



COMMISSIONERS COURT
COMMUNICATION

REFERENCE NUMBER CO# 133218

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DATE: 07/14/2020

SUBJECT: **RECEIVE AND FILE THE AUDITOR'S REPORT OF THE REVIEW OF THE FINANCIAL AND SYSTEM CONTROLS FOR CONSTABLE, PRECINCT 1**

COMMISSIONERS COURT ACTION REQUESTED:

It is requested that the Commissioners Court receive and file the Auditor's Report of the Review of the Financial and System Controls for Constable, Precinct 1.

BACKGROUND:

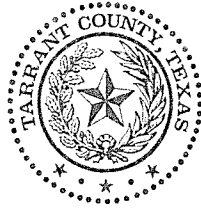
In accordance with Local Government Code, the Auditor's Office reviewed financial and system controls established by the Constable, Precinct 1, for fiscal year ending September 30, 2019.

FISCAL IMPACT:

There is no direct fiscal impact associated with this item.

SUBMITTED BY: Auditor's Office

PREPARED BY: S. Renee Tidwell
APPROVED BY:



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June 17, 2020

The Honorable Dale Clark, Constable, Precinct 1
The Honorable District Judges
The Honorable Commissioners Court
Tarrant County, Texas

Re: Auditor's Report – Review of Financial and System Controls, Constable, Precinct 1

SUMMARY

In accordance with Local Government Code, we reviewed financial and system controls in place for fiscal year ending September 30, 2019. The Constable, Precinct 1 (Constable), receives service papers from various sources including out-of-county agencies, attorneys, and the justice courts. Our review was limited in scope due to the manual nature of serving and recording papers. Furthermore, the Constable's office does not maintain a master log or a comprehensive list of process papers received and served. The *Mainframe* is the system primarily used to record both service paper information and financial transactions. The reporting functionality for the *Mainframe* is limited and there is no report readily available that lists papers entered, assigned, receipted, attempted service, etc., including those from out-of-county courts. Because of these limitations, we offer no assurance that all funds collected were accurately recorded and deposited with the Auditor's Office or that all funds and property were delivered to the entitled party.

As a result of our review, we observed significant weaknesses over certain financial transactions. The Constable's staff have already begun addressing some of the observations described in the audit report. We also communicated less significant matters to staff during our review. Attached is management's written response.

BACKGROUND

Since July 25, 2000, Constable 1 is the central collecting agent for all civil processes for Tarrant County Constables. The Constable's office staff records process papers in the *Mainframe*, deposits money with the Auditor's Office, and distributes the original papers to other constable precincts. Generally, the justice of peace courts in Tarrant County take civil process papers if the serving addresses are within their jurisdiction. The *Mainframe* does not allow users to electronically scan supporting documentation to the case files. For several years, the Tarrant County Constables have requested a comprehensive solution to replace *Mainframe*.

The Constable's office deposited approximately \$112,000 with the Auditor's Office during the fiscal year ending September 30, 2019.

OBSERVATIONS AND RECOMMENDATIONS

Significant control weaknesses exist over certain financial transactions.

Observation

During our review, we observed that significant control weaknesses exist over certain financial transactions as described below.

1. Procedures to account for manual receipt books were not adequate. As a result, we could not verify that all collected Constable Service Fees were recorded into the *Mainframe* and subsequently deposited with the Auditor's Office.

Recommendations: Manual receipt books should be secured with limited access. Furthermore:

- a. Administrative staff should maintain a log, i.e. an inventory, listing the numerical sequence of the manual receipt books on hand. When a book is issued to a deputy, administrative staff should document the date the book was issued and the numerical sequence of the book issued.
 - b. Deputies should issue receipts in sequential order. Any voided receipts should be clearly marked on the original face of the receipt. When deputies return funds to the administrative staff for deposit, each deputy should provide a copy of the manual receipt issued for each amount collected and a copy of any voided receipts.
 - c. Daily, administrative staff should reconcile the manual receipts to the funds collected by each deputy, and then prepare the total deposit. Administrative staff should account for the beginning and ending receipt number issued by each deputy. When entering the collected funds into *Mainframe*, administrative staff should also enter the manual receipt number.
2. Financial transactions entered into the *Mainframe* system and collected funds were not reconciled *daily*. Therefore, differences were not discovered until the month-end reconciliation process. To correct these differences, staff voids the original receipt and enters a new receipt back-dated to the original receipt date to reconcile to the funds deposited and the amounts recorded in the system.

Recommendation: All financial transactions and receipts should be reconciled daily to ensure that errors and any differences are identified and immediately corrected. The reconciliation should be independently reviewed. The reviewer should also sign and date the reconciliation as evidence of the review.

3. Segregation of duties was not adequate between certain incompatible tasks. Specifically, the Office Manager was responsible for entering receipts into the *Mainframe*, preparing the weekly deposit, and reconciling the month end bank statement. The Office Manager also has the ability to void, adjust, and backdate receipts recorded in *Mainframe*. We observed 16 voids totaling \$1,166 that were not independently reviewed. These voids occurred during the monthly reconciliation process in order to reconcile the funds deposited and the amounts recorded in the *Mainframe* system. The *Mainframe* system allows users to void their own receipts at any time.

Recommendations: Ideally, system controls should prevent individuals from voiding and adjusting their own transactions. Since the *Mainframe* does not allow this control, we recommend that the Constable develop procedures that include an *independent* review and reconciliation of the weekly deposit to the Receipts by Date report. Since the Receipts by Date report does not show voided receipts, the reviewer must determine whether there are any “skipped” receipt numbers to identify voided receipts. Then, procedures should be implemented to determine the accuracy and validity of voids and adjustments made to receipts. This review should be documented and signed by the individual performing the independent review.

4. Documentation does not always exist confirming that funds were transferred to other parties. Specifically, we observed that documentation did not always exist that shows a signature and the date of receipt by the entitled party receiving the funds. Furthermore, funds collected for NSF checks on behalf of the Motor Vehicle Division were transferred to the Tax Assessor-Collector Office via interoffice mail.

Recommendations: The Constable should establish a standardized procedure that requires the entitled parties to sign and date a log or other document acknowledging acceptance and receipt of funds. Furthermore, cash should never be delivered via interoffice mail. Instead, the money should be hand delivered to the Tax Assessor-Collector's Office.

5. Funds collected were not properly secured. Although the Constable's Office has a large safe, it is used exclusively for seized property. Collected funds were stored in the locked file drawer.

Recommendations: If the Constable does not want to secure collected funds in the safe currently used for seized and abandoned property, a small safe should be purchased. The safe should be bolted to the concrete floor in a discreet location within the office away from the public view.

6. If money received is less than the amount of fee code programmed in *Mainframe*, it shows the balance due. However, the system does not provide a report so that the Constable can track any unpaid balances.

Recommendation: The Constable should request that the Information Technology Department create a report listing served papers with a balance due and then send invoices to the responsible parties.



TARRANT COUNTY
FORT WORTH, TEXAS

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June 25, 2020

S. Renee Tidwell, CPA
County Auditor
Tarrant County, Texas

Dear Ms. Tidwell,

This office is in receipt of your staff's FY 2019 Audit Report. Please convey my appreciation to your members for their dedicated work in the report's preparation.

There are numerous changes taking place in our office, several of which directly respond to the observations and recommendations made in the written audit.

Observation 1: Manual Receipt Books Accountability

In the past, there was very little, if any, accounting for the manual receipt books. Written Procedures are in progress and address this issue. However, the auditor's recommendations on this issue (Recommendations a, b and c) have been implemented.

Observation 2: Daily Reconciliations and Independent Review

Auditor's recommendations on this item was implemented on June 1, 2020.

Observation 3: Segregation of Duties and Review

All clerks, including the Office Manager, have the capability to enter receipts into the mainframe system, prepare the weekly deposit and reconcile the month end bank statement. They each have the ability to void and adjust receipts recorded in the mainframe system. The back date of receipts, whether posting or backing it out, was suggested by a member in the Auditors Office as stated during this audit. This is not a practice that is still in use.

- This agency has developed procedures that include an independent review and reconciliation of the weekly deposit to the receipts by date report and is in current practice.

- Daily reconciliation of any and all payments received for the day will be checked and balanced before the end of business day and signed off by a supervisor.
- All voids will be corrected if needed, reviewed, and signed off by a supervisor and the individual who performed the void.

Observation 4: Funds Transfer and Delivery of Funds

A procedure for funds transfer and delivery is being actively developed. Cash will not be delivered via interoffice mail.

Observation 5: Funds Not Properly Secured

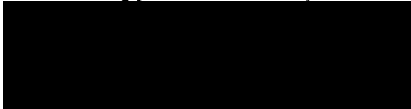
A safe with key pad lock has been purchased and is currently in use to secure collected funds.

Observation 6: Mainframe Report for Balance Due

A service ticket has been issued for this custom report and is currently "pending".

Again, thank you for your staff's diligence in this audit's preparation. Please feel free to contact me if you have any questions regarding our responses to the issues listed.

Sincerely,



H. Dale Clark, III
Constable, Precinct 1

HDC/TLS