



**DALLAS COUNTY
COUNTY AUDITOR**

Memorandum

To: Honorable Marian Brown
County Sheriff

From: Darryl D. Thomas
County Auditor

Darryl D. Thomas
AKA

Subject: Annual Review of Bail Bond Certificate of Deposits and Property Collateral

Date: Issued: November 28, 2017
Released: January 4, 2018

SCOPE

A review was performed on the Sheriff Bond Section's controls, Certificate of Deposits (CDs) and Property Collateral records, and reports from Adult Information System (AIS) data as of September 30, 2017.

REVIEW PROCEDURES

Standard review procedures were followed to test the internal controls for maintaining Bond Company and attorney accounts. A random sampling from the total activity was selected for certain review steps based on risk, the volume of transactions, and noted internal control weaknesses.

A partial list of the review tests includes:

- Reviewed FY17 Dallas County Bail Bond Board (DCBBB) Meeting Minutes
- Verified the existence of real property pledged as collateral and the associated appraisal values with the Dallas Central Appraisal District or third party appraisal.
- Verified the accuracy and completeness of AIS Bail Bond Certificates of Deposits (CDs) to the Treasurer's Report
- Verified Cash Bond, CD, and collateralized property additions and withdrawals

FINDINGS

The Sheriff's Bond Section managed 40 active bond accounts with \$1,567,719 in pledged CDs, and 42 inactive accounts with \$2,808,717 in pledged CDs. There was \$100,000 in CDs added to Bond accounts and \$90,000 removed from bond accounts. The Bond Section also managed 13 surety accounts with \$5,037,961 in real property pledged as collateral. There was \$831,320 in pledged property removed from bond accounts, and \$412,069 in cash bonds removed from bond accounts. The following are findings identified from testing:

- The Bond Admin section withdrew one CD from AIS on 02/9/17, intending to "temporarily freeze" the CD, because the bank refused to sign the Control & Transfer Agreement. The CD remains active on the Treasurer's CD Bail Bond report and was not released to the attorney; however, recording this occurrence as a CD withdrawal in AIS is an incorrect presentation of the audit trail when no withdrawal occurred on the attorney's account.
- The appraisal value was not updated on the Bond Admin property list to reflect the value approved by the Bail Bond Board, but the value was updated in AIS for property #05078164 on Acct #1086, and property 141484 on account #674.

- Two accounts in AIS incorrectly reflect a cash bond receipt was posted instead of property used as bond collateral, which was subsequently withdrawn as property (not cash). While this misrepresents the total for each bond collateral type, there is no dollar impact to the account limit.
 - \$100,430 in property for Account #674
 - \$313,840 in properties for Account #472
- Property #720013 for Acct #903 on the Property List does not agree to the Property amount used as collateral in AIS and approved by the Bail Bond Board.
- The \$5,000 CD withdrawal approved by the Bail Bond Board on Account #993 was incorrectly posted as a Cash Bond withdrawal in AIS, because it was not originally received as a CD.
- The Bail Bond Board ordered the withdrawal of \$25,000 and closure of Acct #1169, but cash bonds were subsequently posted by the Bond Desk against the Attorney's account preventing withdrawal and closure.

RECOMMENDATIONS:

- AIS should be configured to temporarily inactivate CDs such as when the bank refuses to sign the Control and Transfer Agreement, per DCBBB rule B6.a. Additionally, the Bond Administration section should timely address such matters to the DCBBB so a formal action can be rendered.

Management Response: *We agree with your recommendations and will work with the AIS Service team to explore options of reconfiguring AIS to reflect a "temporarily inactive status" when such accounts render this status. All formal actions requiring notifications to the DCBBB follow rules and as advised by the DCBBB legal advisor.*

- The Bond Administration section should continuously monitor changes made by the DCBBB and update both AIS bond accounts and the Bond Admin's property listing accordingly. Changes are evidenced in the DCBBB meeting minutes and include: property additions, property withdrawals, and updates to appraisal values.

Management Response: *Agree. The value referenced as not updated was an internal spreadsheet created by staff as an additional means of reconciling the property list value in AIS. The value in AIS was listed correctly. We will try to determine if there is a custom report that can be generated from AIS for future review and reconciliation.*

- Bond receipts and withdrawals in AIS should agree to the amount and collateral type referenced in the DCBBB meeting minutes. All updates to AIS should be reviewed by a supervisor as evidenced by a signature.

Management Response: *We agree with your recommendation. Supervisory and/or additional review signoff should routinely take place to coincide with DCBBB minutes. Please note that there is some date conversion errors found from FORVUS to AIS that contributes to such discrepancies at times.*

- Property amounts pledged as collateral per the Bond Administration's property list should be reconciled to AIS and the DCBBB meeting minutes.

Management Response: *We agree with your recommendation. Supervisory and/or additional review signoff should routinely take place to coincide with DCBBB minutes.*

- Errors made from withdrawing the incorrect bond collateral category (cash bond, CD, property) should be reversed and corrected timely to ensure the accuracy and completeness of bond financial data.

Management Response: *We agree with your recommendation. Supervisory and/or additional review signoff should routinely take place to coincide with DCBBB minutes. Please note that there is some date conversion errors found from FORVUS to AIS that contributes to such discrepancies at times.*

- Changes and activities approved by the DCBBB should be timely processed and updated in AIS. Furthermore, the department should develop a procedure to flag attorney accounts when the DCBBB orders a withdrawal. Flagging the account allows the Bond Desk to detect instances when a bond is requested against an account with a pending withdrawal, so that possible discrepancies can be resolved timely with the Bond Admin section.

SUMMARY

The report is intended for the information and use of the department. While we have reviewed internal controls, Certificate of Deposits (CDs) and Property Collateral records, and reports from AIS, 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 and regulations applicable to the department.

Consideration of all issues and weaknesses should be incorporated as a self-assessment tool. Adherence to and follow-through with the recommendations should improve internal control and compliance with Dallas County policies and procedures and state statutes.

CC: Darryl Martin, Commissioner's Court Administrator
Ryan Brown, OBE