



DALLAS COUNTY COUNTY AUDITOR

Memorandum

To: Honorable Judge Al Cercone
Justice of Peace, Precinct 3, Place 1

From: Darryl D. Thomas *Darryl D. Thomas*
County Auditor *WLA*

Subject: Review Performed for Fiscal Years 2014 and 2015

Date: Issued: August 1, 2017
Released: September 22, 2017

Scope

A review was performed in accordance with statutory guidelines on the records and reports of Justice of the Peace, Precinct 3, Place 1 for fiscal years 2014 and 2015.

Review Procedures

Standard review procedures were followed to test the internal controls for cash, revenue, and other county assets. A random sampling of the total activity was selected for certain review steps based on risk, the dollar value of transactions, the volume of transactions, and noted internal control weaknesses. Testing involved a review of the JP Accounting System (JPAS) as well as case jackets.

A partial list of the review tests include:

- Performed unannounced cash counts
- Examined the court's process and procedures
- Examined the court's cash handling internal controls
- Accounted for numerical sequence of manual and computer generated receipts
- Traced amounts recorded on receipts to the bank deposits
- Reviewed assessed fees for compliance with applicable state laws and Commissioners Court orders
- Reviewed credit card activity for accurate and timely posting to JPAS
- Reviewed case activity to determine if procedures are followed for delinquency
- Reviewed unpaid criminal cases for outstanding warrants of arrest
- Reviewed outstanding warrants/capias reports for appropriateness
- Examined special fund disbursements and associated fee dockets to determine if sufficient funds were collected, proper payees paid, and if posting to the JPAS had occurred
- Reviewed time and attendance records for proper posting and compliance with County policies and procedures
- Compared activity reports to actual new cases on the JPAS
- Reviewed 'Justice Fee Exception List' to determine reason for uncollected fees

Statistical

During fiscal year 2014 the justice court processed:

- 19,328 computer receipts totaling \$2,436,149
- 14,045 class C misdemeanors (includes 13,219 traffic filings)
- 2,937 civil/small claims
- 3,107 eviction cases

During fiscal year 2015 justice court processed:

- 18,219 computer receipts totaling \$2,200,744
- 10,381 class C misdemeanors (includes 9,986 traffic filings)
- 2,649 civil/small claims/debt claims
- 3,073 eviction cases

FINDINGS/OBSERVATIONS

Cash Management

Cash Count/Change Fund – A review of cash handling procedures, cash counts performed and comparison of total receipts deposited to Form 98 revealed: three daily receipt totals did not agree to the Form 98 deposit posted to Oracle DMS due to check payments receipted for the numeric amount versus the guaranteed written legal amount (**Status:** *Balancing discrepancies were resolved by the court after notification*), with two of these differences resulted in a deposit delay exceeding 5 business days.

Receipts - Computer/Manual – A sample review of 37,545 computer receipts including 248 voided computer receipts and 52 manual receipts revealed: eight void computer receipts were not labeled “void”; one void transaction where the customer's computer receipt was not retained; one void transaction where both the customer and court computer receipt copies were not retained; one manual receipt was not labeled void; and two manual receipt numbers were incorrectly posted as the check number.

Responses to the Internal Control Questionnaire (ICQ) revealed computer transaction logs are reviewed by the bookkeeper instead of the chief clerk.

Court Cost and Fine Assessment – A review of 46 cases and corresponding computer receipts for compliance with statutorily required court costs, fees, and fines revealed with applicable state laws including Code of Criminal Procedure Chapters 45 and 102 and Local Government Code Chapter 133, Commissioners Court orders, and Attorney General Opinion No. GA-0147 revealed various errors and omissions pertaining to: posting partial payments, assessing court costs, collections, receipting to fee types, JPAS docketing, and acceptance of inspection violations after March 1, 2015.

Disbursement / Special Fund Reconciliation – A review of Special Fund activity revealed: six stale dated checks not posted to JPAS (**Status:** *Stale dated check cancelations were posted on 05/25/16*); two NSF special fund checks posted to Fund 556 instead of Fund 170; check posting errors to JPAS; two checks not posted and canceled in JPAS; and old case balances over three years old totaling approximately \$3,738 (includes approximately \$1,700 in criminal cash bonds over four years old) remain in the Special Fund account as of September 30, 2015 without research for disbursement to the applicable party and/or escheatment to the State Comptroller or Dallas County Treasurer;

Processing & Reporting

Credit Card Transactions – A review of 60 credit/debit card transactions and the associated JPAS postings, related procedures, and ongoing desk review revealed: 18 credit/debit card refunds by the Treasurer's Office for credit/debit card overpayments due to fine reductions granted by the Judge and court costs not updated on the Docket screen; and, instances of collection, assessment, and/or posting errors.

Time Payment Plans – A review of 11 cases with Time Payment Plans revealed: three cases where the payment due date was not posted in JPAS.

Delinquent Collection Referral – A review of 20 cases from the Justice of the Peace Monthly Collection Referral Report revealed: two cases where the court under collected \$139.50 in collection fees; four cases

where the court over collected \$14.40 in collection fees; and six cases where partial payments were not properly prorated and allocated to the appropriate fee types.

Responses to the Internal Control Questionnaire (ICQ) revealed criminal cases on referral reports are not regularly reviewed for collection/ DL Hold.

Failure to Appear (FTA) Driver's License Renewal Block Program – A sample review of 50 cases from the FTA Payment History Report revealed: one Omni hold was released prior to the complete collection of all court costs; one case where the court incorrectly assessed the time payment fee and did not appropriately allocate the payment to all statutory fee types; and nine cases where the driver's license hold was removed and \$30 FTA fee inappropriately waived;

Filing/Posting Traffic Tickets – Review of traffic ticket filing process and activities revealed 20 DART cases were received on 05/12/16, but not posted to JPAS as of 05/20/16.

Civil Fee Dockets – A review of 33 civil/small claims/debt claims/eviction cases on the Justice Fee Exception report for compliance with Local Government Code (LGC), §118 and Chapter 133 revealed: one (1) case file could not be located at the court; and three (3) cases where filing fees were receipted to the wrong case.

Activity Reports – Comparison of activity reports filed by the court with the Office of Court Administration (OCA), the Office of Budget and Evaluation (OBE), and Auditor's Office to the mainframe JPAS case records revealed: instance of count variances for traffic and non-traffic misdemeanor cases.

Other/Miscellaneous

Systems and Security –A sample review of 20 D/P Logs from Document Direct revealed nine cases were deleted by the court without explanation. Five of the cases were deleted due to duplicate filings; two cases were deleted then case numbers reused with different parties; one case was deleted because the case number was used out of sequence; and one case was deleted because the incorrect case type was originally entered to the JPAS. Case deletions are not reviewed for appropriateness by the chief clerk.

Responses to the Internal Control Questionnaire (ICQ) revealed: there is no segregation of duties for posting, updating, and/or deleting case index records; and JP accounting system exception reports are not periodically reviewed.

RECOMMENDATIONS

Cash Management

Receipting and Depositing – Receipts should be verified for accuracy of the amount before issuing to customer, including the legal (written) amount of checks. Receipt and deposit totals prepared by the Bookkeeper should be verified by the Chief Clerk with verification evidenced by signature or initial on control documents, retained in accordance with Records Retention guidelines. All monies received should be promptly and properly (only official Dallas County receipts issued to customers) receipted and deposited within five business days in accordance with Local Government Code, § 113.022 and Code of Criminal Procedure, § 103.004. Reemphasize retention of all copies of a voided receipt, clearly marking "void", and notating a reason for the void in order to affix responsibility, enhance cash control and prevent potential assertion that monies were paid and refund due. Compensating controls such as dual sign-off on voids and receipt corrections should be implemented.

Cash handling duties should be properly segregated with access limited to those authorized to receipt payments and handle cash. Separate cash drawers should be maintained with collections balanced prior to combining with other receipted funds. The combination to the safe should be changed when employees with knowledge of the combination leave the Justice Court or are otherwise reassigned.

Court Costs and Fine Assessment – Continue monitoring assessment, collection, and prorating of court costs, fines, and fees in compliance with applicable state laws including Code of Criminal Procedure Chapter 102 and Local Government Code Chapter 133, Commissioners Court orders, Attorney General (AG) Opinion No. GA-0147 and applicable fee schedules based on the offense date. JPAS Docket screen court costs and fine fields should be updated as new court costs are assessed including administrative fees, time payment fees, warrant or capias fees, etc., and as fine amounts are reduced by the Judge or cases are dismissed. JPAS Docket screen posting procedures should include separation of duties limiting (through system security access) staff assigned to add, delete, or modify information on Docket screens. Adjustments to assessments should be made reflecting internal control and audit trails including compensating processes such as dual sign-off on adjustments, supervisory review and pre-approval, testing, and validation.

Disbursement/Special Fund Reconciliation – A management plan (including reconciling to the County's General Ledger and the court's Special Fund bank account) should be developed and implemented to periodically review and research items on the detailed Special Fund report in order to clear old items on disposed cases in accordance with unclaimed property statutes, Property Code, § 72 and 76, and/or disburse to the applicable party. Cash bonds should be forfeited in accordance with Code of Criminal Procedure, § 22.18. All checks issued, canceled, or stale dated posted accurately and timely to JPAS (reconciliation of JPAS to GL) and verified/reviewed by the chief clerk. Court should implement adequate control(s) in the special fund disbursement process to identify, prevent and correct errors in bookkeepers' disbursement requests. Duplicate payments should be recovered or a funding source identified.

Processing/Reporting

Credit Card Transactions – Continue to review reports for credit card activity and post payments in compliance with *Dallas County General Policy for Use of Credit Card Transactions* including reference to the last five digits of the transaction ID number. The misdemeanor Docket screen should accurately reflect the court costs and fine amounts due to reduce payment errors and staff time to initiate refunds due. If the court costs and/or fine change (issuance of warrants, time payment fee assessed, fines is reduced by the judge), the fields should be updated so that accurate receivable information is maintained.

Time Payment Plans – A written policy and procedures manual should be developed (consistent with the Office of Court Administration (OCA) guidelines) for billing responsibilities with training reinforced. Continue established payment plan procedures and monitor in accordance with Code of Criminal Procedure, Art. 103.0033.

Delinquent Collection Referral – The 30% add-on delinquent collection fee should be assessed and collected in accordance with Commissioners Court Order No. 2013-1709 and Code of Criminal Procedure, § 103.0031 including proportionally prorating partial payments. Collection efforts should be initiated on all cases with a balance due.

Failure to Appear (FTA) Driver License (DL) Renewal Block Program – The \$30 Failure to Appear fee should be assessed and collected and DL renewal blocks released in accordance with Commissioners Court Order No. 2003-2085, dated November 11, 2003, and Transportation Code § 706. The driver's license status on the OmniBase website should be verified prior to disposing cases with 'R' status in JPAS. Continue to report FTA status code errors to IT Services as identified and manually clear DL holds as necessary.

Criminal Fee Docket – Outstanding warrants or capiases should be recalled timely when cases are dismissed or otherwise disposed, payments made in full, time is served, etc. Separation of duties should be established limiting (through system security access) staff assigned to recall warrants. The JPAS docket screen should be updated as each warrant or capias is issued/recalled/returned.

Civil Fee Docket – Monitor timing/collection of filing fees and service fees in compliance with applicable state laws and Commissioner Court orders for all eviction, debt claims and small claim cases filed by non-governmental entities and individuals except for those individuals with approved affidavits of indigence on file. A reason for not collecting filing or service fees should be documented on the JPAS and case jacket. The file date of a pauper's affidavit should be posted to the JPAS Docket screen.

Activity Reports – Monthly activity reports should be completed in an accurate and timely manner with copies (or electronically filed as directed) provided to OCA, OBE, and the County Auditor. Activity reports should be corrected if errors are later identified, as the accuracy of activity reports may affect staffing levels or statewide analysis. All case numbers should be accounted for, with reason codes for missing numbers, deleted numbers, or numbers issued out of sequence, and timely documented. Chief Clerk should test for accurate, proper, and complete information provided by court staff.

Other/Miscellaneous

Marriage License – Develop and maintain a comprehensive marriage license issuance log instead of retaining copies of marriage license applications and applicants' identifications. Records Management should be contacted to coordinate the destruction of marriage case files containing marriage license applications and applicant DL numbers.

D/P Logs – D/P logs should be periodically reviewed for authorized changes and deletions. Additionally, the Chief Clerk should ensure explanations for case deletions are documented and are reasonable.

Summary

The report is intended for the information and use of the 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. Cash handling and compliance weaknesses can be addressed by supervisor review and segregation of duties.

Priority areas of risk which need to be addressed include: clearing of old Special Fund balances not timely remitted and/or escheated; continuous monitoring of manual and computer receipt issuance; ongoing monitoring of the warrant exception report for inappropriate active warrants; and, prorating of partial payments including allocation to delinquent collection fees.

Consideration of all issues and weaknesses should be incorporated by the court as a self-assessment tool in testing processing functionality of a new justice court system. Adherence to and follow-through with the recommendations should improve internal control and compliance with Dallas County policies and procedures.

CC: Darryl Martin, Commissioner's Court Administrator
Ryan Brown, OBE