

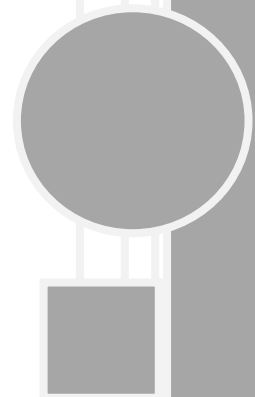


AUDIT REPORT

DALLAS COUNTY

JUSTICE OF THE PEACE 1-1 FY2016 AND FY2017 AUDIT

Darryl D. Thomas
Dallas County Auditor
ISSUED: May 18, 2018
RELEASED: July 17, 2018



JUSTICE OF THE PEACE 1-1 FY2016 AND FY2017 AUDIT

TABLE OF CONTENTS

MANAGEMENT LETTER.....	3
EXECUTIVE SUMMARY.....	4
INTRODUCTION.....	5
DETAILS.....	6
Manual Receipts.....	6
JPAS Access - Warrants.....	6
Deposits.....	7
D/P Case Activity.....	8
Fee and Fine Assessment and Collection.....	8
Computer Receipt Voids.....	9
JP Fee Exceptions.....	10
Collections Fees.....	10
Disposed/Appealed/Dismissed Cases.....	11
Credit Card Postings.....	12
FTA/DL Renewal Block.....	12
Special Fund.....	13
Time Payment Plans.....	14

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 Thomas G. Jones
Justice of Peace, Precinct 1, Place 1
Dallas, Texas

Attached is the County Auditor's final report entitled "**Justice of the Peace 1-1 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 that reads "Darryl D. Thomas".

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 1, Place 1 for fiscal years 2016 and 2017. We have identified priority areas of risk which need consideration by management.

Summary of Significant Observations:

- 141 checks were disbursed/cancelled without properly posting into Justice of the Peace court system. As of September 30, 2017, a total of \$540,607 balances over three years old remain in the special fund account.
- 288 cases were deleted without documentation of supervisory review.
- 111 cases were skipped in sequence; and 23 cases were added out of numerical case order from the JP activity report.
- Nine case jackets requested for audit review were not located in the court's records or in the County's archives
- Seven disposed cases where the pleas were not posted and eight disposed cases where the judgement date was not posted to JPAS
- 41 cases where the cost due date field was set greater than six months and also noted cases set as far as 07/18/2022.

Repeat observations from previous Audit

- Manual receipts were skipped in sequence, not marked void.
- Manual receipts issues where the computer receipts was not attached to the manual receipts.
- Computer receipts were voided without proper documentation, such as no explanation for void, not marked void, customer copies were not retained.
- Cases with errors and omissions were noted pertaining to posting partial payment, assessing court cost and collections fee, receipting to fee type and JPAS docketing.
- Cases referred to collection agency noted inconsistency with transferring the bond payment to the appropriate court costs and fine; waiving collection fees; and retaining case jacket for audit review.
- All JPAS users have the ability to issue and recall warrants/capias without supervisory review.
- Cases where the court inappropriately removed the Omni driver's licenses renewal hold and waived the \$30 OMNI fee.

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:

- Ensure compliance with statutory requirements
- Evaluate internal controls
- Verification of accuracy and completeness of reporting
- Review controls over safeguarding of assets

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

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.

DETAILS

Manual Receipts

We reviewed all 48 manual receipts and identified: two manual receipts were skipped in sequence and not marked void; and three manual receipts were issued, but the computer receipt was not attached to the manual 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. Manual receipts should be issued in sequential order. Manual receipts that cannot be issued to customers, due to error, should be marked void with an explanation written on the receipt. Once a manual receipt is posted to JPAS, the computer receipt should be attached to the triplicate (yellow) manual receipt in the manual receipt book, and the duplicate (pink) manual receipt should be attached to the second computer receipt printed. The supervisor did not review the manual receipt book to detect the omissions. As a result, unused skipped manual receipts may be misappropriated, and issued manual receipts may not be properly posted to JPAS.

Recommendation

Manual Receipts

Manual receipts should be issued in receipt number sequence. When a receipt is skipped it should be marked "Void" with an explanation written on the receipt. Management should review the manual receipt books to ensure all manual receipts are issued in sequential order and that a computer receipt is attached to each issued manual receipt. The court should develop formal written receipting procedures.

Management Action Plan

Manual receipt books are currently being checked daily and we agree that manual receipts are to be issued in sequential order. The Court will develop formal written receipting procedures.

Auditors Response

None

JPAS Access - Warrants

We reviewed the court's responses from the Internal Control Questionnaire (ICQ) and noted that all court clerks are authorized to issue and recall warrants/capias, which should be segregated to reduce the potential for unauthorized warrant issuance or recall. Although the JPAS system does not allow for the segregation of duties, there is no supervisory review of this function which could result in the unauthorized issuance or recall of warrants.

Recommendation

JPAS Access - Warrants

Management should review the process for issuing and recalling warrants to divide each task among staff and ensure no one employee performs both activities. Management should also monitor the issuing and recalling of warrants through JPAS reports.

Management Action Plan

All Clerks issue and recall warrants as needed. Clerks are aware of when a warrant can be issued. A Warrant Report is being checked every Monday for any warrants that should have been recalled when a case is closed out.

Auditors Response

None

Deposits

We reviewed all deposits for delays and identified one check deposit, totaling, \$13,131.60 was delayed 6 business days. Per the local Government Code, § 113.022 all monies received should be promptly receipted and deposited no later than the fifth day after the day money was received. This delay occurred because of a check posting error made to JPAS. As a result, staff spent time researching and correcting the deposit error leading to delayed revenue recognition. **Status: The deposit was made on 3/31/16.**

Additionally, we reviewed the court's responses from the Internal Control Questionnaire (ICQ) and noted that the combination to the safe is not changed whenever a person with knowledge of the combination terminates employment with the court or is no longer in a role responsible for handling cash. It is a best practice to change the combination of the safe whenever a person privy to the combination no longer has cash handling responsibilities at the court, otherwise assets may be misappropriated.

Recommendation

Deposits

The receipt amount, payment type, payer name, and case number should be verified for accuracy before providing the receipt to the customer. All monies received should be promptly receipted and deposited consistent with state law, Local Government Code, § 113.022 and Code of Criminal Procedure, § 103.004.

Management should also change the combination of the safe when employees with knowledge of the combination terminate employment or are otherwise reassigned.

Management Action Plan

The combination to the safe is currently being changed when a bookkeeper is terminated/replaced. That answer was checked incorrectly on the ICQ. The Court does acknowledge mistakes on the deposits and has currently put in place a process that Clerks, then the Bookkeeper, must check money orders/checks for accuracy in order to be processed and deposited in a timely manner and be consistent with State Law.

Auditors Response

None

D/P Case Activity

We reviewed available monthly Defendant/ Plaintiff (D/P) logs showing 120 cases were deleted during FY2016, and 168 cases were deleted during FY2017. As a best practice, cases should not be deleted from JPAS. However, the Chief Clerk should approve all cases deletions before they occur and periodically review D/P logs to ensure that deletions were approved. Management does not review D/P logs for deleted cases. Therefore case notes, personal information, receipt records, and actions made by the court were deleted without an explanation or approval by management.

Recommendation

D/P Case Activity

The Chief Clerk should approve occurrences where a case deletion is necessary before cases are deleted by staff. Additionally, the approval should be documented with explanations for deletions. The court should review Case Index Reports for skipped or deleted case numbers, and make revisions to Case Activity Reports when omissions and errors are detected. The Chief Clerk should periodically review Defendant/ Plaintiff (D/P) logs to ensure all were approved.

Management Action Plan

Now that we have access to Document Direct we are currently checking for deleted cases and now have a log book where we notate the deletion of a case and the reason for the deletion. All deletions are reviewed and approved before being processed.

Auditors Response

None

Fee and Fine Assessment and Collection

We reviewed a random sample of 45 cases from all payments made in FY2016-2017 for compliance 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 and identified 19 cases with errors and omissions pertaining to: posting partial payments, assessing court costs, collections, receipting to fee types, and JPAS docketing.

Additionally, we reviewed the court's responses from the Internal Control Questionnaire (ICQ) and noted that the fine and court costs on the JPAS docket screen are not updated when an offense is dismissed by the judge or the District Attorney (DA), or when the administrative fee is collected for a compliance dismissal; and time served and community service are not recorded as a non-monetary credits in the JPAS receipt screen. This results in inadequate collection of court courts and fine amounts, inaccurate data reflected on JPAS reports and used in financial analysis, and incorrect distribution and disbursement of funds.

Recommendation

Fee and Fine Assessment and Collection

Management should implement procedures where cases are reviewed for manual entry errors before disposing the case. 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.

Management Action Plan

The Court agrees that all cases should be reviewed for errors when disposing a case and has currently put in place a check and balance on disposed cases. All cases have been reviewed and corrected.

Auditors Response

None

Computer Receipt Voids

We judgmentally selected a sample of 111 out of 238 computer voids and identified five computer receipts were not marked void; 11 computer receipts did not contain an explanation for voiding the receipt; and 16 computer receipt voids where the court did not retain the customer's receipt, and one payment was voided, the court costs waived, and the case dismissed without documenting the reason for dismissal. Receipts should not be altered, but properly voided and affixed with a reason for the void with retention of all voided copies. The Chief Clerk should review all voids and periodically review the exception reports and transaction logs (especially with respect to receipt deletions, lowered amounts, and payment type changes) to ensure that voids are documented and not processed without supervisory approval. Transactions were voided without adequate control over the receipt voiding process, management override of existing controls, and the court does not have a written process for processing computer voids. As a result assets can be misappropriated and go undetected without marking receipts void, documenting a reason for voiding, retaining both computer receipts, and consistent supervisory review and approval of void transactions.

Recommendation

Computer Receipt Voids

Management should establish a receipt and voiding policy that ensures all copies of a voided receipt are retained, clearly marked "void", and affixed with a reason for voiding to affix responsibility and enhance cash control. Additionally, all void receipts should require supervisory approval and the court should document an explanation for voiding payments and dismissing cases consistent with Code of Criminal Procedures (C.C.P.) Art. 45.

Management Action Plan

The Court does have a log for voided receipts and must all be approved by a Chief Clerk before being processed. We do, in fact, have a receipt and voiding policy that ensures all copies of a voided receipt are retained, clearly marked "void" and affixed with a reason for the void.

Auditors Response

The Court indicated that it had a log, but it was not provided during the audit. We were told that the former bookkeeper lost the log. The Court also indicated that they have a receipt and voiding policy. However, in the issues we cited, it does not appear that the policy was being followed.

JP Fee Exceptions

We reviewed a random sample of 30 cases without payment of the filing fee and identified one civil case was processed by the court without collecting the filing fee. In accordance with statutes (Local Government Code (LGC) § 118.121, 118.122, 118.123, 118.131, and Chapter 133) and Commissioners Court orders, filing fees should be collected at the time of filing and service fees should be collected at the time of service request for all evictions, civil and small claim cases filed by non-governmental entities and individuals except for those individuals with approved affidavits of indigence on file or those entities listed under Civil Practices and Remedies § 6.001, 6.002, and 6.003. Due to clerical errors and a manual process, there is no mechanism to prevent clerks from setting up a case without accepting the filing fees or documenting a valid reason for not accepting them. This results in a potential loss in filing fees.

Recommendation

JP Fee Exceptions

Management should ensure that filing fees are collected at the time of filing non-misdemeanor cases except in limited circumstances addressed by statute (Order of indigent, case filed by government entities, etc...) which is documented in FORVUS and the case jacket. This can be achieved through staff training, implementing receipting and docketing checklists, quality assurance reviews of cases, and periodic review of JPAS (Document Direct) Reports.

Management Action Plan

Not required

Auditors Response

The Court indicated that no management action was required, but the Court should consider that there is a risk exposure associated with setting up cases without collecting filing fees and the Court should develop controls to ensure that this does not happen.

Collections Fees

We reviewed a random sample of 20 cases referred to the collection agency during FY2016-2017 and identified: one case was dismissed without transferring the bond payment to the appropriate court costs and fine; three cases where the court inappropriately waived collection fees; and one case jacket requested for audit review was not located in the court's records or in the County's archives. Justice courts should adhere to the mandatory minimum retention periods specified in the appropriate schedule set by the Texas State Library and Archives Commission, per Government Code 441.158; cash bonds forfeited to the court in satisfaction of court costs should be re-allocated appropriately; and 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. These instances occurred because the court does not have comprehensive internal controls for categorizing, organizing, and tracking case jackets; the court does not require that forfeited cash bonds be allocated to court costs and fines; and non-compliance with delinquent collection contract with the vendor, and commissioner's court order. As a result, case jackets could not be verified against JPAS; the incorrect allocation of court costs resulted in the incorrect distribution and disbursement of funds; and the potential loss of collection fees.

Recommendation

Collections Fees

Management should retain case jackets with activity within the last two years at the court. When case jackets are transferred to the County archives, a record of where the case jacket is stored should be documented at court. Lastly, management should ensure staff are trained and follow procedures for docketing cases in JPAS. The court should adhere to Commissioner's court order No 2013-1709 and C.C.P. 103.0031 and appropriately train staff to ensure consistent implementation.

Management Action Plan

The Court does retain case jackets that are from the past five years. All other years are currently being sent to County archives due to a lack of space in our building.

Auditors Response

None

Disposed/Appealed/Dismissed Cases

We judgmentally selected and reviewed a sample of 20 dismissed cases, 10 compliance dismissal cases, 10 appealed cases, 10 DA Dismissal cases, 10 cases with Driver Safety Course, and an IT report for all cases filed and identified: nine case jackets requested for audit review were not located in the court's records or in the County's archives; one case where the court accepted the \$22 compliance fee and dismissed the case when the defendant did not provide proof the offense was remedied on or before the first court appearance; one case was dismissed without transferring the bond payment, currently in the court's special fund, to the appropriate court costs and fine; one case where the driver safety course certificate was not in the case jacket; seven disposed cases where a plea was not posted to JPAS; and eight disposed cases where the defendant paid the balance due, but a judgment date was not posted to JPAS.

Justice courts should adhere to the mandatory minimum retention periods specified in the appropriate schedule set by the Texas State Library and Archives Commission, per Government Code 441.158; cash bonds forfeited to the court in satisfaction of court costs should be re-allocated appropriately; per C.C.P. Art. 45.0511(c) the defendant shall have 90 days to successfully complete the approved driving safety course and present to the court a uniform certificate of completion; per Transportation Code 502.407 (b) a justice of the peace may dismiss a charge of driving with an expired motor vehicle registration if the defendant remedies the defect not later than the 20th working day after the date of the offense or before the defendant's first court appearance date, whichever is later; and 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). These instances occurred because the court does not have comprehensive internal controls for categorizing, organizing, and tracking case jackets; the court does not require that forfeited cash bonds be allocated to court costs and fines; there are no internal controls or review procedures to prevent or detect instances when the court staff process cases and collect fees inconsistent with state statute; and no process in place to ensure a case is appropriately docketed when payment is received in full. As a result, case jackets could not be verified against JPAS; the incorrect allocation of court costs results in the incorrect distribution and disbursement of funds; and there is also a compliance risk associated with inconsistently applying and enforcing state statutes.

Recommendation

Disposed/Appealed/Dismissed Cases

Management should ensure when cases are set up that the requirements of defendants are outlined (possibly through a checklist) and are reviewed before closing for quality assurance. Management should train staff to ensure the required conditions, set by statute, are met prior to granting compliance dismissals. Case jackets with activity within the last two years should be kept at the court. When case jackets are transferred to the County archives, a record of where the case jacket is stored should be documented at court. Lastly, management should ensure staff are trained and follow procedures for docketing cases in JPAS.

Management Action Plan

Your recommendations are currently in place at this Court.

Auditors Response

None

Credit Card Postings

We reviewed a random sample of 40 credit card postings and all credit/debit card refunds posted to JPAS during FY2016-2017 and identified: 59 credit card refunds were processed because the court did not update the JPAS docket screen to reflect the correct amounts due, requiring intervention from the Treasurer's Office to refund a total of \$6,980; 13 credit card payments were not posted to JPAS using the last 5 digits of the Transaction ID; and two credit card payments were posted to JPAS after 11 business days from the transaction date. The misdemeanor docket screen should be up to date and accurately reflect the court costs and fine amount due. 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 L.G.C. 113.022, and posted using the last 5 digits of the Transaction ID in the check number field.

Recommendation

Credit Card Postings

The misdemeanor docket screen should accurately reflect the court costs and fine amount due on any given case. 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. Receipt all online credit card payments should be receipted to JPAS within the following business day and posted using last five digits of the Transaction ID in the check number field.

Management Action Plan

The Court does currently follow all your recommendations for credit card postings.

Auditors Response

None

FTA/DL Renewal Block

We reviewed a random sample of 30 out of 195 FTA cases with codes where the FTA fee was waived and identified four cases where the court inappropriately removed the Omni driver's license renewal hold and

waived the \$30 OMNI fee. According to Transportation Code, Sec. 706 "A person shall be required to pay an administrative fee of \$30 for each complaint or citation unless the person is acquitted of the charges for which the person failed to appear." Additionally, the court "shall immediately notify the department that there is no cause to continue to deny renewal of a person's driver's license" after payment of the fee and "the dismissal of the charge for which the warrant of arrest was issued or judgment arose." Inconsistent application of the Transportation Code § 706.005 and § 706.006 regarding the clearance of the Omni holds caused a potential loss of revenue.

Recommendation

FTA/DL Renewal Block

Management should ensure the \$30 failure to appear fee is assessed and collected and the driver's license renewal hold is released in accordance with Transportation Code §706.

Management Action Plan

The Court accepts the Recommendations from Audit

Auditors Response

None

Special Fund

We reviewed the Special Fund, period ending September 30, 2017, for escheating and noted the fund balance is \$540,607 for cases older than 3 years. We additionally identified 71 check discrepancies from prior fiscal years, totaling \$9,880.15, have not been posted to JPAS; seven checks totaling \$2,420.90 were disbursed, but not posted to JPAS; and 23 canceled checks totaling \$2,403.10 have not been posted to JPAS. Reviewed a random sample of 40 out of 224 special fund check disbursements during our current audit period and identified: four check disbursements were not posted to the case referenced on the check, but were posted to another case; three checks disbursements were posted to JPAS after 90 or more business days or more days after check was issued; one check was refunded to the defendant before the court assessed and allocated \$25 to the time payment fee; and one check disbursement was posted to JPAS with the wrong check number. All special fund disbursements and cancelations should be timely and accurately posted to the JPAS; fund balances must be reconciled against control records (GL and bank statement); special fund reports should be periodically reviewed and disbursements made to the appropriate parties in a timely manner. According to staff, a monthly reconciliation is not completed by the court to timely detect posting errors, court staff have limited time to research cases with older balances, and check disbursements are not consistently reviewed by management. As a result disbursements to parties entitled to funds are delayed; duplicate checks were issued and are possibly unrecoverable losses; and staff have to spend time to research and correct posting errors.

Recommendation

Special Fund

Management should ensure all checks issued, canceled, or stale dated are posted accurately and timely to JPAS (reconciliation of JPAS to GL) and verified/reviewed by the chief clerk. Management should perform an escheat analysis of special funds in accordance with unclaimed property statutes, Property Code, § 72 and § 76.

Management Action Plan

The Court is currently working on a Sundry Report every day in order to bring the amount

down. All checks issued, canceled or stale dated are currently being checked by Chief Clerks for postings.

Auditors Response

None

Time Payment Plans

We generated a JPAS report on 01/17/18 for all cases with a cost due date posted in JPAS and identified 41 cases where the cost due date field was set greater than 6 months (dates between 07/15/18 and 07/18/22). Per standard procedures for recording misdemeanors to the JPAS docket screen, the cost due field should be used to record the date payment is due (either full payment or the next partial payment if on a time payment plan). For those on deferred adjudication, this field should be used to record the date the fine amount will be due if successful completion of deferred adjudication or defensive driving does not occur. Chapter 175 of the Collections Improvement Program (CIP) is designed to improve the enforcement of a defendant's compliance with the payment of costs, fees, and fines that have been ordered by a court, without imposing an undue hardship on the defendant or the defendant's dependents. This occurs because clerks manually post the cost due date in JPAS and the court has arbitrary conditions for setting the date. Clerks manually override system controls when posting a cost due date inconsistent with the scheduled payment plan. Cases where the cost due date extends beyond the scheduled payment plan can be bypassed for Omni holds and collection fee assessments by JPAS when the defendant defaults on the payment plan. Since the court requires a \$2 transaction fee for each payment made on a case it can create an economic burden to the defendant in cases where the cost due date extends for multiple years. The number of cases on payment plans increase and require more time for staff to monitor collection efforts when due dates are arbitrarily extended.

We reviewed a random sample of 10 cases on time payment plans during fiscal year 2016-2017 and identified two cases were disposed without transferring the cash bond to the appropriate court costs. Per case notes, the bond is to be applied to the case, but only the disbursement check was posted. Clerks manually post the cost due date in JPAS and the court has arbitrary conditions for setting the date. The clerk posted the special fund disbursement check, but did not allocate the cash bond to the appropriate court costs once it was forfeited.

Recommendation

Time Payment Plans

The court should establish and document its procedures for setting up, reviewing and monitoring payment plans entered into by defendants. The procedures should address the requirements and purpose of the state's Collection Improvement Program and standard procedures for recording misdemeanors to the JPAS. Management should review cases with payment plans to ensure system controls are not overridden and that cost due dates are consistent with agreed upon payment plans. Additionally, court staff should ensure all court costs, fine, and fees due are collected and appropriately allocated to the correct fee type before disposing the case.

Management Action Plan

The Court disagrees with the findings under this section. The Court does follow the rules under the State's Collection Improvement Program and standard procedures for recording misdemeanors to the JPAS.

Auditors Response

The Court should consider the possibility of adverse events that may occur by pushing out the dates on the time payment plans and put controls in place to ensure that this does not happen.

cc: Darryl Martin, Commissioners Court Administrator