

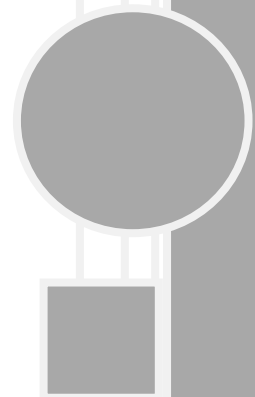


AUDIT REPORT

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
Sheriff's- CD Records Management Process	7
Sheriff's - Bondsman Attorney and Corporate Surety List.....	8
Sheriff's- Confirmation Letters.....	10

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 Marian Brown
Dallas County Sheriff
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;

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.

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

Sheriff's- CD Records Management Process

We reviewed the CD Records Management Process and identified the Sheriff's Department manually compiles CD information from Bondsman on the Sheriff's Bondsman Attorney and Corporate Surety List, instead of running reports in AIS where the information was originally entered; and does not reconcile CD information to the AIS Record. The Sheriff's Department 2017 General Orders and Code of Conduct Chapter 2.5 Section I.D states, "The Bond Administration Section will have a supervisor directly responsible to the Chief Financial Officer and will be responsible for maintaining current administrative records of bail bond agencies in Dallas County. These instances occurred because of a lack of management oversight and CD data is not reconciled between the Sheriff's 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

Sheriff's - CD Records Management

The Sheriff should reconcile CD records between the Sheriff's and Treasurer's Office. The Sheriff should also ensure AIS records are accurate and complete.

Management Action Plan

As CD's are received they are then entered into the AIS application as only a record of receipt. A CD receipt number is generated as a result of the entry. AIS is not currently used as an inventory database and therefore, there are no report that can be generated as it operates now. AIS contains a Bond tab where general Bondsman, Corporate Surety and Attorney profiles (i.e. Name, Address, Phone Numbers, Collateral Limits, etc.) are held. Copies of Bond profile sheets are attached to this response report for reference. All the fields being referenced on our manual list and that of the Treasurer's Report are not all found in AIS, therefore any custom report would lack those fields. An AIS is scheduled to be replaced by a new system in the next year, it can certainly be requested to have the ability to customize a report specific to the Auditor's needs that would satisfy all parties. This, however, does not exist now. There is an "unofficial" manual EXCEL spreadsheet held in the Bond Administration of the Sheriff's Office that is only used to hold historical data from the time of original entry. It was not created to coincide with the list held by the Treasurer's Office. It does get updated as a means of reconciling internal records as called upon and/or updates to bank changes when and if, notification is given to Bond Administration. There is little or no notification by the CD bank holders when bank name changes occur. We agree that reconciliation between the Treasurer's Inventory list and the unofficial Sheriff List could serve beneficial to maintaining current administrative records, although the two lists may never look the same or serve the exact same purpose. This will be actively worked on as a result of this audit. The Treasurer's Office does not currently have access to the Bond profiles in AIS because there in no identifiable need. If a request for read-only access to view the profiles is needed, we can certainly accommodate the request. The errors referenced during the quarterly bank audits are listed on the Treasurer's Inventory Report and access to update their report for the

exceptions listed during the audit would require the Treasurer's authorization and their request to the Service Desk to enable this ability. Sheriff's Department is not the owner of this particular report. However, we can accommodate any assistance in getting this rectified to lessen or remove altogether the exceptions listed on their report. We do not fully agree with your recommendation, but will work to be in compliance and ask for the noted details above to be included to allow for a clear overall understanding of the process.

Auditors Response

AIS is the official system for Dallas County Bail Bond Records. Your response states, "All the fields referenced on our manual list are not found in AIS, therefore any custom report would lack those fields," but AIS does detail a Bondsman's Name, Insurance Company Name, Receipt #, Amount of the CD, Bank Account #, and other details comments in the Bondsman's account. When AIS is replaced, our recommendation is that the new functionality includes the ability to fully customize a report that would satisfy all parties. Our recommendation is that the Sheriff should also reconcile CD records between the Sheriff's and Treasurer's Office. To this end, accurate and complete CD data should be "officially" documented by the Sheriff's Department and that information should be reconciled to CD's in the Bank Vault (in custody of the Treasurer).

Sheriff's - Bondsman Attorney and Corporate Surety List

We reviewed the Sheriff's Bondsman Attorney and Corporate Surety List (Sheriff's CD List) as of February 4, 2019 and identified:

- 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.

The Sheriff's Department 2017 General Orders and Code of Conduct Chapter 2.5 Section I.D.2 states "The Bond Administration Section will have a supervisor directly responsible to the Chief Financial Officer and will be responsible for maintaining current administrative records of bail bond agencies in Dallas County." These instances occurred because the Sheriff Department's 2017 General Orders and Code of Conduct Chapter 2.5 Section I.D was not fully enforced. There is a lack of management oversight and segregation of duties over CD Collateral Record Management. As a result, assets could be misappropriated from the Bank Vault if the Sheriff's List is not reviewed by management. Inaccuracies of CD details may prevent the County from recovering the CD in forfeiture. CDs may be withdrawn and bonds may be issued on accounts without sufficient collateral. The County may be unable to retrieve property approved for withdrawal by the Bail Bond Board.

Recommendation

Sheriff's Bondsman Attorney and Corporate Surety List

Management should adhere to the Dallas County Sheriff's Department's 2017 General Orders and Code of Conduct Manual (Section 2.5) and implement the following:

- Ensuring CD information is updated in AIS as changes occur. As stated in Section

2.5, management is directly responsible for maintaining current administrative records.

- Reviewing CD information (bank contact, certificate number, amount, CD holder's contact) in AIS to ensure information is accurate, complete, and agrees to the Bondsman's CD from the bank.
- Segregating the responsibilities for preparing and reviewing the CD information in AIS.
- Generating the Sheriff's CD Report from AIS instead of compiling a manual Bondsman Attorney and Corporate Surety List.

Management Action Plan

The Sheriff Department and the Treasurer's Office have two different lists as described in Response #1. Updates to the Sheriff's list will be readily worked on from here forward. However, as AIS is not currently being used and/or does not have all the fields necessary to accommodate a complete report as being referenced in this audit finding, it will not be possible to run such as report. As it pertains to CD's the only information available in AIS is that of the receipt number and dollar value. AIS does not currently have the ability to generate such as report as it does not store the data found on the "unofficial" Sheriff report or that of the Treasurer's inventory list. The Sheriff Department uses the Treasurer's Office CD list for the CD audits. Any possible means of rectifying the referenced CD's dating back to 1982 will be tackled. Any numbers not matching where possible will be tackled. We do not fully agree with your recommendation, but will work to be in compliance and ask for the noted details above to be included and allow for a clear understanding of the process.

Auditors Response

Accurate and complete CD data should be "officially" documented by the Sheriff's Department and that information should be reconciled to CD's in the Bank Vault (in custody of the Treasurer). Rule B6 of the Procedures and Rules Manual of the Dallas County Bail Bond Board state "All Bondsmen shall immediately notify the DCBBB or its designee if there is a change in the issuing financial institution and/or the maturity date of each active certificate of deposit for all funds pledge by their company and/or agents," and that "the Sheriff Department's address is the address to which all renewal notices and/or other notification of changes shall be sent" for certificates of deposit. Bond Administration staff should work with their representative on the DCBBB to compel Bondsmen (at least annually) to comply with Rule B6 of the DCBBB Procedures and Rules Manual. If Bondsmen are forced to comply with Rule B6, then any bank name changes or bank contacts should come directly to the Bond Administration staff and would not require additional duties to ensure CD information is up to date. It is the responsibility of the Bond Section to provide reasonable assurance that bond accounts are adequately maintained and that certificates of deposit pledged as collateral exist with the associated bank accounts. This can be done by enforcing Rule B6 of the DCBBB Procedures and Rules Manual.

Sheriff's- Confirmation Letters

We mailed Bail Bond Confirmation Letters on January 16, 2019 and noted:

- 20 letters remain unanswered by the bank as 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".

The Sheriff Department 2017 General Orders and Code of Conduct Chapter 2.5 Section I.D states "The Bond Administration Section will have a supervisor directly responsible to the Chief Financial Officer and will be responsible for maintaining current administrative records of bail bond agencies in Dallas County, and receive and investigate complaints on matters relating to bail bond agencies and practices." These instances occurred because the Sheriff Department 2017 General Orders and Code of Conduct Chapter 2.5 Section I.D was not enforced. There is a lack of management oversight and segregation of duties over CD Collateral Record Management. As a result, CDs cannot be verified when Banks do not return the confirmations back.

Recommendation

Sheriff's - Confirmation Letters

Management should adhere to the Dallas County Sheriff's Department's 2017 General Orders and Code of Conduct Manual (Section 2.5) and implement the following:

- Reviewing the CDs from the Bondsman for accuracy and completeness to AIS records.
- Verifying the CD with the issuing bank and updating the bank contact (name, address, phone #) to AIS records.

Management Action Plan

The Bank's information will continue to change and does not necessarily remain the same as when first receipted. The Sheriff's Department cannot enforce the Banks to return confirmations. We do not fully agree with your recommendation, but will work to be in compliance and ask for the noted details above to be included and allow for a clear understanding of the process.

Auditors Response

Rule B6 of the Procedures and Rules Manual of the Dallas County Bail Bond Board (DCBBB) states that, " All Bondsmen shall immediately notify the DCBBB or its designee if there is a change in the issuing financial institution and/or the maturity date of each active certificate of deposit for all funds pledged by their company and/or agents", and that "The Sheriff Departments address is the address to which all renewal notices and/or other notification of changes shall be sent" for certificates of deposit. Bond Administration staff should work with their representative on the DCBBB to compel Bondsmen (at least annually) to comply with Rule B6 of the DCBBB Procedures and Rules Manual. If Bondsmen are forced to comply with Rule B6, then any bank name changes or bank contacts should come directly

to the Bond Administration staff and would not require additional duties to ensure CD information is up to date.

cc: Darryl Martin, Commissioners Court Administrator