



COMMISSIONERS COURT
COMMUNICATION

REFERENCE NUMBER

PAGE 1 OF

9

DATE: 11/18/2014

SUBJECT: **RECEIVE AND FILE THE AUDITOR'S REPORT OF THE FINANCIAL REVIEW OF JUSTICE OF THE PEACE, PRECINCT 3**

COMMISSIONERS COURT ACTION REQUESTED:

It is requested that the Commissioners Court receive and file the Auditor's Report of the financial review of the Justice of the Peace, Precinct 3.

BACKGROUND:

At the request of the Justice of the Peace, the Auditor's Office reviewed financial transactions that occurred during the period of October 1, 2013 through August 29, 2014. The objective of the review was to determine whether controls were adequate to reasonably ensure that financial transactions were accurately recorded and were in compliance with statutes and county policies.

FISCAL IMPACT:

There is no fiscal impact associated with this item.

SUBMITTED BY: County Auditor

PREPARED BY: S. Renee Tidwell
APPROVED BY:



TARRANT COUNTY

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September 30, 2014

The Honorable Russell Casey, Justice of the Peace, Precinct 3
The Honorable District Judges
The Honorable Commissioners Court
Tarrant County, Texas

RE: Auditor's Report – Financial Review of Justice of the Peace, Precinct 3

SUMMARY

At the request of the Justice of the Peace, we reviewed financial transactions that occurred during the period of October 1, 2013 through August 29, 2014. The objective of our review was to determine whether controls were adequate to reasonably ensure that financial transactions were accurately recorded and were in compliance with statutes and County policies. As a result of our review, we found the following:

- Observation 1 Certain receipts were not deposited with the Auditor's Office by the 5th business day after the money was received.
- Observation 2 The payments made to Parks and Wildlife did not comply with the timeframe required by statute.
- Observation 3 Receipts were not deposited into the JP's bank account daily.
- Observation 4 The bank reconciliation included two outstanding checks dated in May 2013.
- Observation 5 Disbursement information recorded in Odyssey did not always agree with information shown on the cancelled checks.
- Observation 6 System controls within Odyssey do not require segregation of duties between certain incompatible tasks.
- Observation 7 Documentation supporting mileage reimbursed to employees was not adequate.

Attached is management's written response to this report.

OBSERVATIONS AND RECOMMENDATIONS

Observation 1 Certain receipts were not deposited with the Auditor's Office by the 5th business day after the money was received.

Background

Local Government Code 113.022 and Code of Criminal Procedure 103.004 state that a county officer who receives money "*shall*" deposit the money with the **county treasurer** on or before the next business day after the money is received. The Tarrant County Auditor has the role of treasurer. The statutes also say that if this deadline cannot be met, then money must be deposited no later than the 5th business day after the day the money is received.

The Justice of the Peace made *weekly* deposits with the County Auditor ranging between \$1,167 and \$10,337.

Observation

Although the JP made certain deposits *weekly* with the County Auditor, receipts due to others, such as the State of Texas and in-county and out-of-county constables, were remitted to the Auditor's Office *monthly*. This is the majority of the monies collected by the JP's office. For example, the monthly deposit for July 2014 totaled over \$46,800. Although this has been the practice of the JP courts for years, it may not be in compliance with statute.

The Auditor's Office has requested a legal opinion from the District Attorney's Office regarding this issue. Therefore, we have no recommendation at this time.

Observation 2 The payments made to Parks and Wildlife did not comply with the timeframe required by statute.

Background

Section 12.107(a) of the Parks and Wildlife Code states, "*A justice of the peace, clerk of any court, or any other officer of the state who receives a fine imposed by a court for a violation of this code or a regulation of the commission adopted under this code shall send the fine to the department within 10 days after the date of collection...*"

Observation

During the audit period, the JP staff collected 68 receipts for fines owed to Parks and Wildlife. Of the 68 receipts collected, 53 receipts were not remitted to Parks and Wildlife within 10 days as required by statute. Rather, these collected funds were generally remitted to the state at the beginning of the subsequent month. JP staff was not aware of the statute's 10-day remittance requirement.

Recommendation

The JP should establish a procedure to remit fines collected and owed to Parks and Wildlife every 10 business days.

Observation 3 Receipts were not deposited into the JP's bank account daily.

Observation

Receipts collected were not deposited into the JP's bank account daily. Rather, receipts were deposited up to 5 business days after the date of the receipt. Daily receipts collected ranged between \$220 and \$9,200. We also observed:

- 59 instances where receipts totaling approximately \$152,500 were held over a weekend and/or holiday. Of this amount, cash totaled over \$62,500.
- 85 instances where receipts were deposited between 2 and 9 calendar days after the receipt was issued.
- 7 instances where receipts were deposited from 1 to 3 days *AFTER* the subsequent day's receipts were deposited.
- 1 bank deposit was made on a county holiday.

There is no safe at the JP3 Hurst or Southlake offices. Staff indicated receipts are stored in a locking metal file cabinet until they are deposited. Since there is no armored car pick-up, the Court Manager or designated staff carries the deposits to Chase Bank. As a result, these monies could be vulnerable to loss or theft.

Recommendation

We recommend that the Justice of the Peace deposit receipts into the Chase Bank account *daily* especially since they do not have a safe on site. The Justice of the Peace may also want to consider armored car pick up of daily deposits.

Observation 4 The bank reconciliation included two outstanding checks dated in May 2013.

Observation

We observed that the July 2014 bank reconciliation listed two checks dated in May 2013 in the amounts of \$2,344.58 and \$6,007.06. Both of these disbursements were made from funds held in trust.

JP staff was not aware of the outstanding check #802 in the amount of \$2,344.58. Furthermore, the case file could not be located for our review, so we could not determine whether the check had been mailed and returned. Odyssey did not contain any notes regarding this outstanding check.

JP staff was aware of the outstanding check #804 in the amount of \$6,007.06. The check was located in the case file. According to case notes in Odyssey, the check was mailed to the defendant and returned. Notes in Odyssey also indicated that the court manager attempted to contact the defendant in June 2013 and left a message. The defendant was contacted again in September 2013, but the defendant was no longer at the phone number on file. JP staff did not void the check in Odyssey.

As a result, both the reconciled checking account balance and the trust fund balance recorded in Odyssey are understated.

Recommendations

The JP should locate the case file relative to check #802 to determine whether the check has been returned and is in the case file. The JP should also attempt to locate the owner of the funds. If the owner cannot be located, the JP should void the check and issue a stop pay with the bank. The funds should also be recorded back into the Odyssey case file.

The JP should also void check #804 and record the funds back into the Odyssey case file.

If the owners of the funds are not located within three years, the JP should follow the guidelines for unclaimed property as outlined in Chapter 72 of the Texas Property Code.

Observation 5 Disbursement information recorded in Odyssey did not always agree with information shown on the cancelled checks.

Observation

We reviewed 100 disbursements made from the JP's checking account and compared the amount, the payee, and the date shown on the cancelled check to the same information recorded in Odyssey. As a result, we found that disbursement information recorded in Odyssey did not always agree with the information shown on the cancelled check.

Specifically:

- Fourteen cancelled checks were dated up to 11 days *before* the disbursement date recorded in Odyssey.
- Two cancelled checks were dated one day *after* the disbursement date recorded in Odyssey.
- Two cancelled checks were made out to the Tarrant County Clerk, but Odyssey showed that the payments were made to the Tarrant County Auditor. We confirmed that the checks were deposited with the County Auditor's Office.
- One cancelled check was written in an amount of \$30 more than the amount recorded in Odyssey. A subsequent check was written in an amount of \$30 less than the amount recorded in Odyssey to correct the error.

Recommendation

The JP should ensure that disbursement information recorded in Odyssey reconciles with the actual disbursement.

Observation 6 *System controls within Odyssey do not require segregation of duties between certain incompatible tasks.*

Observation

A lack of segregation of duties occurs when a few employees are required to perform incompatible duties. During our review, we found that staff had the ability to void their own transactions in Odyssey. Of the 38 voided receipts that occurred during the audit period, seven of those receipts were created and voided by the same person. All seven voided receipts were reissued, six of which were reissued by the same person who created and voided the original receipt.

We also identified eight cases with a balance due after a receipt was voided and/or a case finalized. Upon our request, staff researched the outstanding balances and determined that the balances were not legitimate and made the appropriate adjustments during the audit.

Recommendation

Ideally, system controls should exist that prevents an employee from voiding their own transactions. We also understand the staffing limitations of the JP's office. As a mitigating control, a monthly report should be generated that lists voided receipts. Management should select a sample for review to determine the accuracy and validity of the voided receipt. Management should also document their review by initialing and dating the report.

Management should also review outstanding balances due on cases to determine if the account balances are legitimate. Outstanding balances that are not owed to the County should be adjusted.

Observation 7 *Documentation supporting mileage reimbursed to employees was not adequate.*

Background

Mileage reimbursement requirements are documented online through the Employee Self Service (ESS) portal. Employees requesting reimbursement for in-county mileage are to document the purpose of the mileage using the "Short Information" field within ESS. If this is not possible, then employees are required to maintain a log documenting the purpose of the mileage reimbursement.

Observation

Staff did not document the purpose of mileage reimbursements received for in-county travel in the Short Information field within ESS. No other documentation, such as a log, existed that described the purpose of mileage reimbursed to staff. The Court Manager approved mileage for the staff, but a subordinate always approved the Court Manager's mileage.

Recommendation

To comply with mileage reimbursement requirements, employees should document the purpose of in-county mileage in the Short Information field within ESS. If this is not possible, then a log should be maintained. Furthermore, subordinates should not approve their manager's mileage. Rather, the Justice of the Peace should approve the Court Manager's mileage.

CLOSING REMARKS

We appreciate the cooperation of the JP and his staff during our review. Please call me if you have any questions regarding the contents of this report.

Sincerely,

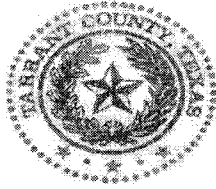


S. Renee Tidwell, CPA
County Auditor

Attachment:
Management response received on November 4, 2014

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Response to Auditor's Report
– Financial Review of Justice of the Peace, Pct 3

On August 15th, 2014, after uncovering a mismanagement of county deposits on the part of a staff member, I asked the Tarrant County Auditor's Office to conduct a full financial audit of Justice of the Peace, Pct 3. I felt it was necessary for a complete audit to ascertain the full scope of the malfeasance and to determine if any monies were still missing from county accounts. I would like to thank the hard work and professionalism of the Tarrant County Auditor's office for their efforts in putting together this report and for the thoroughness of their investigation. I will try to address my responses to the specific observations of the auditors one by one in line with their report.

Response to Observation 1: This appears to be correct, and constitutes mismanagement on the part of JP3. The individual responsible for preparing these deposits appears to have failed to comply with the timeliness required on many instances. Office holder has made a change in personnel and procedure which allows better oversight of these transactions.

Response to Observation 2: We truly appreciate the Tarrant County Auditor's office bringing this statute to our attention. However compliance with the4 statute is problematic as it sometimes requires collection and disbursement of funds before the case has been finalized or appeal period has completed. TX Parks and Wildlife has no issue with us trying to maintain the best interest of justice to disburse these funds as necessary.

Response to Observation 3: JP3 requested a full audit to help uncover and investigate the full magnitude of these malfeasances. The investigation into these acts is still ongoing at the time of this writing. It appears that the employee was making a series of personal loans from the cash deposits by failing to actually deposit the money daily. Then withholding subsequent day's deposits and using the cash from those days to cover the missing cash from previous deposits. This caused a string of delayed deposits. These seem to get "caught up" right at payday. Due to procedures where the person responsible for making the deposits also being the person responsible for maintaining the books, it allowed this employee to hide her actions for an extended period of time.

JP3 is determined to make sure that this cannot ever happen again. However, we have encountered some problems. Due to budgetary constraints we are not allowed the convenience of having the armored courier pick up our daily deposits directly from us. We are trying to coordinate with other departments to utilize their courier service, but this requires us to turn over our money daily to another department. This is problematic, but spirits are high that we will work out a viable procedure between departments to make this happen.

Response to Observation 4: The investigation into check #802 is ongoing. Due to limited resources, and the need to address other issues raised in this report we have not been able to assign the full manpower we wish to go through all the files. However, it will get done within a few weeks.

Response to Observation 5: This appears to be due to improper training of the employee in charge of making these entries. Personnel changes were made and proper training has been given to eliminate this from happening again.

Response to Observation 6: The recommendations of the Auditors has been adopted.

Response to Observation 7: This was the primary cause that alerted the office holder of mismanagement. Furthermore it appears that certain mileage re-imburements do not have any known actual travel associated with them. The investigation into these instances is still ongoing as of this writing. In response JP3 has instigated new procedures in accordance with Auditor's recommendations.

Sincerely,

Hon. Russ Casey
Justice of the Peace
Tarrant County Precinct 3