

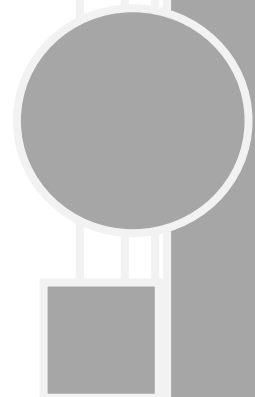


AUDIT REPORT

DALLAS COUNTY

JUSTICE OF THE PEACE 3-2 FY2016 AND FY2017 AUDIT

Darryl D. Thomas
Dallas County Auditor
ISSUED: December 05, 2018
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JUSTICE OF THE PEACE 3-2 FY2016 AND FY2017 AUDIT

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This report is intended for the information and use of the agency/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



DALLAS COUNTY
COUNTY AUDITOR

MANAGEMENT LETTER

Honorable Judge Steven Seider
Justice of Peace Precinct 3, Place 2
Dallas, Texas

Attached is the County Auditor's final report entitled "**Justice of the Peace 3-2 FY2016 and FY2017 Audit**" Report. In order to reduce paper usage, a hard copy will not be sent through in-house mail except to the auditee.

If you prefer that released reports be emailed to a different (or additional) recipient, please inform me of the name and the change will be made.

Respectfully,

A handwritten signature in blue ink, appearing to read "Darryl D. Thomas", with a stylized flourish at the end.

Darryl D. Thomas
County Auditor

EXECUTIVE SUMMARY

A review was performed in accordance with statutory guidelines on the records and reports of Justice of the Peace, Precinct 3, Place 2 for fiscal years 2016 and 2017. Priority areas of risk which need consideration by management are:

Summary of Significant Observations

1. Limited staff training on performing Special Fund reconciliation, posting disbursement and resolving outstanding issues resulted in:
 - 118 Special Fund check posting errors and omissions from prior fiscal years and five from current year have not been corrected in JPAS.
 - A balance of \$234,208.13 remains in the Court Special Fund Accounts; of this \$229,125.67 is unclaimed funds over three year old not escheated to the appropriate parties.
 - Four Special Fund checks were issued and posted to JPAS with incorrect in amount, incorrect funding source and incorrect check number.
 - Four canceled checks and one check disbursed for \$825 were not posted to JPAS.
 - Four cash bonds were applied to the defendant's case without a signed cash bond release form.
 - Two case jackets requested for audit review were not located in the court's records or in the County's archives
2. Inconsistency in updating the misdemeanor docket screen to accurately reflect action imposed by the court resulted in:
 - 130 cases where the credit card payment was posted to JPAS after five business days.
 - 17 online credit card transactions were not posted to JPAS using the last five digits of the Transaction or Record ID.
 - Six credit card refunds where the court did not update the JPAS docket screen to reflect the correct amounts due, requiring the intervention from the Treasurer's Office staff to refund a total of \$1,675.03

Repeat observations from Previous Audits:

1. Lack of internal control over computer receipt void procedures resulted in:
 - 26 voided computer receipts were not reviewed by management.
 - One voided computer receipt was not marked void.
 - One voided computer receipt did not contain an explanation for voiding the receipt.
2. Lack of comprehensive internal controls to ensure a case is appropriately docketed and paid in full when a case is disposed resulted in:
 - One disposed case where the defendant paid the balance due, but a judgment date was not posted in JPAS.
 - One case dismissed, but the defendant did not comply with the DA's terms of dismissal.
 - One case marked disposed, but the case was not paid in full.
 - Criminal cases on Referral Reports are not regularly reviewed for collection and driver's license holds.
3. Inadequate JPAS system functionality that requires the manual entry of assessments and payments resulted in:

- Four cases where a partial payment was not prorated to all applicable court costs and collection fees before applying to the fine.
- Three cases where the fees and fines were not posted according to the fee schedule.
- Two instances where time payment fee and collection fee were not properly assessed and collected.
- Two instance where the court reported or fail to report with the correct Offense Code.
- Court failed to provide customer \$6 change in cash resulted in an over payment for one case.

INTRODUCTION

Dallas County Auditor's Office mission is to provide responsible, progressive leadership by accomplishing the following:

- Comply with applicable laws and regulations
- Safeguard and monitor the assets of the County utilizing sound fiscal policies
- Assess risk and establish and administer adequate internal controls
- Accurately record and report financial transactions of the County
- Ensure accurate and timely processing of amounts due to County employees and vendors
- Set an example of honesty, fairness and professionalism for Dallas County government
- Provide services with integrity
- Work in partnership with all departments to resolve all issues of the County
- Strive to utilize the latest efficient and effective technology in the performance of tasks
- Provide technical support and training in the development, implementation, and maintenance of information systems
- Hold ourselves accountable to the citizens of the County at all times
- Be responsive to the elected officials and department heads of Dallas County

The objectives of this audit are to:

1. Ensure compliance with statutory requirements
2. Evaluate internal controls
3. Verification of accuracy and completeness of reporting
4. Review controls over safeguarding of assets

This audit covered the period of October 1, 2015 through September 30, 2017.

The audit procedures will include interviews with key process owners, observation of transactions processing, data analysis and sample testing of transactions. The main system used will also be reviewed and incorporated as part of the testing of transactions.

DETAILS

Special Fund

We reviewed the Special Fund activities (period ending September 30, 2017) and identified the fund balance is \$234,208.13, of which \$229,125.67 is for cases older than three years; 118 Special Fund check posting errors and omissions from prior fiscal years have not been corrected in JPAS; one check totaling \$825 was disbursed, but not posted to JPAS; four canceled checks were not posted to JPAS; and one Special Fund check was issued from the incorrect fund. We also reviewed a sample of 40 out of 166 Special Fund checks and identified one check number was incorrectly posted to JPAS; one case was overpaid by \$70.20; four cash bonds were applied to the defendant's case without a signed cash bond release form; and two case jackets requested for audit review were not located in the court's records or in the County's archives. In accordance with Local Government Code Section 113.008, an official with Special Funds shall reconcile all balances and transactions in the statement of activity against the balances of the official's records (JPAS, case jackets, and bank statement) each month. Management should escheat funds per Property Code, § 72 and § 76 and cash bonds should be forfeited per Code of Criminal Procedure § 22. Per Dallas County Code Sec. 98-6 (a) Elected officials who designate themselves as the records management officer for their office will cooperate with the Commissioners Court and the county records management officer on records management issues. These instances occurred because the court does not reconcile the Special Fund from JPAS to the General Ledger, lack of management oversight over the Special Fund, and lack of written procedures for categorizing and tracking case jackets stored remotely. As a result, disbursements to parties entitled to funds are delayed, the JPAS does not agree to the GL, and posting errors are not corrected in JPAS. There is also a potential for duplicate disbursements. Missing case jackets increase the risk that assets may be misappropriated and not detected through examination of the case jacket and its contents.

Recommendation

Special Fund

Management should ensure:

- A Request for Payment is prepared to transfer money to the correct fund to accurately reflect the balance of the Special Funds.
- All checks issued, canceled, or stale dated are posted accurately and timely to JPAS (reconciliation of JPAS to GL) and reviewed by management.
- A reconciliation is performed in a timely manner and outstanding issues should be resolved accordingly.
- The court performs an escheat analysis of Special Funds in accordance with unclaimed property statutes, Property Code, § 72 and § 76
- Cash bonds are forfeited in accordance with Code of Criminal Procedure § 22.
- Records management issues are communicated and coordinated with the records management officer and there is accountability for missing records.
- The court has written procedures for maintaining, safeguarding, tracking and

transferring records of the court. These procedures should follow classification and filing best practices.

Management Action Plan

The majority of the "Special Funds" are classified as "Bonds" as noted to the Auditor on several occasions--in most cases, the instruments that accompanied the payments do not meet the legal definition of a "Bond" and the legal status of the funds and the instruments, and their disposition or application, require a legal opinion from the District Attorney's Office. The field auditor did not examine the instruments at issue and simply examined the account balance. Auditor's office has informed this court that there will be training provided by the Auditor regarding the disbursement of "Special Funds". Auditor's office has not provided, nor guided, the court to any approved or promulgated training. The District Attorney's Office personnel have attempted to provide support in determining the status of "Bonds", however, the number of unique instruments and the sheer volume has impeded any meaningful progress. In addition, the Court has provided Dallas County Archives manifests and boxed cases in accordance with their directives. The Court routinely requests cases from the Dallas County Archives with responses of "M" or "Missing File". The Court keeps an accurate inventory of all cases sent, requested and returned. Care, custody and control of files once in the possession of Dallas County Archives is beyond the scope and authority of the Court.

Auditors Response

The Auditor's Office will be providing training to JP Court personnel in the near future on the reconciling of Special Funds. This training will be provided to ensure that JP Court staff accurately posts Special Fund checks and cancelations, requested by the court, and escheat funds either to the State Comptroller or the County Treasurer. This training was prompted by the fact that the Auditor's Office in the past took on the responsibility for reconciling Special Funds accounts. As this is an operational function, and not an audit function, we will work with JP Court personnel to transition this responsibility to the JP Courts.

Fee Compliance

We reviewed a sample of 45 cases for compliance with applicable state laws including Code of Criminal Procedures Chapters 45 and 102 and Local Government Code Chapter 133, Commissioners Court orders, and Attorney General Opinion No. GA-0147 and identified 12 cases with errors and omissions pertaining to: posting partial payments, assessing court costs, collections, receipting to fee types, and JPAS docketing. These errors and omissions result in incorrect collection of court costs and fine amounts, incorrect distribution and disbursement of funds, and inaccuracies to JPAS.

Recommendation

Fee Compliance

Management should ensure:

- Docket screen fields, including the court costs and fine, should be updated as: case activity occurs, new court costs are assessed fine amounts are reduced by the

Judge, and cases are dismissed.

- Docketing procedures at the court are documented to train new staff and to ensure court guidelines are followed consistently.
- Payments and change are counted in front of the customer.
- Quality control review procedures are established for court activities.

Management Action Plan

Current Court Management System (CMS) and accounting software do not allow for automatic update of costs and fine; the court currently updates court costs, fines and fees manually; current system limitations prevent accurate reflection of assessed fees. While current docketing procedures are in place, the current CMS allows for free-text with no notification or tickler to management when outside of defined parameters. The Court has recommended software upgrades and been informed that upgrades will not be made to the current system with a new CMS being considered; the Court has requested and been informed that the next generation CMS will provide additional management and security tools. In addition, it is the Court's best practice to count and check all monies received in front of the customer. Money is then given to bookkeeper who then counts and re-checks all bills a second time, if any change is owed it is counted before the customer and a Court official receipt is given. The Court continues to develop and refine additional quality control review procedures as necessary.

Auditors Response

None

Credit Cards

We reviewed credit card postings and refunds posted to JPAS during FY2016-2017 and identified: 130 cases where the credit card payment was posted after five business days; and 17 online credit card transactions were not posted to JPAS using the last five digits of the Transaction/Record ID; and six credit card refunds where the court did not update the JPAS docket screen to reflect the correct amounts due, requiring the intervention from the Treasurer's Office staff to refund a total of \$1,675.03. The misdemeanor docket screen should accurately reflect actions imposed by the court, including the court costs and fine amount due on any given case, consistent with the Code of Criminal Procedure, § 45.017. The last five digits of the credit card Transaction ID should be posted in the JPAS check number field, consistent with the courts procedure for recording credit card transactions. Credit card payments should be timely receipted and posted to JPAS no later than the fifth day after the day money was received consistent, per Local Government Code 113.022. The court did not timely post credit card payments and updates the amounts due on the JPAS docket record. As a result, defendants may pay more than the amount owed, there may be adverse consequences to defendants when payments are not timely posted to cases, and it may be difficult to determine the source for payments if the incorrect credit card Transaction ID is posted in JPAS.

Recommendation

Credit Cards

Management should ensure:

- Dockets are completed in compliance with the Code of Criminal Procedure, § 45.017.
- Accurate posting of all online credit card payments to JPAS using the last five digits of the Transaction ID in the check number field.
- Adjustments to assessments should be made timely, reflecting internal control and audit trails. This should include compensating processes such as dual sign-off on adjustments, supervisory review and pre-approval, monitoring, and validation.
- Payments are timely posted to JPAS and reported to the Treasurer in compliance with Local Government Code 113.022.

Management Action Plan

Online payments by credit card or debit card are not automatically posted with complete accuracy by the JPAS. The Court has implemented a daily checklist for the review and correct posting of online payments promptly after deposits are prepared each morning, keeping in consideration non-standard conditions that may affect meeting the five-day deadline each and every time. Current Court Management System (CMS) and accounting software do not allow for automatic proration when payments are made. Court has recommended software upgrades and been informed that upgrades will not be made to the current system with a new CMS being considered.

Auditors Response

None

JPAS Monitoring, Security, and Reporting

We reviewed available monthly Defendant/ Plaintiff Reports (D/P Reports) and identified 38 out of 41 cases that were deleted without management review. As a best practice, management should approve all cases prior to deletion and periodically review D/P logs to ensure that deletions were approved and documented. Deleting cases can result in the loss of case notes, docketing information, receipt records, and actions made by the court without an audit trail. Assets can be misappropriated and not be detected when cases are deleted from JPAS.

Additionally, we reviewed the court's responses from the Internal Control Questionnaire and noted: criminal cases on Referral Reports are not regularly reviewed for collection and driver's license holds. As a best practice, management should periodically review Referral Reports for collection and driver's license holds to ensure that errors and omissions are detected and future issues can be prevented. Without adequate monitoring controls the court may not timely detect errors and omissions.

Recommendation

JPAS Monitoring, Security, and Reporting

Management should ensure:

- Cases are approved prior to deletion. The approval should be documented with explanations for deletions.
- Periodically review D/P Logs to ensure all case deletions were approved.
- Work with Dallas County IT to limit system rights and roles based on the user's core job duties.
- Periodically review FTA Reports for collection and driver's license holds and other JPAS reports to monitor court activities and ensure the timely detection of errors and omissions.

Management Action Plan

The Court has established the Case Deletion Log as of August, 2017 in result of the previous audit findings. The current Court Management System (CMS) does not allow for corrections to a case to be made without duplicate key entries. The vast majority of the 41 cases reviewed were prior to August 2017, eight of the deleted (JT) traffic cases are all accounted for, clerk entering the cases made data entry errors , deleted and re-entered. Eviction case deletions were all made with the approval of management. The Court accepts the recommendations and will apply them accordingly.

Auditors Response

None

Computer Receipts

We reviewed a sample of 38 out of 80 computer voids and identified: 26 voided computer receipts were not reviewed by management; one voided computer receipt was not marked void; and one voided computer receipt did not contain an explanation for voiding the receipt. Management is responsible for designing, implementing and conducting internal control, and in assessing its effectiveness is emphasized in the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. Computer receipts that cannot be issued to customers, due to error, should be marked void with an explanation written on the receipt. All receipt copies should be retained by the court. Computer receipts should be reviewed by court management to ensure receipts are timely posted to the correct cases. As a best practice, management should periodically review exception reports, voided transactions and transaction logs (especially with respect to receipt deletions, lowered amounts, payment type changes, and agreeing the daily closeout) to ensure that errors and omissions are detected and future issues can be prevented. Written policies and procedures should be maintained by the court and periodically reviewed for updates. These findings were posted by the court prior to July 17, 2017, the date the court implemented written policies and procedures for voiding receipts. Assets may be misappropriated and not detected without adequate internal controls over computer receipts.

Recommendation

Computer Receipts

Management should ensure:

- The court practices the receipt and voiding procedures written in the court's "Manual Receipt Policy" and "Checklist for Bookkeeping Desk", specifically:
 - All copies of voided receipts are retained, clearly marked "void",
 - An explanation for voiding is written on the receipt,
 - Supervisory approval is documented on all voided receipts.
- The court should review policies and procedures at least annually and make necessary updates.
- Exception Reports from JPAS are periodically reviewed to monitor voided transactions and ensure the timely detection of errors and omissions by court staff.

Management Action Plan

The Court has implemented a "dual sign-off" procedure on all voided receipts as of April, 2017--the Bookkeeper and Chief Clerk or Backup must each endorse each voided receipt. The new procedure ensures retention of the original receipt and verifies a detailed explanation for the void. Twenty three of the reviewed receipts were prior to the "dual sign-off" policy established by the Court on April, 2017, and performed by employees that were ultimately fired from this Court. A copy of the procedure was given to the field auditor while on site, a copy is also attached. A written receipt and voiding procedure is in place and has been since July 2017, and given to the field auditor during the audit.

Auditors Response

We note that management implemented prior year audit recommendations. These findings regarding computer receipt voids were posted by the court prior to July 17, 2017, before the court implemented internal control procedures for computer and manual receipt voids ("Manual Receipt Policy" and "Checklist for Bookkeeping Desk"). These procedures were provided at the JP 3-3 FY15 Audit Exit Conference on September 28, 2017, but we request and review department policies and procedures on every annual audit. Our request for the FY16-17 Audit is stated in the Audit Engagement Letter provided on August 15, 2018. We received the court's policies and procedures on January 22, 2019, but they have not been revised since 2017. We recommend the court review these documents annually.

Disposed Cases

We reviewed a sample of 70 disposed cases and identified: one disposed case where the defendant paid the balance due, but a judgment date was not posted in JPAS; one case dismissed in JPAS, but the defendant did

not comply with the DA's terms of dismissal; and one case marked disposed, but the case was not paid in full. The JPAS docket screen should be updated with a plea of nolo contendere (when the defendant has not entered a prior plea) and judgment when web or mail payments are accepted by the court as full payment in accordance with C.C.P., Art. 27.14(c). Per C.C.P. Art 45.017 (a) The judge of each court shall keep a docket containing the judgment and sentence of the court, and the date each was given. The court should docket credit for waivers, community service, and time served, with the authorized approver's signature and date, consistent with C.C.P. Chapter 45. Per Transportation Code 601.053(A) a defendant must provide the court with satisfactory evidence of valid proof of financial responsibility under) that was valid and in effect at the time of the arrest. These instances occurred because the court does not have comprehensive internal controls to ensure a case is appropriately docketed and paid in full when a case is disposed. As a result, case docketing fields in JPAS may not reflect accurate and complete information and assets may be misappropriated when cases are not quality reviewed by the court for completeness of supporting documentation and payment.

Recommendation

Disposed Cases

Management should ensure:

- Supporting documentation and sufficient payment is made for cases marked disposed or dismissed.
- Staff is trained and follows procedures for docketing cases in JPAS.

Management Action Plan

The Court accepts the recommendations and errors have been corrected.

Auditors Response

None

cc: Darryl Martin, Commissioners Court Administrator