



AUDIT REPORT

DALLAS COUNTY

CD- BAIL BOND AUDIT @ BANK QUARTERLY REVIEW - FY2019

Darryl D. Thomas
Dallas County Auditor
ISSUED: May 16, 2019
RELEASED: July 08, 2019



CD- BAIL BOND AUDIT @ BANK QUARTERLY REVIEW - FY2019

TABLE OF CONTENTS

MANAGEMENT LETTER.....	3
EXECUTIVE SUMMARY.....	4
INTRODUCTION.....	6
DETAILS.....	7
Treasurer -Dallas County Bail Bond Outstanding Report	7
Treasurer - CD's at Bank of America.....	8
Treasurer - CD Records Management Process.....	8

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
Dallas County Treasurer
Dallas, Texas

Attached is the County Auditor's final report entitled "**CD- Bail Bond Audit @ bank Quarterly Review - FY2019**" 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

We reviewed the Sheriff's Bondsman Attorney and Corporate Surety List, Dallas County Treasurer Bail Bond Outstanding Report, Certificate of Deposits (CD) at Bank of America, CD Records Management Process, and Bail Bond Confirmation Letter as of February 4, 2019 and identified material internal control weaknesses which need management consideration:

Summary of Significant Observations:

Sheriff's Bondsman Attorney and Corporate Surety List (Sheriff's CD List):

- 18 CDs where bank names and addresses did not agree to the Sheriff's List.
- 13 Certificate Numbers did not agree to the numbers on the CDs.
- Five CDs are listed with two different Sheriff Receipt Numbers.
- One Certificate of Deposit (CD) was receipted in 1982 to AIS, but was not included on the Sheriff's List.

Bail Bond Confirmation Letters mailed on January 16, 2019:

- 20 letters remain unanswered by the bank as of this report date.
- 15 letters were returned undeliverable.
- Seven letters were returned by the bank stating, "The Certificate/Account Number could not be located or is invalid within the bank's records".

CD Records Management Process:

- The Sheriff's Department manually compiles a list with CD and Bondsman information instead of generating a report from AIS system.
- The Sheriff's Office does not reconcile CDs information list to the AIS Record.

Repeat observations from Previous Audits:

- 52 Confirmation letters were returned undeliverable in Fiscal Year 2016.

Summary of Significant Observations:

Treasurer Dallas County Bail Bond Outstanding Report (Treasurer's Report):

- Two Sheriff Receipt Numbers on the Treasurer's Report did not agree to the Sheriff Receipt Numbers with the CDs in the Bank Vault;
- One Treasurer Receipt Number on the Treasurer's Report did not agree to the Treasurer Receipt Number with the CD in the Bank Vault;
- One payee name on the Treasurer's Report did not agree to the payee name on the CD in the Bank Vault.

Certificate of Deposits (CD) at Bank of America:

- Several envelopes containing important documentations such as, a certificate of deposit, Sheriff Receipt Number, and Treasurer Receipt Number are frayed and torn along the seams.

CD Records Management Process:

- The Treasurer's Office does not reconcile CDs from the Treasury Bail Bond System to CD information in AIS.
- The Treasurer's Office management's policy is to not make corrections to errors detected in the Treasurer's Bail Bond System.

Repeat observations from Previous Audits: N/A

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, 2017 through September 30, 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

Treasurer -Dallas County Bail Bond Outstanding Report

We reviewed the January 31, 2019 Dallas County Treasurer Bail Bond Outstanding Report (Treasurer's Report) and identified:

- Two Sheriff Receipt Numbers on the Treasurer's Report did not agree to the Sheriff Receipt Numbers with the CD's in the Bank Vault;
- One Treasurer Receipt Number on the Treasurer's Report did not agree to the Treasurer Receipt Number with the CD in the Bank Vault;
- One payee name on the Treasurer's Report did not agree to the payee name on the CD in the Bank Vault.

Management is responsible for designing, implementing and conducting internal control, and in assessing its effectiveness is emphasized in the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. Management should review the Treasury Bail Bond Outstanding Report for accuracy and completeness before the CD's are sent to the Bank Vault. Management does not review the Treasury Bail Bond Outstanding Report for accuracy and completeness. Management's policy is to not make corrections to errors detected in the Treasurer's Bail Bond System. As a result, assets could be misappropriated from the Bank Vault if the Treasurer's List is not reviewed by management. Inconsistencies and errors that are not corrected on the Treasurer Bail Bond Outstanding Report may negatively impact the inventory of CDs in the vault.

Recommendation

Treasurer- Dallas County Bail Bond Outstanding Report

Management should enhance the Dallas County Treasurer's Office "Sheriff Bail Bond Certificate of Deposits-record keeping & processing" to include:

- Reviewing the CD information (such as including receipt numbers, and payee names) on the Treasury Bail Bond Outstanding Report for accuracy and completeness.
- Reconciling the CDs from the Treasurer Bail Bond Outstanding Report to the Sheriff's List.
- Seek technology upgrades to the Treasurer's Bail Bond System to enable management to edit and correct errors, while keeping a detailed audit trail of changes.

Management Action Plan

We will have a secondary review before the new bonds are entered in the Treasurer Bail Bond System.

Auditors Response

None

Treasurer - CD's at Bank of America

We reviewed the Certificate of Deposits (CD) at Bank of America on February 4, 2019 and identified several envelopes containing a certificate of deposit, Sheriff Receipt Number, and Treasurer Receipt Number are frayed and torn along the seams. According to the Dallas County Treasurer's Office "Sheriff Bail Bond Certificate of Deposits-record keeping & processing," when paperwork from the Sheriff's Department is received to deposit a new CD in the safe deposit box, an "IN" receipt is processed Treasurer's office. An envelope packet is prepared to hold all the documents, including the bank issued receipt for the CD, the Control and Transfer Agreement and the Sheriff's receipt. The following details are recorded on the envelope: Sheriff's Receipt #, Treasurer's Receipt #, Bail Bondsman, CD #, Issuing Bank, Amount and Date sent to Safe Deposit Box. The bank receipt of the CD, plus copies of the Sheriff's receipt and the Control and Transfer Agreement are kept by the Treasurer's Office at the safe deposit box at Bank of America. This paperwork will be returned to the Sheriff's Office upon written request and an order releasing collateral, signed by the District Judge. Lack of management oversight regarding the condition of envelopes may result CD's and paperwork could be damaged, lost, or commingled with other documents.

Recommendation

Treasurer - CD's at Bank of America

Management should enhance the Dallas County Treasurer's Office "Sheriff Bail Bond Certificate of Deposits-record keeping & processing" to include:

- Replace damaged envelopes holding important documentations such as, certificate of deposited, Sheriff's Receipt #, Treasurer's Receipt #, Bail Bondsman, CD #, Issuing Bank, Amount and Date.

Management Action Plan

We are currently discussing enhancements to the current recordkeeping and processing.

Auditors Response

None

Treasurer - CD Records Management Process

We reviewed the CD Records Management Process and identified:

- The Treasurer Department manually compiles CD information using the Treasury Bail Bond system.
- The Treasurer's Office does not reconcile CDs from the Treasury Bail Bond System to CD information in AIS.

According to the Dallas County Treasurer's Office "Sheriff Bail Bond Certificate of Deposits-record keeping & processing", the Treasury Bail Bond is used to track the CDs held at the safe deposit box at Bank of America. The Sheriff's Office provides the CD, copies of the Sheriff's receipt and the Control and Transfer Agreement. As a best practice CD information and the Holding Bank contact information should be consistent between departments. These instances occurred because of a lack of management oversight and CD data is not

reconciled between the Sheriff and Treasurer's Office, where personnel can follow up on errors. The Treasurer's Office lacks of inquiry (read-only) access to AIS. As a result, inaccurate or incomplete CD records may not be identified between departments. Assets could be misappropriated from the Bank Vault if CD information is not updated, errors resolved, and CDs are reviewed by management.

Recommendation

Treasurer- CD Records Management Process

The Treasurer's Office should implement the following:

- Reconciling CD records between Sheriff and Treasurer's Office.
- Treasurer should be provided inquiry access to AIS to review and reconcile CD records.

Management Action Plan

We will reconcile CD records between the Sheriff and Treasurer's Office.

Auditors Response

None

cc: Darryl Martin, Commissioners Court Administrator