



COMMISSIONERS COURT
COMMUNICATION

REFERENCE NUMBER CO#121055

PAGE 1 OF 3

DATE: 09/22/2015

SUBJECT: **RECEIVE AND FILE THE AUDITOR'S REPORT FOR THE REVIEW OF THE JUSTICES' OF PEACE CONTROLS OVER RETURNED CHECKS.**

***** CONSENT AGENDA *****

COMMISSIONERS COURT ACTION REQUESTED:

It is requested that the Commissioners Court receive and file the Auditor's Report for the review of the Justices' of Peace controls over returned checks.

BACKGROUND:

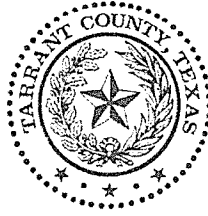
In accordance with Local Government Code, Sec. 115.001, Examination of Records, the Auditor's Office reviewed the Justices' of the Peace returned check process for the six months ending January 31, 2015. The objective of the review was to determine whether controls were adequate to reasonably ensure that returned checks were accurately processed and recorded.

FISCAL IMPACT:

There is no fiscal impact associated with this item.

SUBMITTED BY: Auditor's Office

PREPARED BY: S. Renee Tidwell
APPROVED BY:



TARRANT COUNTY

TARRANT COUNTY ADMINISTRATION BUILDING - ROOM 506
100 E. WEATHERFORD
FORT WORTH, TEXAS 76196-0103
817/884-1205
Fax 817/884-1104

S. RENEE TIDWELL, CPA
COUNTY AUDITOR
rtidwell@tarrantcounty.com

CRAIG MAXWELL
FIRST ASSISTANT COUNTY AUDITOR
cmaxwell@tarrantcounty.com

September 11, 2015

The Honorable Justices of the Peace, Precincts 1-8
The Honorable District Judges
The Honorable Commissioners Court
Tarrant County, Texas

Re: Auditor's Report – Justices' of the Peace Controls over Returned Checks

SUMMARY

In accordance with Local Government Code, Sec. 115.001, *Examination of Records*, we reviewed the Justices' of the Peace returned check process for the six months ending January 31, 2015. The objective of our review was to determine whether controls were adequate to reasonably ensure that returned checks were accurately processed and recorded. The Auditor's Office initiated this review upon discovery that an employee within the Auditor's Office was receiving cash for the reimbursement of returned checks and processing fees. This staff member was not responsible for receiving and depositing cash receipts. Although we found no evidence of malfeasance, procedures within the Auditor's Office were evaluated and corrective action was taken.

As a result of our review, we found that controls over returned checks were not adequate. We communicated our observation with the appropriate Justices of the Peace.

BACKGROUND

Each of the Justice of the Peace (JP) offices record daily receipts into the Odyssey Case Management System (Odyssey). The JPs deposit daily receipts into their respective bank accounts, except for JP8 who deposits directly into the County's consolidated cash bank account.

According to the Business and Commerce Code, Section 3.506(b), the JPs *may* charge the issuer of a returned check a maximum processing fee (NSF fee) of \$30.

OBSERVATION AND RECOMMENDATION

Controls over returned checks were not adequate.

Background

JPMorgan Chase Bank charges unpaid returned checks for six of the JPs to the County's consolidated cash bank account. When this occurs, the Auditor's Office records the returned check into SAP as a receivable due to the appropriate JP. Upon notification from the bank, the JPs contact the payer of the returned check and request payment. After receiving reimbursement for the returned check, the JPs remit the funds to the Auditor's Office.

The bank charges JP2 and JP6 for unpaid returned checks directly to their respective bank accounts. A customer accounts receivable for unpaid checks is not recorded in SAP.

Observations

We observed that none of the JPs consistently record unpaid checks returned by the bank into Odyssey. Furthermore, only one of the eight JPs collected a NSF fee. The case files in Odyssey show that the fees and/or fines were *paid* since the original receipts were not reversed. The JPs do not record the receipt of payment for returned checks and NSF fees into Odyssey. Instead, the JPs issue manual receipts to payers. Since NSF fees are not recorded in the respective JP's accounts receivable in SAP, a significant risk exists whereby NSF fees could be misappropriated.

We also observed that most of the JPs do not have written procedures related to returned checks.

Recommendations

To strengthen controls over returned checks and NSF fees, we recommend that each JP document procedures related to returned checks, including whether a NSF fee should be charged to the customer. Any exceptions to the written procedures should be approved and documented by the JP.

CLOSING REMARKS

We appreciate the cooperation of the Justices of the Peace staff during our review. If you have any questions concerning this report, please do not hesitate to call.

Sincerely,

S. Renee Tidwell, CPA
County Auditor

Distribution: Justices of the Peace, Precincts 1-8

Audit Team: Imad Mouchayleh, Audit Manager
Julie Hillhouse, Senior Internal Auditor