



COUNTY OF EL PASO
OFFICE OF THE COUNTY AUDITOR

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December 12, 2019

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 nine financial controls and one operating control with a total of 108 samples. There were four findings noted as a result of the audit procedures; two 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: Ms. Betsy Keller, Chief Administrator
Mr. Rodrigo Garcia, Court Coordinator



**Justice of the Peace, Precinct Number 2 Audit
For the Period of July 2018 thru June 2019**

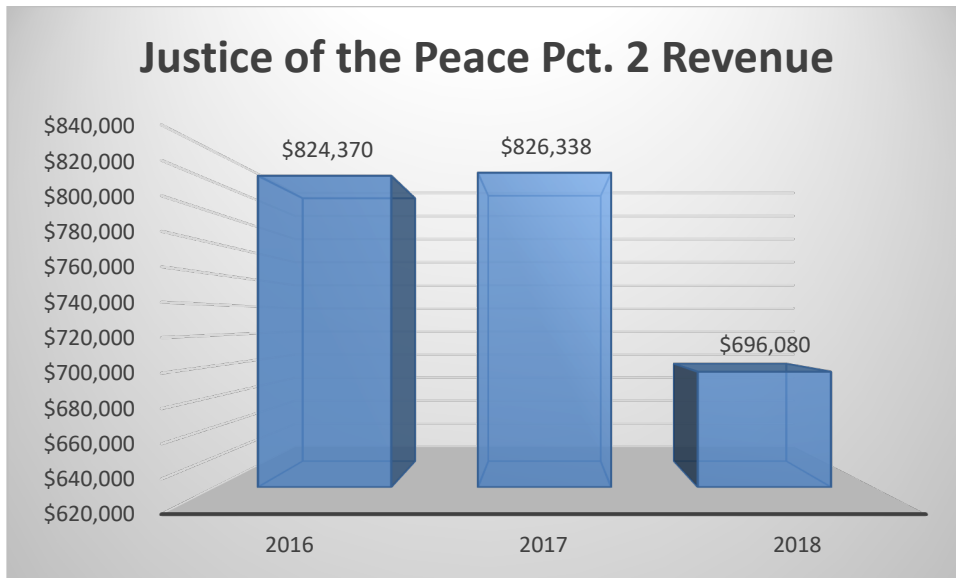


EXECUTIVE SUMMARY

BACKGROUND

Justice of the Peace Precinct Number 2 (JP2) has jurisdiction of criminal cases with a fine of \$500 or less and of civil cases with a disputed amount of \$10,000 or less. JP2 can issue search and arrest warrants, perform marriages, and conduct preliminary hearings. The audit was performed by Daisy Caballero, internal auditor. The most recent prior audit was issued in November 2018.

Financial reports are generated from the Odyssey Courts and Justice System (Odyssey) showing all transactions occurring each month. The following chart is a comparison of fees collected at JP2 for the past three fiscal years. The 16% drop in revenue from FY 2017 to FY 2018 is due to a decrease in criminal case filings.



Source: Odyssey

SCOPE

The scope of the audit includes financial records from July 2018 through June 2019.

OBJECTIVES

The audit evaluated the adequacy of controls and processes to achieve key business objectives related to JP2 financial reports. Following are the business objectives and related control assessment.

Business Objective	Control Assessment
1. Functioning appropriate cash controls	Satisfactory
2. Adequate voided transaction controls	Needs Improvement
3. Proper posting and documentation of jail time credits	Satisfactory
4. Timely bank deposits in accordance with Local Government Code (LGC) §113.022	Satisfactory
5. Proper disposition and supporting documentation of dismissed cases	Satisfactory
6. Timely processing of cash bonds	Satisfactory
7. Verification of manual receipt non issuance	Satisfactory
8. Proper approval of interpreter service invoices	Needs Improvement
9. Complete mail log entries, timely deposit and posting of mail payments	Needs Improvement
10. Documentation of updated policies and procedures	Needs Improvement

METHODOLOGY

To achieve the audit objectives we:

- Performed a surprise cash count 07/16/19 in accordance with LGC §115.0035;
- Reviewed a sample of voided transactions for justification and management approval



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- Tested a sample of cases with a jail time credit disposition for completeness and proper documentation
- Reviewed a sample of daily collections and Miracle Delivery receipt logs for complete documentation and compliance with LGC §113.022.
- Tested a sample of dismissed cases to verify disposition and supporting documentation
- Tested a sample of bonds to verify bonds are being addressed in a timely manner
- Verified JP2 has not requested manual receipt books by reviewing the Cash Management Division’s manual receipt book log
- Reviewed a sample of interpreter service invoices for validity and management approval
- Reviewed a sample of mail payment log entries for completeness, timely deposit, and timely posting to Odyssey
- Reviewed policies and procedures for completeness and updates
- 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.

Control Summary	
Good Controls	Weak Controls
<ul style="list-style-type: none"> • Functioning appropriate cash controls (Obj. 1) • Posting and documentation of jail time credits (Obj. 3) • Timely deposit procedures (Obj. 4) • Proper documentation of dismissed cases (Obj. 5) • Review of pending bonds (Obj. 6) • Manual receipt controls (Obj. 7) 	<ul style="list-style-type: none"> • Voided transaction controls (Obj. 2) • Review and approval of interpreter service invoices (Obj. 8) • Mail payment log controls (Obj. 9) • Documentation of policies and procedures (Obj. 10)
Findings Summary	
<ol style="list-style-type: none"> 1. 86% of the voided transactions sampled were not approved by management (prior audit issue) 2. 7% of the mail log payments tested were not deposited in accordance to LGC § 113.022 and 19% of mail log entries were incomplete 3. 100% of the interpreter service invoices sampled were approved in violation of the calendar notation control 4. Documented policies and procedures need to be updated (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 per prior recommendations. However, the department only met six of the current ten objectives. 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

Status

H Open

See current finding #4

1. **Finding:** The deposit delivery logs were not found from 08/28/17-09/15/17.
Recommendation: Maintain all deposit documentation as required by the *Texas State Library GR1025-28* schedule.
Action Plan: Miracle Delivery logs will be scanned and kept electronically, the procedure will be documented in the SOP manual. *Partially resolved – SOP not updated*

M Open

See current finding #1

2. **Finding:** 60% of void/reversal transactions sampled were not approved by management.
Recommendation: Management approval should be required on all voided transactions. Voided transaction procedures should be documented in the SOP manual.
Action Plan: The court coordinator will review voided transactions for documented management approval on a quarterly basis. This procedure will be documented in the SOP manual. *Unresolved*

M Closed

3. **Finding:** Eleven old bonds/registry funds (posted prior to FY 2017) have not been addressed.
Recommendation: Appropriate action should be taken for pending bonds.
Action Plan: Appropriate action will be taken on pending bonds. *Resolved*

L Closed

4. **Finding:** Auditor was unable to verify implementation of prior action plan due to not receiving the mail payment log. Auditor needs to verify documented review of the mail payment log.
Recommendation: The mail payment log should be sent to the auditor as soon as possible for review of prior audit action plan implementation.
Action Plan: Management will implement prior action plan by documenting management review of the mail log. *Resolved*

L Closed

5. **Finding:** Auditor was unable to verify that the SOP manual was updated with the refund procedures.
Recommendation: The SOP should be sent to the auditor as soon as possible for review of action plan implementation.
Action Plan: The SOP has not been updated with the refund procedures. Management concurs with the recommendation and will implement action plan. *Resolved*

Current Audit Findings

Finding #1	Risk Level H				
<p>Voids – Of the 14 voids and reversals tested, 12 (86%) were not approved by management. Management approval should be required on all voided transactions as per County Auditor’s Management of Transactions Policies and Procedures. This is a repeat finding. Unrestricted access to void payments could result in misappropriation of County funds.</p>					
<p>Recommendation</p> <p>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"> <tr> <td>Person Responsible</td> <td>Court Coordinator</td> <td>Estimated Completion Date</td> <td>12/31/2019</td> </tr> </table> <p>Management agrees with recommendation. Will discuss with office staff and update the voided transaction process in the office policies and procedures.</p>		Person Responsible	Court Coordinator	Estimated Completion Date	12/31/2019
Person Responsible	Court Coordinator	Estimated Completion Date	12/31/2019		



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FINDINGS AND ACTION PLANS

Finding #2		Risk Level H												
<p>Mail Payments – There were a total of 132 mail payments during the audit scope. A sample of 27 was tested and the following was noted:</p> <ul style="list-style-type: none"> Two mail payments (7%) were not deposited in accordance to <i>LGC § 113.022</i> 														
<table border="1"> <thead> <tr> <th>Collection Date</th> <th>Deposit Date</th> <th># of days until deposit</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td align="center">4/15/2019</td> <td align="center">4/30/2019</td> <td align="center">10</td> <td align="right">\$ 46.00</td> </tr> <tr> <td align="center">5/13/2019</td> <td align="center">6/3/2019</td> <td align="center">14</td> <td align="right">\$ 46.00</td> </tr> </tbody> </table>			Collection Date	Deposit Date	# of days until deposit	Amount	4/15/2019	4/30/2019	10	\$ 46.00	5/13/2019	6/3/2019	14	\$ 46.00
Collection Date	Deposit Date	# of days until deposit	Amount											
4/15/2019	4/30/2019	10	\$ 46.00											
5/13/2019	6/3/2019	14	\$ 46.00											
<ul style="list-style-type: none"> Five mail payment log entries (19%) were incomplete, the following fields were left blank: <ol style="list-style-type: none"> Case number Posted to Odyssey by 														
<p><i>LGC §113.022</i> requires collections to be deposited on the following day, or if that is not possible, by the fifth business day from when the money was received. Weak cash handling controls could result in misappropriation of County funds. The mail log should be completely filled out to keep accurate record of the mail payments received.</p>														
Recommendation														
<p>Justice of the Peace should enforce the importance of making timely deposits as required by (<i>LGC</i>) §113.022 and entering all relevant information for mail log entries.</p>														
Action Plan														
Person Responsible	JP2 Judge	Estimated Completion Date 01/31/2020												
<p>Management agrees with the recommendation. Effective November 13, 2019, the Judge reviews the mail payment log on a daily basis to ensure accurate completion and deposit compliance with <i>LGC § 113.022</i>. This procedure will be documented in the policies and procedures manual.</p>														

Finding #3		Risk Level M
<p>Interpreter Services – Of the two interpreter service invoices reviewed, both (100%) were approved but did not match the calendar notation control. As per JP2 procedures, the court coordinator checks the validity of the invoice by referencing the JP2 calendar. The calendar should state when interpreter services were rendered. Lack of effective controls over the interpreter invoices approval process could result in misappropriation of County funds.</p>		
Recommendation		
<p>An interpreter services log should be created to better document the interpreter services provided to the court. The interpreter should sign in and out every time services are provided. This log should be referenced by management when reviewing and approving interpreter invoices for payment.</p>		
Action Plan		
Person Responsible	Court Coordinator	Estimated Completion Date 01/31/2020
<p>An interpreter services log was implemented on November 1, 2019. This log is referenced to review and approve interpreter service invoices. This procedure will be documented in the policies and procedures manual.</p>		



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FINDINGS AND ACTION PLANS

Finding #4		Risk Level
<p>Policies and Procedures – The following policies and procedures have not been documented:</p> <ul style="list-style-type: none"> • Voided transaction procedures (repeat finding) • Miracle delivery log storing procedures (repeat finding) • Interpreter service invoice approval process • Timely uploads of deposit documentation to the County’s shared drive • Timely deposit requirement • Daily review of the mail payment log <p>Policies and procedures serve as an accountability and training guide for employees and sets guidelines for best practices. Lack of documented procedures can increase the risk of inconsistent practices and possible losses to the County.</p>		
Recommendation		
<p>The written policies and procedures should be updated to reflect current procedures and policies in use.</p>		
Action Plan		
Person Responsible	Court Coordinator	Estimated Completion Date
		01/31/2020
<p>Management concurs with the recommendation. Management will update the policies and procedures manual and will meet with staff to go over the updates.</p>		