



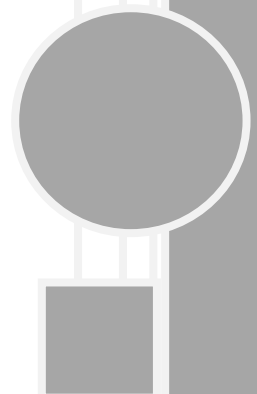
AUDIT REPORT

DALLAS COUNTY

COUNTY TREASURER - 4TH QUARTER - FY2023

Wendwessen Stefanos, CPA
First Assistant County Auditor

ISSUED: 5/16/2024
RELEASED: JUNE 25, 2024



County Treasurer - 4th 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 - 4th 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,

wessen Stefanos

Wendwessen Stefanos, CPA
First Assistant County Auditor

EXECUTIVE SUMMARY

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

Summary of Significant Observations

- **Bank Reconciliations:** As of November 7, 2023, bank reconciliations for June 2023 , July 2023, and August 2023 were not completed.

Status: As of December 7, 2023, three of 77 bank reconciliation reman unreconciled.

Repeat Observations from Previous Audits:

- **Bank Reconciliations:** Monthly bank reconciliations are not completed timely.
- **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.

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, 2023 through September 30, 2023.

The audit procedures may have included interviews with key process owners, observation of transactions processing, data analysis and sample testing of transactions. The main system used may have been reviewed and incorporated as part of the testing of transactions.

**DETAILS****NSF Checks****Criteria**

Per Dallas County Recommended Accounting Policies for Returned Checks dated October 20, 2004, the county treasurer should verify that returned check debits reflected on the bank reports reconcile to checks deposited by Dallas County; update the NSF Checks listing; prepare journal entries to establish receivables; submit completed complaint letters and original returned checks to the District Attorney for prosecution after 60 days; and monitor collection efforts and charge backs.

Review

A review of all 48 checks on hand as of August 8, 2023 that were returned for non-sufficient funds (NSF) revealed:

- Five outstanding NSF checks totaling \$1,137 were not referred to the District Attorney's Office for prosecution after 60 days.
 - NSF checks on hand have been outstanding from 61 to 68 business days.

Status: Two checks totaling \$562 including the NSF fees have been collected. The remaining three checks were sent to the District Attorney's Office for prosecution.

Cause/Effect

Inconsistent updates and monitoring of the outstanding NSF Check list may result in a loss of Dallas County funds due to amounts that are unrecoverable.

Recommendation

NSF Checks

Management should:

- Ensure outstanding NSF checks are timely referred to the District Attorney's Office for collection after 60 days.

Management Action Plan

The financial section management is putting a plan together to review all NSFs to avoid any overlooked/missed payment being sent to the DA.

Auditor's Response



- None

Pending Deposits

Criteria

Per Local Government Code 113.001, the county treasurer is to receive all money belonging to the county from whatever source it is derived.

Per Local Government Code 113.08(d)(2), the county treasurer is to ensure all financial adjustments are made regarding the depository account as required.

Standard internal control procedures should include verification and deposit of funds payable to the county with follow-up of all exceptions.

Review

A review of all 149 pending County Wide Receipting (CWR) deposits during the fourth quarter of fiscal year 2023 revealed:

- 13 CWR deposits totaling \$22,187.10 were approved or adjusted more than five business days after the initial system entry date.
 - Of these, eight were Justice of the Peace (JP) Court deposits totaling \$11,998.10 with deposit/adjustment dates ranging from seven to 176 business days after initial collection. JP Court deposits included one cash deposit totaling \$4,461.10.

Cause/Effect

Inconsistent supervisory review and untimely follow-up on deposit issues resulted in inaccurate deposit balances and delayed revenue recognition.

Recommendation

Pending Deposits

Management should:

- Routinely review pending deposit reports.
- Deposit and adjust funds daily.
- Timely communicate all unresolved deposits to departments for immediate resolution.

Management Action Plan



The head cashier runs DC-13 report daily to review deposits pending more than two days. An email corresponding to the pending deposit is sent to the department to have their deposit rectified in time to comply with the state and local government codes. The report will be sent to the Lead Cashier, the Chief Deputy Treasurer and the Treasurer. The internal auditor is notified of pending deposits that have not been received.

Auditor's Response

- None

Bank Reconciliations

Criteria

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 financial 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.

Review

A review of all 77 bank reconciliations during the fourth quarter of fiscal year 2023 revealed:

- Bank reconciliations for June, July, and August were not completed as of November 7, 2023.

Status: As of December 7, 2023, three of 77 bank reconciliations remain unreconciled.

Cause/Effect

Unanticipated position vacancies and a lack of trained backup staff resulted in delayed bank reconciliations, unreconciled account balances, and an increased potential for account fraud, bank errors, or unauthorized withdrawals.

Recommendation

Bank Reconciliations



Management should:

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

Management Action Plan

The bank recons were backed up due to the go-live of Fusion; We had staff changes. To alleviate the potential risk of fraud, bank errors, and unauthorized ACH withdrawals, the bank accounts are reviewed daily.

If such fraud and errors occur, the bank is notified immediately on the date of occurrence. The potential of fraud, bank errors and potential loss of County funds poses a much higher risk when payments are written to vendors/individuals multiple times, as well as being expensed out of one bank account and written on another account, which is not revealed until the reconciliation process begins.

When this happens, it takes longer to gather all information needed to notify the proper individuals to correct the errors at the bank.

Auditor's Response

- None

cc: Darryl Martin, Commissioners Court Administrator