



COUNTY OF EL PASO
OFFICE OF THE COUNTY AUDITOR

EDWARD A. DION, CPA
COUNTY AUDITOR
edion@epcounty.com
www.epcounty.com/auditor

County Administrative Offices
800 East Overland Street, Rm. 406
EL PASO, TEXAS 79901-2407
(915) 546-2040
(915) 546-8172 FAX

11-04

November 5, 2018

The Honorable Brian Haggerty
Justice of the Peace, Precinct Number 2
4641 Greg Cohen, Suite A
El Paso, Texas 79924

Dear Judge Haggerty:

The County Auditor's Internal Audit division performed an audit of the Justice of the Peace, Precinct Number 2 (JP2) financial records to determine if internal controls are adequate to ensure proper preparation of JP2 financial reports. Policies, procedures, and regulations were also reviewed to ensure processes are documented, operating and efficient.

The audit report is attached. We tested eight financial controls and one operating control with a total of 70 samples. There were five findings noted as a result of the audit procedures; three are repeat findings. We wish to thank the management and staff of JP2 for their assistance and courtesies extended during this audit.

Because of certain statutory duties required of the County Auditor, this office is not independent in regard to your office, as defined by AICPA professional standards. However, our audit was performed with objectivity and due professional care.

Respectfully,

Edward A. Dion
County Auditor

EAD:DC:ya

cc: Mrs. Betsy Keller, County Chief Administrator
Mr. Rodrigo Garcia, Court Coordinator



**Justice of the Peace, Precinct Number 2 Audit
For the Period of July 2017 thru June 2018**



EXECUTIVE SUMMARY

- Tested a sample of cases with a jail time credit disposition for completeness and proper documentation;
- Tested a sample of bonds to verify bonds are being addressed in a timely manner;
- Inquired about manual receipts; there were none during the audit scope;
- Inquired about voided transaction policies and procedures;
- Reviewed a sample of voided and reversed transactions for justification;
- Reviewed a sample of interpreter services for proper approval;
- Obtained Judge Haggerty's training transcript from the Justice Court Training Center;
- Reviewed previous audit action plans for implementation.

RESULTS

Listed below are controls and findings summaries, with findings listed from highest to lowest risk. Please see the *Findings and Action Plans* section of this report for details and management action plans. None of the prior audit issues have been resolved.

Control Summary	
Good Controls	Weak Controls
<ul style="list-style-type: none"> • Functioning appropriate cash controls (Obj. 1) • Proper documentation of dismissed cases (Obj. 3) • Posting and documentation of jail time credits (Obj. 4) • Review and approval of interpreter service invoices (Obj. 7) • Attendance of the annual Justice Court Training (Obj. 8) 	<ul style="list-style-type: none"> • Complete deposit documentation (Obj. 2) • Review of pending bonds (Obj. 5) • Voided transaction controls (Obj. 6)
Observations Summary	
<ol style="list-style-type: none"> 1. The deposit delivery logs were not found from 08/28/17-09/15/17 2. 60% of void/reversal transactions sampled were not approved by management 3. Old bonds (posted prior to FY 2017) need to be addressed (prior audit issue) 4. Review by the JP staff of the mailed payments log has not been documented and the recommended deposit date column has not been added (prior audit issue) 5. The Standard Operating Procedures (SOP) manual needs to be updated with the refund, voided transactions, and Miracle delivery log upload procedures. Updating the SOP for refund procedures is a prior audit issue. 	

INHERENT LIMITATIONS

This financial review was designed to provide reasonable assurance that the internal control structure is adequate to safeguard the County's assets from loss, theft, or misuse. The County's internal control structure is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of implementing the controls should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires the use of estimates and judgment by management. Because of the inherent limitations in any system of internal controls, errors or irregularities may occur and not be detected.

CONCLUSION

JP2 has implemented some improvements in their operations. They met five of the eight objectives of this audit. Implementation of the recommendations provided in this report should assist JP2 in producing complete and accurate financial reports by strengthening their internal control structure.



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FINDINGS AND ACTION PLANS

Prior Audit Findings Summarized with Current Status

All were prior audit issues when reported in 2017

Status

M Open

See current finding #3

1. **Finding:** Old bonds (posted prior to FY 2017) need to be reviewed and addressed. 73% of sampled bonds were not addressed timely.

Recommendation: Old bonds should be reviewed and appropriate action taken.

Action Plan: Old bonds will be reviewed and cleared. A documented explanation will be provided for bonds that are not cleared. Expected implementation 11/3/17. *Partially resolved*

L Open

See current finding #4

2. **Finding:** Mail payments review has not been documented and the deposit date field was not added to the mail.

Recommendation: The deposit date field should be added to the mail payments log and the reviewer section completed.

Action Plan: The mail log review will be documented and will ensure mail log entries are complete, including the deposit date information. Expected implementation 9/23/17. *Unresolved*

L Open

See current finding #5

3. **Finding:** The Standard Operating Procedures (SOP) needs to be updated.

Recommendation: The SOP should updated to include what to do with mail payments that do not have a case to apply the payment, supervisor review of daily deposit reconciliations, and refund procedures.

Action Plan: The SOP will be amended to include the recommended updates. Expected implementation 9/30/17. *Unresolved*

Current Audit Findings

Finding #1		Risk Level H	
Deposit delivery logs – A sample of 30 out of 226 deposits (13%) was tested for Miracle delivery log completeness and accuracy. Two (7%) delivery logs could not be located. Upon further investigation, Miracle delivery logs from 08/28/2017-09/15/2017 were unaccounted for. Miracle Delivery receipt logs should be kept for six years as required by the records retention schedule in <i>Texas State Library GR1025-28</i> . Destruction of records contrary to these requirements is a class A misdemeanor and under certain circumstances, a third degree felony.			
Recommendation			
Maintain all deposit documentation in accordance with the Texas records retention schedule. The new procedure for storing Miracle delivery logs should be documented in the SOP.			
Action Plan			
Person Responsible	Court Coordinator	Estimated Completion Date	11/30/18
Miracle delivery logs will now be scanned and kept electronically in a County drive. The procedure will be documented in the SOP and will be explained to staff.			



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FINDINGS AND ACTION PLANS

Finding #2		Risk Level M				
<p>Voids – Of the ten voids and reversals tested, six (60%) were not approved by management. A sample of 10 out of 51 (20%) voids and reversals were tested for supporting documentation and management approvals. Unrestricted access to void and reverse payments could result in misappropriation of County funds.</p>						
<p>Recommendation</p> <p>Management approval should be required on all voided transactions as per County Auditor's Management of Transactions Policies and Procedures. JP2 management should document and enforce voided transactions policies and procedures that follow the County Auditor's directives.</p>						
<p>Action Plan</p> <table border="1"> <thead> <tr> <th>Person Responsible</th> <th>Court Coordinator</th> <th>Estimated Completion Date</th> <th>11/30/18</th> </tr> </thead> </table>			Person Responsible	Court Coordinator	Estimated Completion Date	11/30/18
Person Responsible	Court Coordinator	Estimated Completion Date	11/30/18			
<p>All voided transactions require documented management approval. The court coordinator will review voided transactions for documented management approval on a quarterly basis. This procedure will be documented in the SOP manual.</p>						

Finding #3		Risk Level M				
<p>Bonds – Eleven old bonds/registry funds (posted prior to FY 2017) have not been addressed. The court coordinator provided a documented review of the 122 old bonds/registry funds outstanding. The unresolved items include</p> <ul style="list-style-type: none"> • Ten (8%) cases need to be reviewed with the Assistant District Attorney (ADA) • One case is pending the refund request be sent to the County Auditor <p>Current bonds are being monitored and addressed timely. The review of older outstanding bonds/registry funds is essential to ensure timely bond hearings and refunds/forfeitures. This has been an outstanding audit finding since the FY 2016 audit.</p>						
<p>Recommendation</p> <p>Appropriate action should be taken for pending bonds that need ADA review and the refund request should be issued as stated on the documented bond schedule review.</p>						
<p>Action Plan</p> <table border="1"> <thead> <tr> <th>Person Responsible</th> <th>Court Coordinator</th> <th>Estimated Completion Date</th> <th>03/01/19</th> </tr> </thead> </table>			Person Responsible	Court Coordinator	Estimated Completion Date	03/01/19
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<p>Appropriate action will be taken on bonds that need ADA review and the refund request will be sent to the Auditor's office.</p>						



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FINDINGS AND ACTION PLANS

Finding #4		Risk Level L
<p>Mail Payments – Auditor was unable to verify the implementation of the following action plans due to not receiving documents requested from JP2:</p> <ul style="list-style-type: none"> • Documented mail payment review • Deposit date field added to payment log <p>This is a repeat finding. Both of these items help to document the proper processing of mail payments on the payment log. Procedures for the mail payment log are in the SOP. Auditor requested the mail log four different times and the documents were not submitted.</p>		
Recommendation		
<p>The mail payment log should be sent to the auditor as soon as possible for review of prior audit action plan implementation. If the action plan has not yet been implemented, it should be implemented as soon as possible.</p>		
Action Plan		
Person Responsible	Justice of the Peace Judge	Estimated Completion Date 11/30/18
<p>Action plan has not been implemented. Management concurs with the recommendation and will implement action plan.</p>		

Finding #5		Risk Level L
<p>Documented Procedures - Auditor was unable to verify that the Standard Operating Procedures (SOP) manual was updated with the refund procedures. Auditor requested the SOP manual four different times and document was not sent.</p>		
Recommendation		
<p>The SOP should be sent to the auditor as soon as possible for review of action plan implementation. If the SOP has not yet been updated, it should be updated as soon as possible.</p>		
Action Plan		
Person Responsible	Court Coordinator	Estimated Completion Date 11/30/18
<p>The SOP has not been updated with the refund procedures. Management concurs with the recommendation and will implement action plan.</p>		