



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

08-02

August 10, 2020

The Honorable Robert T. Pearson
Justice of the Peace, Precinct Number 1
424 Executive Center, Suite 100
El Paso, Texas 79902

Dear Judge Pearson:

The County Auditor's Internal Audit division performed an audit of the Justice of the Peace, Precinct Number 1 (JP1) financial records from January 2019 through February 2020 to determine if internal controls are adequate to ensure proper preparation of JP1 financial reports. Policies, procedures, and regulations were also reviewed to ensure processes are documented, operating and efficient.

The audit report is attached. We tested four financial controls and two operating controls with a total of 82 samples. The audit report depicts one finding, which is a repeat finding. We wish to thank the management and staff of JP1 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.

Sincerely,

A handwritten signature in black ink, appearing to read "Edward A. Dion".

Edward A. Dion
County Auditor

EAD:PH:ya

cc: Ms. Betsy Keller, Chief Administrator



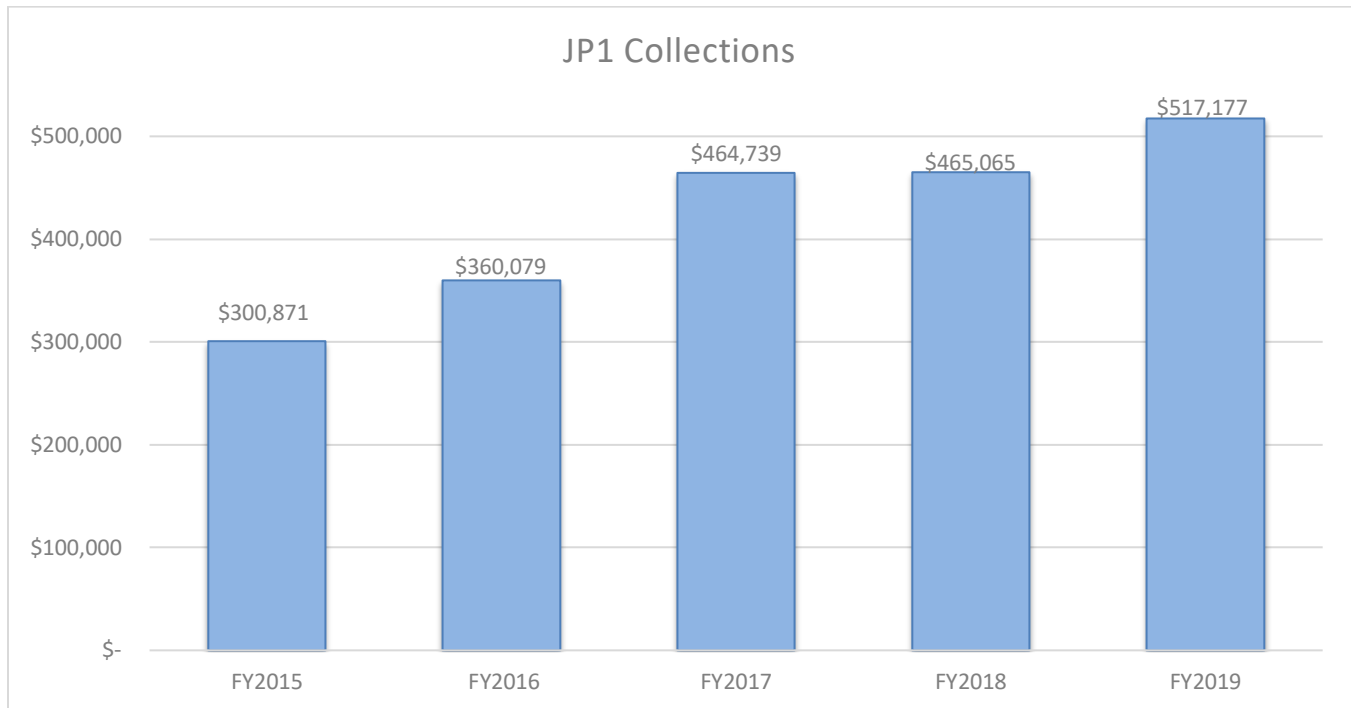
**Justice of the Peace, Precinct Number 1
JANUARY 2019 – FEBRUARY 2020
EXECUTIVE SUMMARY**



BACKGROUND

The Justice of the Peace is elected for a term of four years and is the presiding officer of the justice court. JP1 has judicial power over criminal cases involving minor offenses under their jurisdiction and civil matters where the amount in controversy does not exceed \$10,000. Other duties include issuing search and arrest warrants, conducting preliminary hearings, and the performance of marriage services. The current Justice of the Peace for JP1 has been in office since 2007. The audit was performed by Ruth Bernal, internal auditor senior and Patrice Hills, CIA, internal auditor. The most recent prior audit was issued April 9, 2019.

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 all funds and fees collected at Precinct 1 for the past five fiscal years. When comparing collections for fiscal year 2019 to the collections for fiscal year 2018, the graph displays a \$52,122 increase. This 11.21% uptick was due to an increase in civil case filings. Specifically, more debt claim case filings contributed to the increased collection amount. Additionally, another notable increase in collections occurred in the fiscal year 2017. The \$104,661 difference from the fiscal year 2016 was attributed to a combination of increased cases filed and adjudicated.



Source: Odyssey system

SCOPE

The scope of the audit is from January 2019 through February 2020.

AUDIT OBJECTIVES

The audit evaluated the adequacy of controls and processes to achieve key business objectives related to JP1 financial reports. Following are the business objectives and related control assessment.

Business Objective	Control Assessment
1. Functioning appropriate cash controls.	Satisfactory
2. Timely bank deposits in accordance with <i>Local Government Code § 113.022</i> .	Satisfactory
3. Adequate voided transaction controls.	Needs Improvement
4. Adequate expenditure controls.	Satisfactory
5. Compliance with education requirements of <i>Government Code § 27.005</i> .	Satisfactory



**Justice of the Peace, Precinct Number 1
JANUARY 2019 – FEBRUARY 2020
EXECUTIVE SUMMARY**



METHODOLOGY

To achieve the audit objectives we:

- Reviewed policies and procedures.
- Performed a surprise cash count on March 16, 2020, in accordance with *Local Government Code (LGC) §115.0035*.
- Tested a sample of deposits to verify compliance with *LGC § 113.022*.
- Tested a sample of voided transactions to verify proper internal controls.
- Tested a sample of interpreter payments to verify authorization and proper documentation.
- Tested a sample of the Justice of the Peace’s expenditures for proper authorization.
- Tested training records to verify compliance with *Government Code (GC) § 27.005*.

RESULTS

Listed below are control 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 and the status of any prior action plans.

Control Summary	
Good Controls	Weak Controls
<ul style="list-style-type: none"> • Functioning appropriate cash controls (Obj. 1) • Timely bank deposits in accordance with LGC 113.022 (Obj. 2) • Adequate expenditure controls. (Obj. 4) • Compliance with education requirements of GC § 27.005. (Obj. 5) 	<ul style="list-style-type: none"> • Adequate voided transaction controls. (Obj. 3)
Findings Summary	
1. Review and approval of voided transactions are not properly documented.	

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

The Justice of the Peace, has met four of the five objectives of this audit. Implementation of the recommendations provided in this report should assist JP1 in producing complete and accurate financial reports by strengthening their internal control structure.



**Justice of the Peace, Precinct Number 1
JANUARY 2019 – FEBRUARY 2020
FINDINGS AND ACTION PLANS**



Prior Audit Findings Summarized with Current Status

Status

- H** Open 1. **Finding:** Voided transactions review is not documented as required by procedures. **Recommendation:** Review of the voided transactions should be documented because it provides evidence that procedures are in place to prevent losses. **Action Plan:** Once a transaction has been voided by an employee, it will be reviewed and initialed by the court coordinator, and notes will be included in Odyssey for reference. Voided transactions reports will be run periodically to ensure all voided transactions have been reviewed. *Unresolved.*

Current Findings and Action Plans

Finding #1			Risk Level H								
<p>Voided transactions – Five out of a sample size of seven voided transactions (71.4%) were updated by the same employee without supervisor approval. Policies and procedures require voided transactions to be subsequently reviewed and approved by a supervisor with notes to be documented in Odyssey for reference. Review and approval of voided transactions may reduce the risk of loss due to manipulation of records or accounting errors (repeat finding).</p>											
<p>Recommendation</p> <p>As previously recommended, a voided transaction should be reviewed and approved by the court coordinator and noted in the Odyssey system. Voided transaction reports should be run periodically to ensure all voided transactions have been reviewed and approved. Further, the procedures for reviewing the void report should be documented in the office policies and procedures.</p>											
<p>Action Plan</p> <table border="1"> <thead> <tr> <th align="left">Person Responsible</th> <th align="left">Court Coordinator</th> <th align="left">Estimated Completion Date</th> <th align="left">August 17, 2020</th> </tr> </thead> <tbody> <tr> <td colspan="4"> <p>Court Coordinator will sign off on documentation related to the voided transaction, which will be stored in Odyssey case events. Additionally, every two months the court coordinator will review the void report to ensure all voids have appropriate supporting documentation. The void report will be signed off as reviewed and maintained until audited. The updated procedure for voided transactions will be added to the JP's policies and procedures.</p> </td> </tr> </tbody> </table>				Person Responsible	Court Coordinator	Estimated Completion Date	August 17, 2020	<p>Court Coordinator will sign off on documentation related to the voided transaction, which will be stored in Odyssey case events. Additionally, every two months the court coordinator will review the void report to ensure all voids have appropriate supporting documentation. The void report will be signed off as reviewed and maintained until audited. The updated procedure for voided transactions will be added to the JP's policies and procedures.</p>			
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