

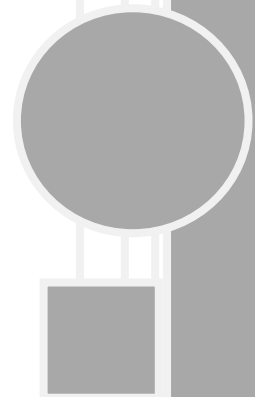


# AUDIT REPORT

DALLAS COUNTY

COUNTY TREASURER - FY2019 (1ST QUARTER)

Darryl D. Thomas  
Dallas County Auditor  
ISSUED: March 07, 2019  
RELEASED: March 25, 2019



# COUNTY TREASURER - FY2019 (1ST QUARTER)

## TABLE OF CONTENTS

---

MANAGEMENT LETTER.....	3
EXECUTIVE SUMMARY.....	4
INTRODUCTION.....	5
DETAILS.....	6
CWR Pending Deposits .....	6
Check Numbers Not Listed On Check Log .....	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 - FY2019 (1st Quarter)**" 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,

A handwritten signature in blue ink that reads "Darryl D. Thomas".

Darryl D. Thomas  
County Auditor

## **EXECUTIVE SUMMARY**

A review of the Dallas County Treasurer during the first quarter of fiscal year 2019 revealed the significant observations listed below:

### **Summary of Significant Observations**

- Deposits remain pending in excess of 5 business days.
- Check numbers not recorded on the check issuance log.

### **Repeat Observations from Previous Audits:**

- All significant observations were repeated.

**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, 2018 through December 31, 2018.

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 Pending Deposits**

A review of County Wide Receipting (CWR) reports for deposits pending during the first quarter of fiscal year 2019 revealed two Election Department deposit batches that were receipted October 26, 2018 and October 29, 2018 were approved in excess of five business days after the initial system entry date. Additionally, one Treasurer's adjustment to correct an out-of-balance County Clerk Civil credit card deposit was performed eleven business days after the initial system entry date.

Chapter 113 of LGC 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 management oversight and untimely follow-up on deposit issues resulted in inaccurate deposit balances and delayed revenue recognition.

### **Recommendation**

#### **CWR Pending Deposits**

Management should develop and implement cash deposit and receipting procedures to include:

- Initiate/expedite resolution deposit for any errors and notify County Auditor of CWR items pending more than five business days.
- Updated training for staff involved in the deposit review processes.
- More frequent reviews of pending deposit reports.
- Timely communication of all unresolved deposits to departments for immediate correction.

### **Management Action Plan**

We agree with your recommendations.

### **Auditors Response**

None

### **Check Numbers Not Listed On Check Log**

A review of the check issuance log to verify the continuity of check numbers issued and the associated check stock series during the first quarter of fiscal year 2019 revealed 57 checks numbers were not recorded on the

check log. The department received a series of unused check stock from the Sheriff's Department. When the check was used to issue disbursements, the activity was not recorded on the department's log

Operational practices and review steps relevant to application interfaces should include procedural controls that provide reasonable assurance that no duplicate checks are generated / printed and bank account coding information is correct, and all checks issued are accounted for. Information processing controls should include the use of record counts, batch techniques, control totals, or some other type of logging. Inconsistent supervisory review and clerical errors resulted in an incomplete audit trail and increased the potential that funds may be misappropriated.

**Recommendation**

**Check Numbers Not Listed On Check Log**

Management should ensure proper procedures are adhered to for documenting items on the check issuance log by:

- Reviewing the log to ensure that it contains accurate and complete explanations for voided or skipped check numbers.
- Periodically sorting the log by check numbers to ensure that there no skips in numerical sequences without valid explanations and that all check numbers are included.

**Management Action Plan**

We agree with your recommendations

**Auditors Response**

None

cc: Darryl Martin, Commissioners Court Administrator