



COMMISSIONERS COURT
COMMUNICATION

REFERENCE NUMBER CO#128224

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DATE: 08/07/2018

SUBJECT: **RECEIVE AND FILE THE AUDITOR'S REPORT OF THE REVIEW OF FINANCIAL AND SYSTEM CONTROLS FOR THE JUSTICE OF THE PEACE, PRECINCT 2**

COMMISSIONERS COURT ACTION REQUESTED:

It is requested that the Commissioners Court receive and file the Auditor's Report of the Review of Financial and System Controls for the Justice of the Peace, Precinct 2.

BACKGROUND:

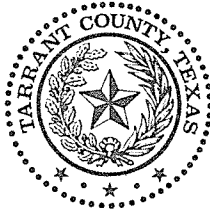
In accordance with Local Government Code, the Auditor's Office performed a review of the financial and system controls established by the Justice of the Peace, Precinct 2, for the six (6) month period ended March 31, 2018.

FISCAL IMPACT:

There is no direct 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

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June 29, 2018

The Honorable Mary Tom Curnutt, Justice of the Peace, Precinct 2
The Honorable District Judges
The Honorable Commissioners Court
Tarrant County, Texas

Re: Auditor's Report – Review of Financial and System Controls, Justice of the Peace, Precinct 2

SUMMARY

In accordance with Local Government Code 115, we performed a review of the JP2 financial and system controls for the six month period ended March 31, 2018. As a result of our review, we observed the following:

- Observation 1 Segregation of duties was not adequate between certain incompatible tasks.
- Observation 2 Procedures for the disposition of cases were not adequate.
- Observation 3 Transactions processed in Odyssey were not always accurate or adequately supported.

Attached is management's written response to this report. We also communicated less significant matters to staff during our review.

BACKGROUND

The Justice of the Peace (JP) has jurisdiction over Class C misdemeanor offenses and civil matters where the amount does not exceed \$10,000. Each JP collects court costs, fees, and fines for Tarrant County and the State of Texas. The JP remits funds belonging to Tarrant County and the State of Texas to the Auditor's Office for recording and subsequent disbursement.

The JP offices use Odyssey, developed by Tyler Technologies, to record case events and the collection of court costs, fees, and fines.

OBSERVATIONS AND RECOMMENDATIONS

Observation 1 Segregation of duties was not adequate between certain incompatible tasks.

Background

Segregation of duties is a key critical control used to reduce the risk of mistakes and inappropriate actions. Adequate segregation of duties reduces the likelihood that errors will remain undetected by providing for separate processing by different individuals at various stages of a transaction and for independent review of the work performed. In situations where it is impossible to separate duties due to the small number of employees, additional controls should be implemented.

Observations

During our review, we observed that segregation of duties was not adequate between certain incompatible tasks. Specifically, we observed that:

1. System controls within Odyssey do not require segregation of duties between incompatible tasks. Specifically, we found thirty cases where case fees were adjusted in Odyssey without a supervisor logging on to approve.
2. The Court Manager's user credentials were used by the Administrative Court Clerk to enter cash receipts into the SAP cash journal. The clerk's credentials include the ability to enter cash journal transactions. According to the Tarrant County Electronic Communication Systems Policy, passwords should be protected and kept confidential from others. We performed limited procedures to ensure that financial related transactions were appropriate. Nothing unusual came to our attention.
3. The same individual created and approved purchase requisitions, as well as, entered goods receipts. No evidence existed that indicated an independent review was performed for these transactions.

Without adequate segregation of duties or other mitigating controls, errors and fraud may not be prevented or detected.

Recommendations

We understand the staff limitations of the JP's Office. However, we recommend the following to mitigate the risk of fraud and errors:

1. Ideally, system controls should prevent employees from adjusting or voiding their own transactions. The JP should request that the Information Technology Department (ITD) implement secondary approval to adjust and void transactions. Otherwise, a monthly report should be generated that lists adjusted and voided transactions. Management should review a sample of transactions for accuracy and validity. Management should also document their review by initialing and dating the report.
2. JP staff should comply with the Tarrant County Electronic Communications Systems Policy regarding the sharing of passwords. We also recommend that the Court Manager reset her password and keep it confidential.

3. The Auditor's Office requested a report from ITD that shows who initiated and approved purchase requisitions for approval. Until staff is trained on how to run and review the report, we recommend a hardcopy of all purchase requisitions and invoices be retained indicating independent management's approval.

Observation 2 Procedures for the disposition of cases were not adequate.

Observations

During our review of inactive cases with balances due, we observed that procedures related to the disposition of cases were not adequate. As of January 31, 2018, 259 cases indicated appealed, dismissed, case finalized, deferred disposition completed, or community service completed but have case balances totaling \$58,668. Furthermore, over 100 of them are from when caseloads were transferred from the old system to Odyssey. Many of these case balances should be adjusted to zero. This condition occurred because procedures to monitor balances remaining on disposed cases did not exist.

During our review, the Court Manager began reviewing each case and adjusting the receivable as necessary.

Recommendations

We recommend that JP2 staff continue to review the cases showing outstanding balances owed to the County and make the necessary adjustments. Management should also develop written procedures for the disposition of all cases and ensure that staff is adequately trained.

Observation 3 Transactions processed in Odyssey were not always accurate or adequately supported.

Background

Odyssey contains essential case information, which includes relevant parties, case type, bonds, fees charged and paid, balances due, case comments, paper service, receipts, disbursements, and case disposition. Credits are applied based on the JP's approval. Types of credits include community service, jail time served, and judicial waiver. The case jackets all contain records essential to the JP and other county offices.

Observations

During our review of active cases, we observed transactions processed in Odyssey were not always accurate or adequately supported. For example, we observed:

1. A case where a community service credit of \$380 was applied, which reduced the balance to zero. However, the judgment could not be located in the case docket or case jacket. The auditor could not determine whether the credit was actually granted.
2. A case where a warrant was returned as unserved by an outside agency. The original service fee was not adjusted/reversed to reflect the warrant had been returned. Subsequently, the warrant was issued to Tarrant County Sheriff's Office, but the service fee was not reassessed in Odyssey for this transaction.

Without adequate documentation or appropriate approval for adjustments, errors and fraud may not be prevented.


Recommendations

We recommend that JP2 develop written procedures and provide training on how to make adjustments in Odyssey given the case specifics, including required supporting documentation.

CLOSING REMARKS

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

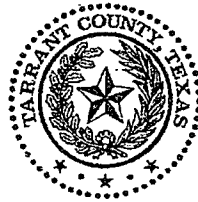
Sincerely,



S. Renee Tidwell, CPA
County Auditor

Attachment: Management's response

Audit Team: Kim Buchanan, Audit Manager
Angela Tran-Le, Internal Auditor



MARY TOM CURNUTT

JUSTICE OF THE PEACE, PCT. 2

700 E. ABRAM, STE. 200
ARLINGTON, TEXAS 76010
(817) 548-3925

July 26, 2018

S. Renee Tidwell, CPA
Tarrant County Auditor
100 E. Weatherford Street, Room 506
Fort Worth, Texas 76196-0103

Dear Ms. Tidwell,

Below please find JP2's Written Management Responses to the three Observations made during our Audit for the six month period ending March 31, 2018. We appreciate your observations and are hopeful you will share "best practices" with all of our Courts. Out of the incredibly large number of filings and transactions in one of the highest volume Courts in Texas, we are pleased with the overall results of the Audit.

Observation 1:

Segregation of duties was not adequate between certain incompatible tasks.

Response:

We have or are implementing all of the audit team's recommendations.

1. Our Court has always had a hardcopy/manual control process in place that requires the Court Manager to approve all adjustments and voids. We have now put an additional step in place so that a secondary approval is done through Odyssey. Monthly reports are being generated that list adjustments and voids. A review of sample transactions is being done to ensure accuracy and validity. Management is documenting their review by initialing and dating the report.
2. Passwords have all been changed, are not in obvious or conspicuous places and will be kept confidential.
3. The following procedures were put into use just as our Audit began and is still in place. All purchases are now received, inventoried and signed in by a person other than the one who initiated the purchase. Hard copies of all purchase requisitions and invoices are being signed and retained to ensure independent approval.

Observation 2:

Procedures for the disposition of cases was not adequate.

Response:

We have or are implementing all of the audit team's recommendations.

1. We have put in a procedure to run a monthly report showing outstanding balances owed to the County to make sure necessary adjustments are done on a regular basis. As stated on the Audit Observations, almost every one of the cases should have been zeroed out and in fact, we thought they were. It seems that every time an Odyssey conversion and/or update occurs, new and sometimes very old cases appear and often reappear on the reports. We have made every single necessary adjustment and assume each time that they are all fixed. Since 2010, every time another report is run, more cases (most with very old dates) show up again. Now that we know we can run a report on our own, we will be proactively monitoring our outstanding balances so that we keep catching them as they appear and reappear.

We have again reviewed the cases showing outstanding balances owed to the County as of a few weeks ago and have made necessary adjustments. We have written procedures in place for the disposition of cases and all staff members have been adequately trained.

Observation 3:

Transactions processed in Odyssey were not always accurate or adequately supported.

Response:


We have or are implementing all of the audit team's recommendations.

Of the two Observations listed here, we can only respond that both seem to have been very old cases that had a clerical error or possibly a system error related to software conversions/updates and training.

1. In the older case mentioned here, we are not sure if the judgment was never printed or got separated from the file jacket. Even though the printout of the judgment was not present when we pulled the file from the warehouse, we are pleased that all transactions, including the judgment, were properly documented in Odyssey.

2. Although JP2 strives for perfection, we realize that may not be possible all the time. In the case mentioned here, this must have been a clerical oversight when we recalled hundreds of warrants last year from Dalworthington Gardens Police Department and reissued them to the Tarrant County Sheriff's department. When Sheriff Waybourn was Chief in DWG, they ran all of our warrants because the County would not. When he was elected to Sheriff, he promised to run our warrants, which he has been doing. Our clerk must have missed one during this process.

Respectfully,



Mary Tom Curnutt