



COMMISSIONERS COURT  
COMMUNICATION

REFERENCE NUMBER CO#129975

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DATE: 04/16/2019

SUBJECT: **RECEIVE AND FILE THE AUDITOR'S REPORT FOR THE EXIT REVIEW OF JUSTICE OF THE PEACE, PRECINCT 7**

**COMMISSIONERS COURT ACTION REQUESTED:**

It is requested that the Commissioners Court receive and file the Auditor's Report for the Exit Review of Justice of the Peace, Precinct 7.

**BACKGROUND:**

Judge Matt Hayes' term expired on December 31, 2018 and his successor, the Honorable Kenneth Sanders, assumed office on January 1, 2019. The Auditor's Office conducted selected procedures to provide accountability for the transfer of authority to the new Judge.

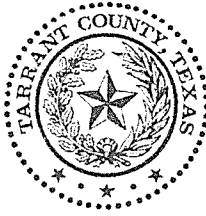
Judge Sanders did not provide a management response.

**FISCAL IMPACT:**

There is no direct fiscal impact associated with this item.

SUBMITTED BY: Auditor's Office

PREPARED BY: S. Renee Tidwell  
APPROVED BY:



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March 21, 2019

The Honorable Kenneth D. Sanders, Justice of the Peace, Precinct 7  
The Honorable District Judges  
The Honorable Commissioners Court  
Tarrant County, Texas

Re: Auditor's Report – Exit Review for Justice of the Peace, Precinct 7

**SUMMARY**

Judge Matt Hayes' term expired on December 31, 2018, and his successor, the Honorable Kenneth Sanders, assumed office on January 1, 2019. The Auditor's Office conducted procedures to provide accountability for the transfer of authority to the new Judge. These procedures included the verification of cash and other receipts, fiduciary fund balances, and County assets assigned to the Judge. *Exhibit A* further describes the scope of our work. Based on the results of our testing, the transfer of authority appears to be complete. However, we observed that controls over recording of receipts and disbursements were not adequate. These conditions existed prior to the new official assuming office on January 1, 2019. Because of these control weaknesses, we cannot provide reasonable assurance regarding the timely detection or prevention of fraud. Specifically, we observed that:

- Observation 1 The monthly bank reconciliation was not always accurately prepared.
- Observation 2 Procedures for voiding payments in the Odyssey Case Management System (Odyssey) were not adequate.
- Observation 3 Procedures for the disposition of cases in Odyssey were not adequate.
- Observation 4 Certain system controls had not been implemented in Odyssey.

Subsequent to our fieldwork, a check issued was not honored by the bank because the positive pay file was not processed properly. An e-mail alert was sent from the bank to the Court Manager and other designated staff. However, staff did not take appropriate action to process the check in the Court Manager's absence. To avoid this in the future, the Auditor's Office updated JP Morgan Access to allow the JP and other staff members to receive e-mail alerts.

We discussed these conditions with Judge Sanders on March 21, 2019.

## **OBSERVATIONS AND RECOMMENDATIONS**

***Observation 1 The monthly bank reconciliation was not always accurately prepared.***

### **Background**

JP7 accepts cash, checks, money orders, and credit cards for payments of court costs, fees, and fines. Credit card payments are processed at the counter and through the internet. Credit card transactions are processed through Certified Payments who provides various reports detailing credit card transactions. JP7 also accepts E-filing and the payments are processed through Paymentech. JP staff records daily receipts into Odyssey which are deposited into a separate JP7 bank account at JPMorgan Chase Bank.

JP staff submits a monthly financial report to the Auditor's Office for inclusion in the County's general ledger. The Court Manager is responsible for preparation of the monthly financial reports including the bank reconciliation.

### **Observations**

During our review of the bank reconciliation for the three months ended December 31, 2018, we observed that the monthly bank reconciliation was not always accurately prepared. For example:

1. The monthly bank reconciliation remitted to the Auditor's Office consistently showed differences between the adjusted bank balance and the adjusted book balance. Additionally, the trust balances did not always agree to the reconciled Odyssey balance.
2. The credit card deposits in transit either were incorrect or incomplete. For the month of November, approximately \$3,290.85 in credit cards in transit were not reflected on the bank reconciliation.
3. Check #7700 dated 10/6/2015 was returned and replaced with a new check during the month of October 2018. However, the check was still reflected as an outstanding check. The void and the new replacement check were not recorded in Odyssey.

Each month, the Auditor's Office staff made corrections to the reconciliations. Furthermore, the revised reconciliations show excess funds totaling \$301.85 in the JP's bank account compared to the amounts recorded in Odyssey. This excess has been on the bank reconciliation for over a year. The excess funds may be due to either unrecorded transactions or credit card overpayments received for internet transactions.

JP staff may not be adequately trained with regard to certain financial requirements, including daily and monthly reconciliations. If JP staff had performed procedures to reconcile credit card activity on a daily basis, these differences may have been identified and resolved in a timely manner.

## **Recommendations**

Because credit card receipts settle anywhere between two and five business days from the date of the transaction, we recommend the Court Manager reconcile credit card receipts recorded in Odyssey to Certified Payments reports on a daily basis. Receipting errors identified from the reconciliation should be corrected immediately. The Court Manager should ensure all receipts and disbursements are recorded in Odyssey at the time they occur. This condition was previously reported in 2018.

We also recommend that the JP review the bank reconciliation and the related financial reports to verify the accuracy and appropriateness of the reconciliation and the relevant transactions. The JP review should be documented.

*Observation 2 Procedures for voiding payments in the Odyssey Case Management System (Odyssey) were not adequate.*

## **Background**

Odyssey allows users to void a receipt on the same day. The payment should be voided and the charge reversed. If the original till is closed, the receipt should be reversed using the "Adjustment Till". At that time, the payment is correctly re-applied to either a different case, party, payment method, amount, and/or payee name, etc.

## **Observations**

During our review of adjustments, we observed that the "Adjustment Till" was used for transactions that occurred on the same day. As a result, the re-applied payments do not have corresponding receipt numbers or may not include a cross-reference of previously recorded payment information. Therefore, errors and inappropriate activity may not be detected.

## **Recommendations**

We recommend that JP7 discontinue the use of the "Adjustment Till" when the receipt can be voided on the same day. We also recommend JP7 develop written procedures regarding how and when it is appropriate to use the "Adjustment Till".

*Observation 3 Procedures for the disposition of cases in Odyssey were not adequate.*

## **Background**

JP7 implemented Odyssey June 1, 2010. Case information, including receivable balances, were converted from the *Mainframe*. However, data converted from the *Mainframe* was not validated for accuracy after it was imported into Odyssey. This data includes disposed cases that indicated appealed, dismissed, case finalized, etc. but still show case balances.

## Observations

During our review of active and inactive cases listed on a report provided by the Information Technology Department (ITD), we observed that procedures related to the disposition of cases were not adequate. Based on the data provided by ITD, we found 1,026 active misdemeanor cases with a disposed date before 2017 with an accounts receivable balance totaling approximately \$312,298 as of December 31, 2018. We also noted 1,765 inactive misdemeanor cases, which occurred after Odyssey was implemented in 2010, with an accounts receivable balance totaling approximately \$220,065. This condition occurred because management had not implemented procedures to monitor balances on disposed cases.

Furthermore, the report listed 10,823 misdemeanor cases *prior* to the implementation of Odyssey with an accounts receivable balance totaling \$1,065,836. At this time, the Auditor's Office is unable to determine whether the accounts receivable balances recorded in Odyssey are due and collectible.

## Recommendations

We understand staffing limitations may not allow for a review of the cases converted from the *Mainframe* system. Due to the age of the cases, the JP should collaborate with the Criminal District Attorney's Office to determine whether the cases can be finalized and the balances adjusted to zero. The JP should consult with ITD staff to determine whether an automated process exists in which multiple cases are finalized, balances are adjusted to zero, and a standard note applied.

We also recommend JP7 continue to review active and inactive cases with outstanding balances. JP7 staff should make necessary adjustments to clear balances due and finalize disposed cases. Management should ensure written procedures are developed for the disposition of all cases and ensure staff is adequately trained.

***Observation 4 Certain system controls had not been implemented in Odyssey.***

## Background

When misdemeanor cases are entered into the system, Odyssey pre-populates the court costs, fines, and fees even though a plea has not been entered and a judgment rendered. The JP has the authority to determine fines within a specific dollar range. In addition to accepting payments from defendants, court clerks also make adjustments to fees and enter Credit Time Served into the system, reducing the amount owed.

## Observations

We observed that system controls to mitigate the risk of certain errors or irregularities had not been implemented in Odyssey, which impacts all the JP courts. We recognize that these issues are inherent to the system and will be identified in audits of the other justice courts. For example:

1. When processing a transaction in the adjustment till, staff have the ability to modify pre-populated court costs and fees. Currently, fines are configured as part of court costs. If a

judgment rendered waives or reduces any portion of the fine, staff could erroneously adjust court cost and fees.

2. A fee code to account for over payments was not implemented for the JP courts. We observed that staff would receipt the exact amount due into Odyssey even though the payment received was greater. For credit card transactions, the Court Manager would process a refund the same day. When cash was received, the customer would be notified.

ITD has developed the over payment functionality for the JP courts and testing has begun. Once testing is complete the feature will be implemented for use by all the JP courts.


### **Recommendations**

We recommend that the JP consult with ITD regarding implementation of functionality that will mitigate risk of errors and irregularities. Specifically, create a separate fee schedule for fines rather than including fines as part of the pre-populated court costs. In addition, all receipts should be entered for the collected amount until the over payment functionality is implemented.

### **CLOSING REMARKS**

We appreciate the cooperation of the Honorable Kenneth Sanders and his staff during our review and their attention to our recommendations.

Sincerely,



S. Renée Tidwell, CPA  
County Auditor

*Attachment: Exhibit A*

*Audit Team:* Kim Buchanan, Audit Manager  
Maki Ogata, Senior Internal Auditor  
Kara Hoekstra, Senior Internal Auditor

**Scope and Methodology**  
**JP7 Exit Review**  
**December 31, 2018**

- 1) Performed cash counts of change funds in the custody of the JP's Office as of December 27, 2018.
- 2) Determined whether JP signature stamps were used by staff and documented Judge Hayes has the custody of his signature stamps.
- 3) Using the Odyssey Receipt Journal, verified proper cutoff for computer-generated and manual *receipts*. Reviewed receipts for sequential issuance and unusual items.
- 4) Using the Odyssey Check Register, verified proper cutoff for computer-generated and manual *disbursements*.
  - Determined whether computer-generated checks agree to manual checks issued and were issued in sequence.
  - Reviewed the check register and manual checkbook for unusual items.
- 5) Requested the bank to remove the *prior* elected official's signature authority. Obtained the new bank signature cards.
- 6) Reviewed the JP7 bank account reconciliations for the months of July through October 2018 and determined whether they were complete, accurate, and properly approved.
- 7) Obtained documentation to support the removal and addition of authorized signers for the Accounts Payable signature list and ReadSoft authorizations.
- 8) Verified that the *prior* official's security authorizations were deactivated and the *incoming* official's security authorizations were activated for the various County computer systems and applications, as well as the JP's online banking.
- 9) Verified the *prior* JP surrendered office keys, building access card, employee identification badge, and other assigned assets.
- 10) Determined whether conference or training fees, dues or memberships were paid from the County's general fund. Obtained reimbursement from the *prior* exiting official as required by policy.
- 11) Verified inventory assigned to the office was properly accounted for.
- 12) Obtained a copy of the incoming JP's Official Oath and Bond per Texas Constitution, Article XVI, §1(a) and Texas Government Code 27.001.
- 13) Determined whether modifications to financial transactions were accurately processed on a sample basis.
- 14) Determined whether procedures existed for the disposition of active cases with a pending status and inactive cases with a balance due.