:

- More frequent review of pending deposit reports.
- Timely communication of all unresolved deposits to departments for immediate resolutions.

Management Action Plan

Management is in agreement of recommendations and will implement as recommended.

Auditors Response

None

NSF Listing

A comparison of the September 2022 Treasurer's Office Non-Sufficient Funds (NSF) Listing to the Oracle NSF general ledger balance revealed a variance of \$1,905.52 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. Inconsistent updates and monitoring of the outstanding NSF Check List, lack of monthly reconciliation of the NSF listing to the general ledger, and untimely inquiry or department follow-up have resulted in



reporting differences on the Oracle General Ledger (GL) without documented explanations, potential errors in subsidiary NSF balances, and non-recovery amounts due to Dallas County.

Recommendation

NSF Listing

Management should develop NSF processing procedures to ensure that the:

- NSF listing is reconciled monthly to the Oracle GL.
- \$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

Management is in agreement with the recommendation and will implement as recommended.

Auditors Response

None

Bank Reconciliation

A review of bank reconciliations during the fourth quarter of fiscal year 2022 revealed the Oracle General Ledger balance amount was decreased by \$1,000,000 and \$1,200,000 for July and August, respectively, instead of adding itemized lines with a description of the variances to reconcile balance; and the Tele Order payments totaling \$11,500 were omitted from the August bank reconciliation but listed on the bank statements. **Status:** A revised bank reconciliation was provided for August including Tele Order amounts.

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 completeness. Incomplete supervisory review and lack of follow-up on Interfund transactions have resulted in improper insertion of amounts to Oracle balances and inaccurate bank reconciliations being approved.

Recommendation

Bank Reconciliation

Management should implement account reconciliation procedures that include:

- Complete an accurate reconciliations of bank accounts.
- Follow-up on Oracle General Ledger unknown reconciling items such as Interfund transactions.
- Include detailed notes on supervisory review.

DALLAS COUNTY



COUNTY AUDITOR

Management Action Plan

Management is in agreement with recommendations and will implement as recommended.

Auditors Response

None

cc: Darryl Martin, Commissioners Court Administrator