



COMMISSIONERS COURT
COMMUNICATION

REFERENCE NUMBER CO#131851

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DATE: 01/07/2020

SUBJECT: **RECEIVE AND FILE THE AUDITOR'S REPORT OF THE REVIEW OF THE FINANCIAL AND SYSTEM CONTROLS FOR CONSTABLE, PRECINCT 2**

COMMISSIONERS COURT ACTION REQUESTED:

It is requested that the Commissioners Court receive and file the Auditor's Report for the Review of the Financial and System Controls for Constable, Precinct 2.

BACKGROUND:

In accordance with Local Government Code, the Auditor's Office reviewed financial and system controls established by Constable, Precinct 2, for the twelve month period ending September 30, 2019.

FISCAL IMPACT:

There is no direct fiscal impact associated with this item.

SUBMITTED BY: County Auditor

PREPARED BY: S. Renee Tidwell
APPROVED BY:



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December 2, 2019

Constable David Woodruff, Precinct 2
The Honorable District Judges
The Honorable Commissioners Court
Tarrant County, Texas

Re: Auditor's Report – Review of Financial and System Controls, Constable Precinct 2

SUMMARY

In accordance with the Local Government Code, we reviewed financial and system controls in place for the twelve month period ended September 30, 2019. The Constable's Office receives service papers from various sources, including Constable 1, out of county agencies, attorneys, and the Justice Courts. Our review was limited in scope due to the manual nature of serving and recording of papers. The *Mainframe* is the system primarily used to record both service paper information and financial transactions. However, the reporting functionality for the *Mainframe* is limited and there is no report readily available that lists papers entered, assigned, receipted, and attempted service, etc. Because of these limitations and manual processes, we offer no assurance that all funds collected were accurately recorded and deposited with the Auditor's Office.

As a result of our review, we observed *significant weaknesses* in the controls over receipts and disbursements combined with the lack of segregation of duties and management oversight. Because of the *material* weaknesses identified, a *significant risk* of theft or loss of funds exists. Specifically, we observed the following three conditions requiring management's attention:

- Observation 1 Procedures related to the processing and oversight of transactions were not adequate.
- Observation 2 Disposition of seized and held property was not performed in accordance with the Code of Criminal Procedure.
- Observation 3 The monthly invoice to the Office of the Attorney General (OAG) was not always timely or accurate.

The Auditor's Office also conducted selected procedures to provide accountability for the transfer of authority to the incoming Office Manager. As of September 30, 2019, the transfer of authority appears complete. Attached is the Constable's written response.

OBSERVATIONS AND RECOMMENDATIONS

Observation 1 Procedures related to the processing and oversight of transactions were not adequate.

Background

Segregation of duties is critical to effective internal control because it reduces the risk of mistakes and inappropriate actions. No one employee should be in a position both to perpetrate and to conceal errors or fraud. In situations where it is impossible to separate duties due to the small number of employees, additional controls should be implemented such as independent or supervisory review.

Local Government Code 113.022 states that a county officer who receives money “*shall*” deposit the money with the *county treasurer* on or before the next business day after the money is received. The statutes also state that if this deadline cannot be met, then money must be deposited no later than the 5th business day after the day the money is received. According to the opinion issued by the Criminal District Attorney’s (CDA) Office, #99-OP-107, a public officer is strictly liable for the funds, including any losses and shortages, until the money is deposited with the County Auditor.

Observations

During our review, we observed procedures related to the processing and oversight of transactions were not adequate. Specifically:

1. *Segregation of duties was not always adequate between certain incompatible tasks.* We observed that the Office Manager was responsible for entering receipts into the Mainframe, preparing the weekly deposit, and reconciling the month end bank statement. Additionally, the Office Manager has the ability to void, adjust, or backdate receipts recorded in the *Mainframe*. Independent review of the voided, adjusted, or backdated entries was not always documented. We also found that the daily activity was not always reconciled to the *Receipts by Date* report generated from the *Mainframe*. As a result, a risk of theft or loss exists because of the inadequate segregation of duties.

After our field work but prior to the issuance of our report, the Constable’s staff implemented procedures requiring an independent review of voided receipts.

Recommendations

At a minimum, we recommend the Constable develop procedures that include an independent review and reconciliation of the weekly deposit to the *Receipts by Date* report. These procedures should also include the review of accuracy and validity of any adjustments to receipts. This review should be documented.

2. *Writs of Execution or Citations were not always in accordance with the Rules of Civil Procedure.* During our audit period, the Chief Deputy was responsible for serving writs of execution. We observed that the Constable’s Return was not filed with the clerk of the court or justice court for 7 out of 46 writs of execution cases as required by the *Rules of Civil Procedure*. We also noted that Constable’s staff did not always update the paper status in *Mainframe* to demonstrate proof of service or attempt to serve.

Recommendations

To ensure compliance with the *Rules of Civil Procedure*, we recommend the Constable file the original return with the clerk of the court or the justice of the peace. We also recommend all papers' status be updated in *Mainframe* to reflect what the Constable has done in pursuit of the requirements of the writ and of the law.

3. *Controls over the accountability of manual receipts and the recording of payments were not adequate.* The deputies are responsible for providing a copy of the manual receipts issued while in the field, along with the funds collected, to the administrative staff for recording into the *Mainframe*. We observed that there was no procedure in place to track receipt books issued to the deputies. According to staff, the manual log used to track payments collected on behalf of the Tarrant County Tax Office for NSF checks was discontinued in 2017 by the previous Office Manager. Furthermore, when we reviewed receipts books we found that one book was not accounted for as well as some missing receipts. As a result, we could not verify the sequential order of receipts and whether the funds collected in the field were recorded into the *Mainframe*. Because of the lack of accountability over manual receipts combined with the lack of a master log or comprehensive list of service papers received and then served by the Constable and the deputies, a *significant material risk* of theft or loss of funds exists.

Recommendations

To improve controls over the accountability of manual receipts and the recording of payments, we recommend the following:

- a. Manual receipt books should be secured with limited access.
 - b. 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, the administrative staff should document the date the book was issued and the numerical sequence of the book issued.
 - c. The 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 designated 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.
 - d. 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. Upon entering the collected funds into the *Mainframe*, administrative staff should also enter the manual receipt numbers.
4. *Controls over disbursement checks were not adequate.* During our review of disbursements, we observed that the Constable and the Chief Deputy had signed blank checks. While the checkbook was secured in a lock drawer, a risk of theft or loss of funds exists.

During our review, the Constable indicated that he plans to close the banking account and begin using the County's consolidated bank account for financial activity. The process to close the account began November 25, 2019.

5. *Deposits were not always made in accordance with the Local Government Code.* During our review, we observed deposits were not always made to the Auditor's Office by the 5th business day after the money was received. Specifically, 19 of out 124, or 15%, contained receipts that were deposited after the 5th business day. Funds are vulnerable to theft or loss until the funds are deposited with the Auditor's Office. The Constable is liable for any theft or loss of funds

Recommendations

To ensure compliance with the Local Government Code, we recommend that the Constable make deposits at least weekly with the Auditor's Office.

Observation 2 Disposition of seized and held property was not performed in accordance with the Code of Criminal Procedure.

Background

During the course of normal duty, a peace officer may seize items such as weapons, ammunition, drugs, and drug paraphernalia. When this occurs, the peace officer who seized the property shall retain custody of the property until further orders are received from a magistrate. The Code of Criminal Procedure provides guidance for the disposition of seized, forfeited, and unclaimed property held by the peace officer.

According to Article 18.17 of the Code of Criminal Procedure, all unclaimed or abandoned property remaining "...unclaimed for a period of 30 days shall be delivered for disposition to a person designated by the municipality or the purchasing agent of the county in which the property was seized." Additionally, it is required the authorized person mail notice of the upcoming disposition of the unclaimed or abandoned property to the last known address of the owner. The property will be disposed if not claimed within 90 days.

Observations

We observed cash, weapons, drugs, drug paraphernalia, and a walker in the property room that were acquired as long ago as 2010. According to the Constable's staff, the deputy responsible for the property room retired after an extended absence. During the audit, the Constable's office submitted and obtained a signed petition from the Justice of Peace, Precinct 2 to dispose of the unclaimed or abandoned property. The Constable's staff did not consult with the Purchasing Department or the CDA before donating the walker to a charitable organization.

Recommendations

We recommend that the Constable seek the council of the CDA for guidance regarding the disposal of unclaimed or abandoned weapons, drugs and drug paraphernalia, and other property to ensure compliance with the Code of Criminal Procedure, Article 18.17.

Observation 3 *The monthly invoice to the Office of the Attorney General (OAG) was not always timely or accurate.*

Background

The Tarrant County Constable Offices serve court documents for a variety of civil cases, including cases involving child support. Each Constable is responsible for invoicing the OAG for service of these court documents originated from out of county courts. Good business practice suggests services should be billed following the month the services were performed.

Observations

During our review, we observed the monthly invoice to the OAG was not always timely or accurate. As of the end of our fieldwork, five papers served in December 2018 had not been invoiced. Furthermore, we observed that six cases previously billed in March 2019 were duplicated on the April 2019 invoice. Instead of applying the overpayment to the appropriate cases and processing a refund, the Office Manager applied the overpayment to unrelated cases returned in May 2019. Because this is a manual process as the *Mainframe* is not configured to support invoicing functions and there was no evidence of independent review, a risk exists the errors or irregularities could go undetected. Furthermore, due to the lack of a comprehensive list of service papers received and served as described in the Summary of this report, we cannot provide assurance that we identified all the services that have not been invoiced to the OAG.


Recommendations

To ensure reimbursement, services provided for the OAG should be invoiced following the month the service was performed. We also recommend supervisory review of the invoice to ensure accuracy and completeness. This review should be documented.

CLOSING REMARKS

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

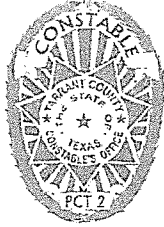
Sincerely,



S. Renee Tidwell, CPA
County Auditor

Attachment: Management's response

Audit Team: Kim Buchanan, Audit Manager
Maki Ogata Brown, Senior Internal Auditor



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December 11, 2019

The Honorable Commissioners Court

Tarrant County, Texas

RE: Response to Auditors Report of Tarrant county constable Pct 2

Summary

Our office takes great pride in its service to the citizens of Tarrant County. Our mission is the timely and effective service of court process. In fiscal year 2018 we effectively processed 11, 578 court papers resulting in over \$700,000 in revenue, in 2019 those numbers were 14, 238 papers and \$970,000 in revenue. During this time we had zero losses or shortages and no complaints of such. Many of the concerns outlined in the report can be attributed to an inadequate and outdated software system that is subject to manual manipulation. As the county is currently in the process of implementing a new updated system, we feel that these issues will be rectified moving forward.

Observation 1

The Constable or Chief Deputy reviews and signs each monthly report to the Auditor to ensure accuracy and oversight. Nevertheless, new procedures will be implemented to better address any areas of concern. Any void or adjusted entries will require independent review. In all of 2018-2019, our office was issued 7 insufficient funds checks from the tax office with 1 being collected. Going forward, Deputies will avoid taking any payments in the field if at all possible and new receipt books have been issued to improve accountability. The missing receipt book referenced in the report was located, and as disclosed previously to the auditor it had been irreparably destroyed by water that leaked inside the deputy's vehicle. In addition our office has begun the process of closing our checking account and will begin using the county's consolidated account.

Observation 2

Our office has not seized any property related to any criminal case, nor do we have any property stored that would be considered evidence. On occasion, we do take property for safe keeping that cannot be

set out during evictions. These items have included 1 airsoft BB pistol, 1 BB rifle, 1 non-functioning 22ca. rifle and 3 non-functioning "replica" guns, 1 box of 9mm ammo, a small amount of prescription bottles and novelty martial arts swords. These items were held for safe keeping to be claimed by the rightful owner or properly disposed of by court order. A small amount of cash (\$50) was found by a deputy and was logged into the property and has since been deposited to the county general fund. A walker was found and turned in to our office which was donated to charity per court order. New procedures have been implemented to ensure the timeliness of this process.

Observation 3

Invoices are made on a monthly basis to the A.G. Office. On rare occasion (6 cases) were inadvertently overlooked and were promptly corrected. The A.G. does allow back invoicing for 2 years, however new procedures will ensure all papers are billed during the appropriate month.

We appreciate the thoroughness of the Auditor's Office review and have implemented changes to ensure accountability and transparency.

Sincerely,



David Woodruff

Constable Precinct 2,

Tarrant County