



COUNTY OF EL PASO
OFFICE OF THE COUNTY AUDITOR

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08-10

August 10, 2021

The Honorable John Chatman
Justice of the Peace, Precinct Number 5
9521 Socorro Rd. Suite B-2
El Paso, Texas 79927

Dear Judge Chatman:

The County Auditor's Internal Audit division performed an audit of the Justice of the Peace, Precinct Number 5 (JP5) financial records to determine if internal controls are adequate to ensure proper preparation of JP5 financial reports. Policies, procedures, and regulations were also reviewed to ensure processes are documented, operating and efficient.

The audit report is attached. We tested seven financial controls and two operating control with a total of 154 samples. There were two findings noted as a result of the audit procedures; one was a prior audit finding. We wish to thank the management and staff of JP5 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,

A handwritten signature in blue ink that reads "Edward A. Dion".

Edward A. Dion
County Auditor

EAD:HM:ya

cc: Mrs. Betsy Keller, Chief Administrator



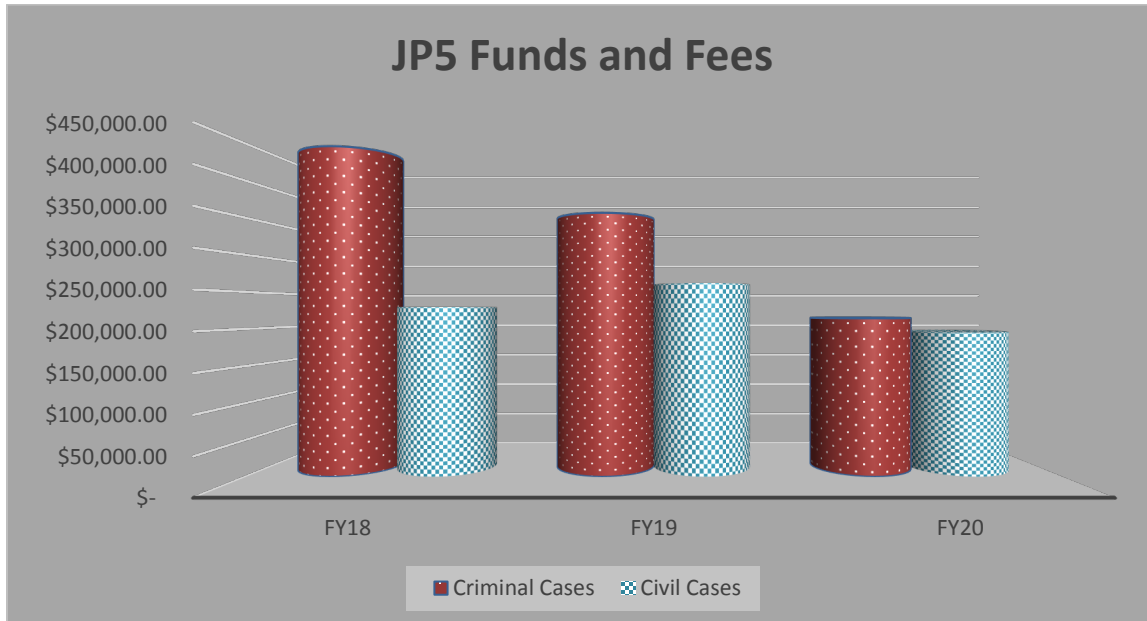
**Justice of the Peace, Precinct Number 5
For the period of April 2020 to April 2021**



EXECUTIVE SUMMARY

BACKGROUND

Justices of the Peace are elected officials and serve four year terms. Precinct five has judicial power over criminal cases involving minor offenses under their jurisdiction and civil matters where the amount in controversy does not exceed \$20,000. The current judge was elected on January 2015 and has been serving for 6 years. Other duties include issuing search and arrest warrants and the performance of marriage services. Funds and Fees collected for 2018, 2019, and 2020 are illustrated below. Due to the Covid-19 pandemic, there was a drop in warrants executed, scheduled courts dates, and payments which caused a 34% decrease in collections for FY20. Although the office was closed to the public, payments were accepted via mail and phone, and virtual courts were held.



Source: Annual Funds and Fees reports

The audit was performed by Hadi Medina, internal auditor. The scope of the last audit performed was May 2019 to March 2020 and the related audit report was issued July 15, 2020.

AUDIT OBJECTIVES

The audit evaluated the adequacy of controls and processes to achieve key business objectives related to JP5 financial reports. Following are the business objectives and related control assessment.

| Business Objective | Control Assessment |
|---|---------------------------|
| 1. Adherence to documented policies and procedures | Needs Improvement |
| 2. Adequate vault access controls | Satisfactory |
| 3. Court order compliance in dismissed cases | Satisfactory |
| 4. Adequate void transaction controls | Needs Improvement |
| 5. Proper posting of jail time credits | Satisfactory |
| 6. Functioning appropriate cash controls | Satisfactory |
| 7. Timely deposits of collections in accordance with <i>Local Government Code (LGC) 113.022</i> | Satisfactory |
| 8. Adequate controls of interpreter services payments | Satisfactory |
| 9. Appropriate and timely posting of manual receipts to Odyssey | Satisfactory |
| 10. Accuracy of mail log information and timely posting to Odyssey | Satisfactory |

SCOPE

The scope of the audit is from April 2020 through April 2021. Due to the Covid-19 pandemic and the associated Stay Home Work Safe order, a surprise cash count was not conducted.



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EXECUTIVE SUMMARY

METHODOLOGY

To achieve the audit objectives we:

- Reviewed policies, procedures, and applicable statutes for proper documentation and updates.
- Reviewed current vault access controls.
- Tested a sample of dismissed cases for court order compliance and supporting documentation.
- Tested all void transactions in Odyssey for legitimacy of transactions and management verification.
- Tested a sample of cases with jail time credit to verify jail time served and supporting documentation in Odyssey.
- Traced and tested sample of deposit slips to the financial accounting system for compliance with LGC §113.022.
- Tested a sample of interpreter services invoices for proper authorization and documentation.
- Tested all manual receipts for appropriate and timely posting.
- Tested a sample of mail logs to determine deposit completeness, accuracy, and timeliness.

RESULTS

Listed below are controls and findings summaries, with findings listed from highest to lower risk. Please see the *Findings and Action Plans* section of this report for related details and management action plans for the current findings. There were no prior audit findings.

| Control Summary | |
|---|--|
| Good Controls | Weak Controls |
| <ul style="list-style-type: none"> • Proper documentation on dismissed cases (Obj. 2) • Posting and documentation of jail time credit by Sheriff's Office (Obj. 4) • Cash handling procedures (Obj. 5) • Timely deposit controls (Obj. 6) • Interpreter services invoice controls (Obj. 7) • Manual receipt controls (Obj. 8) • Mail log controls (Obj. 9) | <ul style="list-style-type: none"> • Maintain and follow department policies and procedures (Obj. 1) • Void transaction controls and procedures adherence (Obj. 3) |
| Findings Summary | |
| <ol style="list-style-type: none"> 1. Documented Policies and Procedures are vague and need to be updated. 2. Log for void transactions was not located (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

Justice of the Peace 5 has met seven of the nine objectives. Although JP5 has implemented improvements in their operations they should continue improving weak controls reported in current and prior audits. Implementation of the recommendations provided in this report should assist JP5 in producing complete and accurate financial reports by strengthening their internal control structure.



**Justice of the Peace, Precinct Number 5
For the period of April 2020 to April 2021**



FINDINGS AND ACTION PLANS

Prior Audit Findings Summarized with Current Status

M Open

1. **Finding:** All void transactions during the audit period were reviewed for accuracy and supervisor verification. There were a total of ten void transactions; however, staff was unable to provide the void transaction log necessary to complete the review. Policies and procedures require the cashier to log all voids with an explanation, the case number, their initials, and the supervisor's initials. Failure to follow the current void policies and procedures can lead to the loss of revenue by creating the opportunity for fraud.

Recommendation: A supervisor should verify all voids are processed and recorded appropriately on a daily basis. We recommend a checklist be created addressing employee office duties and assignments. This checklist can be updated as employees are hired or depart the office. This will facilitate the clarification of duties for new employees and identify the responsibilities and any documentation of departing employees.

Action Plan: Management does not feel the checklist of duties is necessary. At this time the court coordinator will be responsible for reviewing and signing off on the void log daily. She will periodically scan the reviewed log to JP5's common folder where it will be accessible for anyone to view when needed.



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FINDINGS AND ACTION PLANS

Current Audit Findings & Action Plans

| Finding #1 | | Risk Level M | |
|---|------------------|---|----------------------|
| <p><u>Policies and Procedures:</u> With the exception of incoming mail and manual receipt procedures, policies and procedures are not properly documented and lack instruction and guidance. The following processes need to be documented in the written policies and procedures :</p> <ul style="list-style-type: none"> • Daily deposits • Voids • Interpreter services • Case Dismissals • Jail time credit • Handling of bonds <p>Any other daily procedures that are part of the court operations are recommended to be included in the policies and procedures. Documented policies and procedures help ensure implementation of controls, consistent processes and will also assist in new employee training. Lack of documented policies and procedures increases the risk of financial losses and employee negligence.</p> | | | |
| Recommendation | | | |
| <p>Management should document policies and procedures as soon as possible to address all daily office operations. Procedures should include, but are not limited to, daily deposits, voids, interpreter services, case dismissals, jail time credits, and handling of bonds.</p> | | | |
| Action Plan | | | |
| Person Responsible | JP5 Judge | Estimated Completion Date | November 2021 |
| <p>Management will begin working on documenting policies and procedures as soon as possible to address all procedures recommended by the Auditor's office. JP5 is in the processes of filling the Court Coordinator vacancy.</p> | | | |



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FINDINGS AND ACTION PLANS

| Finding #2 | | Risk Level |
|--|-----------|---------------------------|
| <p><u>Voided Transactions:</u> Void transaction log was not located. All void transactions during the audit period were reviewed for accuracy and supervisor verification. There were a total of four void transactions; however, staff was unable to provide the void transaction log necessary to complete the review. Policies and procedures require the cashier to log all voids with an explanation, the case number, their initials, and the supervisor’s initials.</p> <p>This was a prior audit finding. Due to recent changes in management and employee turnover, the prior finding was not addressed. A checklist was recommended in the previous audit to address office duties and assignments but management felt it was not necessary. Failure to follow the void policies and procedures increases the risk of lost revenue by creating the opportunity for fraud.</p> | | M |
| Recommendation | | |
| <p>We recommend the Judge assign and clarify the duties of new and existing employees and identify the responsibilities and any documentation of departing employees. This will facilitate the compliance of current policies and procedures.</p> | | |
| Action Plan | | |
| Person Responsible | JP5 Judge | Estimated Completion Date |
| | | November 2021 |
| <p>The Judge will designate the employee who will be responsible for daily review and sign off on the void log. The reviewed void log will periodically be scanned to JP5’s common folder where it will be accessible for anyone to view when needed.</p> | | |