

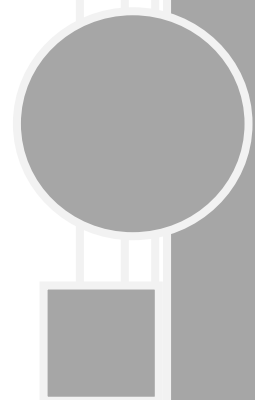


AUDIT REPORT

DALLAS COUNTY

JUSTICE OF THE PEACE 2-1 - FY2016 AND FY2017 AUDIT

Darryl D. Thomas
Dallas County Auditor
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JUSTICE OF THE PEACE 2-1 - 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 Brian Hutcheson
Justice of Peace, Precinct 2, Place 1
Dallas, Texas

Attached is the County Auditor's final report entitled "**Justice of the Peace 2-1 - 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". The signature is written in a cursive style.

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 2, Place 1 for fiscal years 2016 and 2017. We noticed that the court updated their policy over voiding computer receipts beginning 1/3/17, where the chief clerk or back up bookkeeper sign off on any computer receipt void along with the bookkeeper. If it is a cash transaction, the customer signs the voided receipt acknowledging they received money back. However, we have identified processes with differing risk factors for consideration by management as follows.

Summary of Significant Observations

- As of September 30, 2017, a total of \$377,297 balance due over three years old remains in the special fund balance account.
- 22 special fund check discrepancies from prior fiscal years, totaling \$30,351.58 have not been posted to JPAS.
- 12 canceled checks totaling \$1,056 in FY17 were not posted to JPAS. **Status: The 12 canceled checks were posted to JPAS on 5/4/18.**
- One special fund check was not issued for the proper amount resulting in a total of \$25 being over refunded
- 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. Employees are not required to report conflicts of interest when they are related to parties involved in court actions.
- 92 cases without a balance due or marked inactive (disposed) have an active warrant. Additionally, the court's responses to ICQ noted three employees are authorized to issue and recall warrants/ capias without management review.
- 24 Cases with errors and omissions pertaining to posting partial payments, assessing court costs, collections, receipting to fee types and updating JPAS docket screen.
- 30 cases were deleted without documentation of supervisory review. Per the court's responses to ICQ noted Criminal cases on referral report and JPAS exception report are not regularly reviewed for accuracy.
- 19 Failure to Appear cases where payment was allocated or collected in correctly and/or docket screen was not updated with the correct information.
- 15 online credit card transactions were not posted to JPAS properly and 14 credit card refunds where the court did not update docket screen to reflect the correct amount due, requiring the intervention from the Treasurer's office staff to refund a total of \$3,076.80.

Repeat observations from Previous Audits:

Similar issues were addressed in the prior year audit dated August 1, 2017.

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:

- To determine if controls over financial transactions and collective information are sufficient to maintain monetary and reporting integrity
- To determine if court costs and fee amounts are accurately assessed and collected in accordance with commissioner's court orders and state laws
- To determine if policies and procedures are being followed to ensure completeness and accuracy for processing of transactions
- To report processes where controls or operational efficiency could be improved to ensure compliance with local and state laws, regulations and statutes
- To perform a walkthrough on the cash management process including receipting procedures

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

Fee and Fine Assessment and Collection

We reviewed a random sample of 80 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 24 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 resulted in inadequate collection of court cost and fine amounts and incorrect distribution and disbursement of funds.

Additionally, we reviewed the court's responses from the Internal Control Questionnaire (ICQ) and noted: 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, and management does not require employees to report conflicts of interest when they are related to parties involved in court actions. 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 and for the court to require staff to report conflicts of interest, otherwise assets may be misappropriated.

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 fields, including the court costs and fine, should be updated: as case activity occurs, new court costs are assessed (including administrative fees, time payment fees, warrant or capias fees, etc.), as fine amounts are reduced by the Judge, and cases are dismissed.

Management Action Plan

No Response received

Auditors Response

None

Credit Card Transactions

We reviewed all credit card postings and refunds posted to JPAS during FY2016-2017 and identified: 15 online credit card transactions were not posted to JPAS using the last 5 digits of the Transaction ID; and 14 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 \$3,076.80. Consistent with the Code of Criminal Procedure, § 45.017, the misdemeanor docket screen should accurately reflect actions imposed by the court, including the court costs and fine amount due on any given case. These fields should be updated so that accurate receivable information is maintained. The last 5 digits of the credit card Transaction ID should also be posted in the JPAS check number field, consistent with the courts procedure for recording credit card transactions. These findings occurred because the court did not update the JPAS docket and financial screen and the result is that Treasurer's Office staff had to stop their routine tasks to intermittently process 59 refunds

totaling \$3,076.80. Additionally, it may be difficult to determine the source for payments if the incorrect credit card Transaction ID is posted in JPAS.

Recommendation

Credit Card Transactions

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. Post all online credit card payments to JPAS using the last five digits of the Transaction ID in the check number field.

Management Action Plan

No Response received

Auditors Response

None

Civil Fee Dockets

We reviewed all 28 cases without payment of filing fees and identified: one case without an explanation for not collecting filing fees at the time of filing; one case where filing fees were not collected because the case was transferred from another county; two cases where the court did not update the JPAS docket screen with the paupers affidavit file date; and one case where the court posted payment for the filing fee to the wrong case (**Status: On 3/26/18 the bookkeeper transferred the payment for filing fees to the correct case**). 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

Civil Fee Dockets

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 Indigence, cases 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

No Response received

Auditors Response

None

Disposed/Appealed/Dismissed Cases

We judgmentally selected and reviewed a sample of 17 dismissed cases, six compliance dismissal cases, 10 appealed cases, 10 disposed cases, 10 DA Dismissal cases, 10 cases with Driver Safety Course, and an IT report for all cases filed and identified two cases were granted a compliance dismissal, but the insurance provided by the defendant was not in effect on the offense date. According to the Transportation Code (T.C.) Section 601.193, the defendant must provide the court satisfactory evidence of valid proof of financial responsibility (driver's insurance) under T.C. Section 601.053(a), that was valid and in effect at the time of arrest. The clerk overlooked the offense date, and instead looked at the file date, resulting in the dismissal of the two cases and a potential revenue loss.

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.

Management Action Plan

No Response received

Auditors Response

None

Criminal Fee Dockets

We reviewed the JP Warrant Error Report, dated 4/2/18, and identified 92 cases without a balance due or marked inactive (disposed) have an active warrant. These cases require additional follow up by the court to process the warrant recall. Management should review the warrant error report and recall warrants when appropriate. Per the Code of Criminal Procedure (C.C.P.) Art. 45, " A justice or judge shall recall an arrest warrant for the defendant's failure to appear if the defendant voluntarily appears to resolve the amount owed and the amount owed is resolved." The court shall recall a capias pro fine under the same conditions. Management inconsistently reviews the Warrant Error Report to ensure active warrants on disposed cases are recalled and processed by court staff. This poses a potential liability to the County for persons arrested in error.

We reviewed the court's responses from the Internal Control Questionnaire (ICQ) and noted three employees are authorized to issue and recall warrants/ capias without management review, 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

Criminal Fee Dockets

Management should ensure warrants and capiases are recalled consistent with C.C.P. Art. 45 by appropriately segregating responsibility among staff, reviewing the issuing and recalling of warrants, and monitor activity through JPAS reports.

Management Action Plan

No Response received

Auditors Response

None

Special Fund

We reviewed the Special Fund, period ending September 30, 2017, for escheating and noted the fund balance is \$377,297 for cases older than 3 years. We additionally identified 22 check discrepancies from prior fiscal years, totaling \$30,351.58, have not been posted to JPAS; and 12 canceled checks totaling \$1,056 in FY17 were not posted to JPAS (**Status: The 12 canceled checks were posted to Forvus on 5/4/18**). We reviewed a random sample of 45 out of 86 Special Fund check disbursements during our current audit period and identified: one Special Fund refund check was issued for the wrong amount and the recipient overpaid by \$25; and prior to 2/7/17, the court collected \$31 instead of \$56 for counterclaim fees. 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, errors occur, and staff spend time researching and correcting 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 Fund in accordance with unclaimed property statutes, Property Code, § 72 and § 76.

Management Action Plan

No Response received

Auditors Response

None

Case Activity Report

We compared case filings per JPAS reports with activity reports filed by the court to the Office of Court Administration (OCA) and the Office of Budget and Evaluation (OBE) and identified six cases were filed with the incorrect file date on the docket screen; two case numbers were skipped in sequence by the court when posting cases; and one case number was filed out of numerical order. Government Code Section 71.035(b) and Texas Administrative Code Sections 171 require the JP Court to supply the OCA with civil and criminal business activity transacted by the courts. To comply with the OCA requirements and ensure the accuracy and completeness case numbers should be issued consecutively by case type, properly and timely indexed to the JPAS, and monitored by management. A lack of an automated tracking system causes errors and omissions when posting and self-reporting case counts. The errors result in inaccurate case counts reported to the OCA when undetected.

Recommendation

Case Activity Report

Management should re-assess how staff are compiling monthly activity and leverage JPAS reports to detect errors and ensure case counts are accurate. Activity reports should be corrected when errors are identified.

Management Action Plan

No Response received

Auditors Response

None

JPAS Monitoring and Reporting

We reviewed available monthly Defendant/ Plaintiff (D/P) logs and identified 30 out of 124 cases that were deleted without supervisory review (**Status: The Chief Clerk started reviewing the D/P reports daily on 1/3/17**). As a best practice, cases should not be deleted from JPAS. The Chief Clerk should continue to approve all case deletions before they occur and periodically review D/P logs to ensure that deletions were approved. Staff can delete cases in JPAS, which can result in the loss of case notes, docketing information, receipt records, and actions made by the court without an explanation or approval by management. Assets can be misappropriated and not be detected when whole cases are deleted from JPAS.

Additionally, we reviewed the court's responses from the Internal Control Questionnaire (ICQ) and noted that: criminal cases on referral reports are not regularly reviewed for collection and driver's license holds, computer transaction logs are reviewed by bookkeeper instead of Chief Clerk, JP accounting system exception reports are not reviewed regularly, and the Chief Clerk does not review the JKDS prior to daily closeout. 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. As a best practice the Chief Clerk should periodically review exception reports, referral reports for collection and driver's license holds, 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. Without adequate controls and supervisory review over the receipting process there is an inability to detect the misappropriation of assets and timely affix responsibility in the event of errors, omissions, and shortages.

Recommendation

JPAS Monitoring and Reporting

The Chief Clerk should discourage staff to delete cases except when necessary. The Chief Clerk should approve such occurrences where a case deletion is necessary before they are posted by staff. Additionally, the approval should be documented with explanations for deletions. The court should continue to 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 continue to periodically review Defendant/ Plaintiff (D/P) logs to ensure all were approved.

As a best practice, receipt and deposit totals prepared by the Bookkeeper should be verified by the Chief Clerk as evidenced by a signature or initial on control documents,

printed from JPAS. The Chief Clerk should also periodically review exception reports, referral reports for collection and driver's license holds, and transaction logs from JPAS to monitor court activities and ensure the timely detection of errors and omissions.

Management Action Plan

No Response received

Auditors Response

None

Failure to Appear/ Driver's License Renewal Block

We judgmentally selected a sample of 66 cases referred to the Department of Public Safety (DPS) for driver's license hold and identified: 15 cases where payment was posted to the Failure to Appear (FTA) fee before allocating to court costs, collection fees and fines; one case where the Driver's License hold was released before payment of the FTA fee; three disposed cases and one appealed case where the court did not request DPS to release the driver's license hold (**Status: The court requested release of DL hold for the appealed case on 4/13/18**). 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 payment or discharge of the fine and cost owed on an outstanding judgment of the court." Inconsistent application of the Transportation Code § 706.005 and § 706.006 regarding the clearance of the Omni holds may cause a loss of revenue.

Recommendation

Failure to Appear/ Driver's License Renewal Block

Management should ensure the \$30 FTA fee is assessed and collected and the driver's license renewal hold is released in accordance with Transportation Code §706. Court staff should verify the driver's license hold is removed on the DPS website, prior to disposing cases in JPAS and once the conditions for removal are met. This can be achieved by reviewing FTA and Driver's License Hold reports, performing quality assurance reviews of cases, training staff, and developing written procedures designed to strengthen internal control.

Management Action Plan

No Response received

Auditors Response

None

Collection Fees

We reviewed a random sample of 20 cases referred to the collection agency during FY2016-2017 and identified: one case where the court under allocated \$25.47 in collection fees; and two cases where the judge did not evidence approval of time served with a signature or initials. Court costs, fines, and fees should be assessed/collected/prorated in compliance with applicable state laws including Code of Criminal Procedure Chapters 45, 102 and 103 and Local Government Code Chapter 133, Commissioners Court orders, and Attorney General Opinion No. GA-0147. The judge may give the defendant credit for time served and credit shall be applied to the amount of the fine and costs. Additionally, judgments and sentences should be appropriately

docketed consistent with C.C.P. Chapter 45. There is incomplete application of C.C.P. Art. 103.0031 regarding allocation of payments to delinquent collection fees, and inadequate docketing procedures for granting time served. As a result, inadequate funds relative to the amount collected may not be allocated to the collection agency. Additionally, waivers may be inappropriately granted for time served without adequate documentation.

Recommendation

Collection Fees

Management should ensure staff are trained and follow procedures for docketing cases in JPAS. 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. 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

No Response received

Auditors Response

None

Vital Records

We reviewed birth and death certificate activity for proper billing and recording and identified: two applications did not contain the clerk's initials in the clerk field; three certificates were issued by a clerk other than the clerk logged into the Bureau of Vital Statistics System; and the case number for two birth certificates did not agree with the birth certificate log and JPAS. 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. As a best practice, management should monitor and review the vital records and activities performed by staff to detect errors and omissions. Additionally, clerks should log in to the Bureau of Vital Statistics System with their own login and password and log out after use. This occurred due to clerical errors and lack of management review. As a result, logs may contain inaccurate and incomplete information and cannot be reconciled with payments in JPAS. Assets can be misappropriated if not accurately and completely recorded.

Recommendation

Vital Statistics

Management should implement written vital record procedures that include logging out of the Bureau of Vital Statistics System after use by staff, the receipt comment field in the JPAS should document the file number of the certificate issued to establish an audit trail, clerks should initial applications in the appropriate field, and a review of the certificate records and the logbook by the Chief Clerk for accuracy and completeness.

Management Action Plan

No Response received

Auditors Response

None