

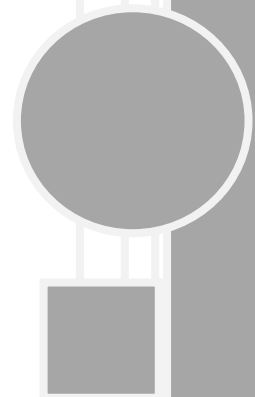


AUDIT REPORT

DALLAS COUNTY

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

Darryl D. Thomas
Dallas County Auditor
ISSUED: September 10, 2018
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JUSTICE OF THE PEACE 2-2 - 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 Bill Metzger
Justice of the Peace Precinct 2, Place 2
Dallas, Texas

Attached is the County Auditor's final report entitled "**Justice of the Peace 2-2 - 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 that reads "Darryl D. Thomas". The signature is fluid and cursive, with the first name being the most prominent.

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 2 for fiscal years 2016 and 2017. Priority areas of risk which need consideration by management are:

Summary of Significant Observations

- Limited staff training on performing Special Fund reconciliation, posting disbursement and resolving outstanding issues.
- A balance of \$71,108.97 remains in the Court's Special Fund Account; of this \$67,230.95 is unclaimed funds over three year old not escheated to the appropriate parties.
- 16 case files could not be located in the court or in the County Archives.
- Lack of management oversight over recalling and issuing warrants. Inadequate segregation of responsibility among staff despite the system limitations of assigning security roles and right functionality.
- Inadequate training of staff and lack of management oversight over deletion of cases. As a result, 11 cases were deleted without management review and approval.
- Inconsistency assessing, collecting, applying and posting proper court costs, fees and fines.
- Lack of written policies and procedures for receipting and voiding transactions.
- Inconsistency in updating the misdemeanor docket screen to accurately reflect action imposed by the court including the court costs and fine amount due on any given case.

Repeat observations from Previous Audits:

Similar issues were addressed in the prior audit.

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 \$71,108.97, of which \$67,230.95 is older than three years for 302 cases; 11 checks, totaling \$4,545.68, from prior fiscal years and three canceled checks totaling \$170 in FY17 were not posted to JPAS. We reviewed a random sample of 45 out of 150 Special Fund checks and identified: one case where the court did not update the fine amount on docket screen in JPAS; five case files could not be located in the court or in the County's Archives; one refund check was issued to the defendant, but the defendant had not paid the remaining balance on three cases; and the court does not have policies and procedures concerning the timeliness of posting check disbursements and reconciling the Special Fund.

All Special Fund disbursements and cancelations should be timely and accurately posted to the JPAS and reviewed by management. Fund balances must be reconciled against control records (GL and bank statement). Management should escheat funds per Property Code, § 72 and § 76 and cash bonds should be forfeited per Code of Criminal Procedure § 22. These instances occurred because 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, check disbursements are not consistently reviewed by management, and there is insufficient ability to track the location of cases. As a result, lost case jackets could not be verified against JPAS, which if exploited could result in the misappropriation of assets. The incorrect allocation of court costs resulted in the incorrect distribution and disbursement of funds; and the court may not recover the funds incorrectly refunded to a defendant who had not paid the remainder of three other cases.

Recommendation

Special Fund Review

Management should ensure all checks issued, canceled, or stale dated are posted accurately and timely to JPAS. A reconciliation should be performed in a timely manner and outstanding issues should be resolved accordingly. Management should perform an escheat analysis of Special Funds in accordance with unclaimed property statutes, Property Code, § 72 and § 76 and cash bonds should be forfeited in accordance with Code of Criminal Procedure § 22. Management should retain case jackets and the associated financial record according to Government Code 441.158, Dallas County Procedure, and Local Schedule GR (RETENTION SCHEDULE FOR RECORDS COMMON TO ALL LOCAL GOVERNMENTS). The court should adhere to Commissioner's Court order No 2013-1709 and C.C.P. 103.0031 to ensure staff are trained and follow procedures for docketing cases in JPAS.

Management Action Plan

None provided

Auditors Response

N/A

Computer and Manual Receipts

We randomly sampled 20 of the 60 manual receipts issued in FY16 and all 108 manual receipts issued in FY17 and identified: one computer receipt where the court changed the payment type from check to cash in JPAS instead of voiding the receipt and re-receipting the payment, one manual receipt where the amount was

crossed out rather than voiding the receipt, and one payment was applied to another case other than the one listed on the manual receipt (**Status: The payment was applied to the correct case on 8/7/18**). 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 that cannot be issued to customers, due to error, should be marked void with an explanation written on the receipt. Manual receipts should be reviewed by court management to ensure receipts are timely posted to the correct cases. The court does not have written policies and procedures for receipting transactions, including protocol for updating posted entries to JPAS. Additionally, court management does not review manual receipts. Without active management oversight manual receipts may be misappropriated, and errors might not be detected.

Additionally, we reviewed the court's responses from the Internal Control Questionnaire (ICQ) and noted that: computer receipts are issued by the bookkeeper and four alternate back-ups; computer transaction logs are not reviewed; JP accounting system exception reports are not reviewed regularly; the Chief Clerk does not review the JKDS prior to daily closeout; the Chief Clerk does not review all voided computer and manual receipts for properness and compliance with office policy; credits are not recorded as non-receipt items on the financial screen when defendants serve time and/or perform community service. 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 periodically review exception reports, referral reports for collection and driver's license holds, 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. Credit for time served and community service should be posted as a non-receipt (NR) item on the JPAS financial screen. The number of staff with the ability to issue computer receipts should be limited and staff that process transactions should have their own till. Inadequate controls and lack of management review over the receipting process can result in an inability to detect the misappropriation of assets and timely affix responsibility in the event of errors, omissions, and shortages.

Recommendation

Computer and Manual Receipts

Manual receipts should be reviewed and verified for accuracy, including the amount, tender type, case number, transaction date, and payer name fields before issuing to a customer. Receipts containing errors should be voided with an explanation written on the receipt. All copies of voided receipts should be maintained at the court. The court should also develop formal written receipting procedures. Management should oversee controls over manual receipts and incorporate this function in the court's receipt procedures.

As a best practice, receipt and deposit totals prepared by the Bookkeeper should be verified by management as evidenced by a signature or initial on control documents, printed from JPAS. Management should periodically review exception reports, referral reports for collection and driver's license holds, all void transactions and transaction logs from JPAS to monitor court activities and ensure the timely detection of errors and omissions by court staff. Training should be provided to ensure credit for time served and community service is posted as a non-receipt (NR) item on the JPAS financial screen. Management should ensure the number of staff with the ability to issue computer receipts

is limited and that staff processing transactions have their own till.

Management Action Plan

None provided

Auditors Response

N/A

Fee and Fine Assessment and Collection

We reviewed a random sample of 70 cases from all payments made in FY2016-2017 for compliance with applicable state laws including Code of Criminal Procedure (CCP) Chapters 45 and 102 and Local Government Code Chapter 133, Commissioners Court orders, and Attorney General Opinion No. GA-0147 and identified 27 cases with errors and omissions pertaining to: posting partial payments, assessing court costs, collections, receipting to fee types, and JPAS docketing. This included three cases where the judge waived the remaining fees on the case without determining the defendant is indigent, was granted time served, or completed community service. These errors and omissions resulted in inadequate collection of court costs and fine amounts and incorrect distribution and disbursement of funds.

Eleven case jackets requested for audit review were 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. This occurred because the court does not have comprehensive internal controls for categorizing, organizing, and tracking case jackets. As a result, case jackets could not be verified against JPAS.

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), and criminal cases on referral reports are not regularly reviewed for collection and driver's license hold. Management is responsible for designing, implementing and conducting internal control, and in assessing its effectiveness is emphasized in the COSO. As a best practice JPAS referral reports should be reviewed to ensure driver's license holds are applied consistently with Transportation Code 706 and collections fees are applied consistent with CCP 103.0031.

Recommendation

Fee Compliance/Posting Testing

Management should implement the following procedures:

- Cases are reviewed for errors and omissions 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 should coordinate with the records management officer regarding records management issues, developing records and filing systems, establishing accountability for missing records, and Dallas County Policies for preparing records

for transfer to county archives and for ease in future identification.

- Management should ensure staff are trained and follow procedures for docketing cases in JPAS.
- JPAS referral reports should be reviewed to ensure driver's license holds are applied consistently with Transportation Code 706 and collections fees are applied consistent with CCP 103.0031.

Management Action Plan

None provided

Auditors Response

N/A

Credit Card

We reviewed all credit card transactions, including 58 refunds, posted to JPAS during FY2016-2017 and identified: one credit card payment was posted to JPAS after 13 days; 34 online credit card transactions were not posted to JPAS using the last five digits of the Transaction ID/Record ID; and 58 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 \$1,855. 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 five 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 58 refunds totaling \$1,855. 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

The misdemeanor docket screen should be updated as follows: cases are filed; warrants or capiases are issued; pleas are entered; court dates are set; cases are dismissed, judgments or deferred dispositions are ordered; defensive driving is authorized; time payment plans are authorized; cases are disposed; etc. Dockets should be completed in compliance with the Code of Criminal Procedure, § 45.017. Management should ensure the 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 including compensating processes such as dual sign-off on adjustments, supervisory review and pre-approval, testing, and validation.

Management Action Plan

None provided

Auditors Response

N/A

Criminal Fee Dockets

We reviewed the JP Warrant Error Report, dated 6/19/18, and identified 12 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

None provided

Auditors Response

N/A

Disposed/Appealed/Dismissed Cases

We reviewed a sample of 20 dismissed cases, 10 compliance dismissal cases, 10 DA Dismissal cases, 20 Disposed cases, 10 appealed cases, 10 cases with Driver Safety Course, and an IT report for all cases filed and identified: four cases without documentation containing the judge's signature approving dismissal; four cases that did not have the judgment date in the JPAS docket screen; and one case without a Plea in the JPAS docket screen.

Per C.C.P Art. 45.0511(c) The court shall enter judgment on the defendant's plea of no contest or guilty at the time the plea is made, defer imposition of the judgment, and allow the defendant 90 days to successfully complete the approved driving safety course or motorcycle operator training course and present to the court a uniform certificate of completion of the driving safety course or a verification of completion of the motorcycle operator training course. 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. Additionally, the Texas Court of Criminal Appeals has held that a trial court has no "general authority" to dismiss a criminal case without the prosecution's consent except as provided by statute, common law, or constitutional provision. See *State v. Johnson*, 821 S.W.2d 609, 613 (Tex.Crim.App.1991). These instances occurred because the court does not have comprehensive internal controls to ensure a case is appropriately docketed when a case is disposed and that sufficient approval is documented for waivers and compliance dismissals. As a result, case docketing fields in JPAS may not reflect accurate and complete information and assets may be misappropriated when waivers are granted without sufficient approval and when disposed cases are not quality reviewed by the court for completeness of supporting documentation.

Recommendation

Disposed/Appealed/Dismissed Cases

Management should verify case activities performed by staff are complete and accurate before disposing the case. Management should ensure staff are trained and follow procedures for docketing cases in JPAS. Management should coordinate with the records management officer regarding records management issues, developing records and filing systems, establishing accountability for missing records, and Dallas County Policies for preparing records for transfer to county archives and for ease in future identification.

Management Action Plan

None provided

Auditors Response

N/A

JP Monitoring, Security, and Reporting

We reviewed all available monthly Defendant/Plaintiff Reports (D/P reports) and identified 11 cases were deleted without management review and management does not review JPAS Case Index reports for skipped or deleted cases. As a best practice, cases should not be deleted from JPAS. Management should approve all case deletions before they occur and periodically review D/P logs and JPAS Case Index reports 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.

Recommendation

JP Monitoring, Security, and Reporting

Management should approve case deletions before they are posted by staff. Case should not be deleted except when necessary. The approval should be documented with explanations for deletions. Management should continue to periodically review Defendant/Plaintiff (D/P) logs to ensure all case deletions were necessary and received prior approval. System rights and roles should be limited based on the users core job duties. Management should have written procedures regarding system access and assigning roles at the court. These procedures should be reviewed annually.

Management Action Plan

None provided

Auditors Response

N/A

Vital Statistics: Birth Certificates

We reviewed birth certificate activity for a random sample of five days in FY16 and identified: the court receipted \$23 instead of \$46 for two birth certificates issued per birth certificate log; two certificates were searched by a clerk other than the clerk logged into the Bureau of Vital Statistics System; as of 03/10/17, the court does not maintain a copy of the applicant's form of identification used to obtain birth record per Title 25 Texas Administrative Code 181.28(e); and the court used 188 birth certificate papers out of sequence (Security paper was used before other paper in the same box). Management is responsible for designing, implementing and conducting internal control, and in assessing its effectiveness is emphasized in the COSO framework. As a best practice, management should monitor and review the vital records and activities performed by staff to detect errors and omissions. Per Title 25 Texas Administrative Code 181.28(e) the court should obtain a photocopy of the applicant's identification and retain this information for a period of three years from the date issued. Additionally, clerks should log in to the Bureau of Vital Statistics System with their own login and password and log out after use. These findings 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 when information is not accurately and completely recorded by the appropriate employee logged in to the Vital Statistics System.

Recommendation

Vital Statistics: Birth Certificates

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 Vitals Statistic's System with their own login and password and log out after use.

Management Action Plan

None provided

Auditors Response

N/A

Civil Fee Docket

We reviewed a sample of four cases without payment of the filing fee in FY16 and identified two cases where the court did not update the JPAS docket screen with the pauper's affidavit file date. 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. This occurred because of JPAS System limitations allow clerks to open cases without payment and there are no internal controls at the court

to detect these instances from occurring, including a quality control review of civil cases. A lack of management and quality control review allow for the potential for revenue loss and misappropriation of assets.

Recommendation

Civil Fee Docket

Management should ensure filing fees are collected at the time of filing on all non-misdemeanor cases except the following where a reason for not collecting the filing fees should be documented on the JPAS and the case jacket:

- Transferred from other Dallas County JP courts when filing fees were paid at the other Dallas County JP court
- Involving tax suits
- Involving mental illness warrants
- Filed by governmental entities which are exempted from security of filing and service fees under Civil Practices and Remedies § 6.001, 6.002, and 6.003, but are ultimately responsible for court costs if it cannot be recovered from the losing party. See Attorney General Opinion No. DM-459 and District Attorney's opinion dated September 4, 2003.
- Ordered as indigent under Texas Rules of Civil Procedure, Rule 145.

Management Action Plan

None provided

Auditors Response

N/A

cc: Darryl Martin, Commissioners Court Administrator