



COMMISSIONERS COURT
COMMUNICATION

REFERENCE NUMBER CO#128279

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DATE: 08/14/2018

SUBJECT: **RECEIVE AND FILE THE AUDITOR'S REPORT OF THE FINANCIAL CONTROLS REVIEW AND THE EXIT REVIEW FOR JUSTICE OF THE PEACE, PRECINCT 3**

COMMISSIONERS COURT ACTION REQUESTED:

It is requested that the Commissioners Court receive and file the Auditor's Report of the Financial Controls Review and the Exit Review for Justice of the Peace, Precinct 3.

BACKGROUND:

In accordance with Local Government Code, the Auditor's Office performed a review of financial transactions during the period of October 1, 2017 through January 31, 2018. The objective of the review was to determine whether controls were adequate to reasonably ensure that financial transactions were accurately recorded and were in compliance with statutes and County policies.

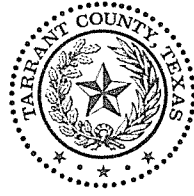
Effective April 24, 2018, prior to the issuance of an audit report, Judge Russ Casey left office. Therefore, the Auditor's Office expanded the scope and performed procedures to provide accountability for the transfer of authority to the new Justice of the Peace, Bill Brandt.

FISCAL IMPACT:

There is no direct fiscal impact associated with this item.

SUBMITTED BY: Auditor's Office

PREPARED BY: S. Renee Tidwell
APPROVED BY:



TARRANT COUNTY
TARRANT COUNTY ADMINISTRATION BUILDING - ROOM 506
100 E. WEATHERFORD
FORT WORTH, TEXAS 76196-0103
817/884-1205
Fax 817/884-1104

S. RENEE TIDWELL, CPA
COUNTY AUDITOR
rtidwell@tarrantcounty.com

CRAIG MAXWELL
FIRST ASSISTANT COUNTY AUDITOR
cmaxwell@tarrantcounty.com

July 30, 2018

The Honorable Bill Brandt, Justice of the Peace, Precinct 3
The Honorable District Judges
The Honorable Commissioners Court
Tarrant County, Texas

RE: Auditor's Report – Financial Review and Exit Review of Justice of the Peace, Precinct 3

SUMMARY

In accordance with Section 115 of the Local Government Code, we performed a review of financial transactions during the period of October 1, 2017 through January 31, 2018. The objective of our review was to determine whether controls were adequate to reasonably ensure that financial transactions were accurately recorded and were in compliance with statutes and County policies. We observed the following conditions that require management's attention:

- Observation 1 Procedures for the disposition of cases are not adequate.
- Observation 2 Segregation of duties was not adequate between certain incompatible tasks.

Prior to the issuance of an audit report, Judge Russ Casey left office, effective April 24, 2018. Therefore, we expanded our scope and performed the following procedures to provide accountability for the transfer of authority to the new Justice of the Peace, Bill Brandt:

- Verified cash and other receipts, including trust balances;
- Verified ending receipt numbers;
- Verified the change of authorized signatures related to accounts payable and the checking account;
- Verified inventory assigned to the office;
- Verified removal of access to County systems and applications; and
- Verified receipt of office keys, building access card, employee identification badge, parking Chubb card, and other assigned County assets.

We also verified that Judge Brandt's Official Bond and Oath was on file with the County Clerk's Office. Based on the results of our testing, the transfer of authority to Judge Brandt appears to be complete.

Attached is management's written response.

OBSERVATIONS AND RECOMMENDATIONS

Observation 1 Procedures for the disposition of cases are not adequate.

Observation

During our review of inactive cases listed on a report provided by the Information Technology Department (ITD), we observed that procedures related to the disposition of cases are not adequate. Since the implementation of Odyssey in January 2012 through January 31, 2018, 387 cases indicate appealed, dismissed, case finalized, deferred disposition completed, or community service completed but still show case balances totaling \$74,475. This condition occurred because management had not implemented procedures to monitor balances remaining on disposed cases.

Furthermore, the ITD report listed 7,217 cases *prior* to the implementation of Odyssey with a *net* accounts receivable balance totaling \$575,150. Specifically, the report showed 811 cases with negative balances totaling (\$123,587), implying refunds possibly owed by the County. The report also showed 6,406 cases with positive balances totaling \$698,737, implying a balance possibly owed to the County. To determine the validity of the case balances, each case requires individual review. According to ITD staff, these cases were converted from the mainframe system to Odyssey.

As a result, we could not verify the accuracy of accounts receivable (case) balances. Furthermore, errors and inappropriate activity may not be detected.

Recommendation

We recommend that JP3 staff review the 387 cases showing outstanding balances owed to the County and make the necessary adjustments. Management should also develop written procedures for the disposition of appealed, dismissed, case finalized, deferred disposition completed, or community service completed and ensure that staff is adequately trained.

We understand that staffing limitations do not allow review of the 7,217 cases converted from the mainframe system that show negative and positive balances. Due to the age of cases, the JP should collaborate with the Criminal District Attorney's Office and ITD staff to determine whether the case balances should be adjusted to zero. If it is not possible, then these case balances should remain static and be monitored appropriately.

Observation 2 Segregation of duties was not adequate between certain incompatible tasks.

Background

Segregation of duties is a key critical control used to reduce the risk of mistakes and inappropriate actions. Adequate segregation of duties reduces the likelihood that errors will remain undetected by providing for separate processing by different individuals at various stages of a transaction and for independent review of the work performed. In situations where it is impossible to separate duties due to the small number of employees, additional controls should be implemented.

JP3 uses the security control in Odyssey that requires a secondary approval by the Court Manager or the supervisor to reverse assessed amounts or void payments. Both the Court Manager and the supervisor can perform other financial transactions as well.

Observation

Although system controls are in place that require a secondary approval of voids and adjustments made to financial transaction initiated by JP3 staff, we observed that no one independently reviews the Court Manager and the supervisor's transactions. Specifically, the Court Manager and the supervisor have the ability to initiate and approve their own transactions, including voids and adjustments. Although ITD can provide reports upon a department's request, the report templates are not made available for users to run these reports independently. As a result, management does not have the resources available to monitor and verify the accuracy and validity of voids and adjustments made to financial transactions. Therefore, errors and inappropriate activity may not be detected.

Recommendation


We recommend that JP3 request that ITD provide the template and train JP staff to run a report showing any voids and adjustments made to financial transaction. This report should be generated at least weekly. Also, JP3 should ensure that procedures are implemented to ensure that an independent review is performed to verify the accuracy of the Court Manager and supervisor's transactions. For example, either the JP could review the Court Manager and supervisor's transactions, or the Court Manager could review the supervisor's transactions and supervisor could review the Court Manager's transactions. As evidence as a review, the report should be initialed by the reviewers.

CLOSING REMARKS

We appreciate the cooperation of the Justice of the Peace and his staff during our review. Please call me if you have any questions regarding the contents of this report.

Sincerely,

↑



S. Reñee Tidwell, CPA
County Auditor

Attachment: Management response

Distribution: Heather Montoya, Acting Court Manager
Belinda McLeod, Assistant Court Manager
Christopher Nchopa-Ayafor, Chief Information Officer

Audit Team: Kim Trussell, Audit Manager
Maki Ogata, Senior Internal Auditor
Matt Jones, Senior Internal Auditor



Northeast Courthouse
645 Grapevine Hwy, Suite 220
Hurst, Texas 76054

Justice of the Peace
William P. "Bill" Brandt
Tarrant County, Precinct 3

Phone (817) 581-3625
Fax (817) 581-3631

August 3, 2018

S. Renee Tidwell, CPA County Auditor
The Honorable District Judges
The Honorable Commissioners Court

RE: Management Response – Auditors Report Justice of the Peace, Precinct 3

Ms. Tidwell:

Below please find JP3's management response to the two Observations made during the financial audit for the period ending January 31, 2018 (expanded to include the verification of accountability following the transfer of authority on May 1, 2018). We appreciate your observations and are hopeful you will share "best practices" with all our courts.

Summary

Re: Observation 1: I intend to implement procedures to insure a proper disposition of all cases with "non-zero balances".

Re: Observation 2: I am happy to implement changes to our void and adjustment approval process.

Specific Comments regarding Observation 1 (Procedures for the disposition of cases are not adequate)

1. We have been aware of this problem since receipt of an email from Dick T. Renn on April 25, 2018, subject "Inactive Cases with Outstanding Balances Report". Uncollectible Criminal fines and costs appear to be subject to the Texas Code of Criminal Procedure 103.081(c) which allows that fines and costs be deemed uncollectible after no payments for fifteen years. I have spoken with the Tarrant County District Attorney to determine what we can do to achieve our goal and anticipate a process enabling my office to proceed under competent authority.

2. We will individually review the 387 cases identified with outstanding balances and make necessary adjustments.
3. We will develop written procedures for tracking and disposition of appealed, dismissed, case finalized, deferred disposition completed, or community service completed and ensure that staff is adequately trained.


Specific Comments Regarding Observation 2 (Segregation of duties was not adequate between certain incompatible tasks.)

1. We will request that ITD create a report template for JP3 to allow JP3 personnel to obtain such a report for void and adjustments financial transactions.
2. We request that the County Auditor recommend a Tarrant County Justice Court that achieves “Best Practices in Segregation of Duties.” We will implement procedures modeled on the recommended Tarrant County Justice Court.

Closing Remarks

I appreciate the diligence and courtesy of the County Auditor and staff. Please call me if you have any questions regarding this response.

Best Regards


William P. Brandt,
Justice of the Peace, Tarrant County Precinct 3