



COUNTY OF EL PASO
OFFICE OF THE COUNTY AUDITOR

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07-09

July 8, 2022

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 six financial controls and two operating controls with a total of 99 samples. There were four findings noted as a result of the audit procedures; three were 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,

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

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 January 2021 thru December 2021**

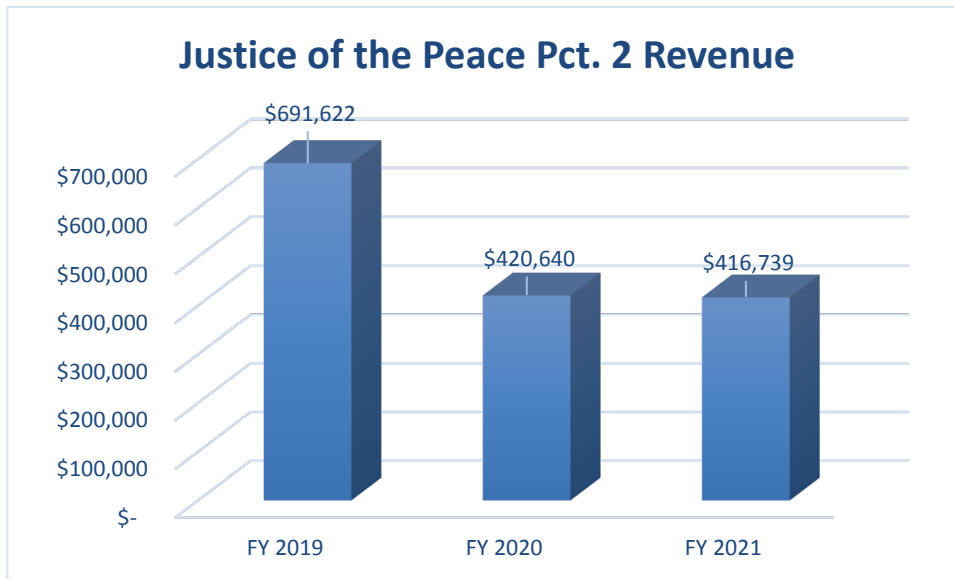


EXECUTIVE SUMMARY

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 \$20,000 or less. JP2 can issue search and arrest warrants, perform marriages, and conduct preliminary hearings. The audit was performed by Daisy Caballero, internal auditor certified. The most recent prior audit was issued in May 2021.

Financial reports are generated from the Enterprise Justice system (formerly 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 39% drop in revenue from FY 2019 to FY 2020 is due to COVID-19 office closures. The court is currently hearing cases in a limited capacity.



Source: Enterprise Justice system

SCOPE

The scope of the audit includes financial records from January 2021 through December 2021. The scope of the audit was limited as it did not include an in-person unannounced cash count due to office closures related to COVID-19.

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. Voids are properly justified, approved, and documented | Needs Improvement |
| 2. Proper disposition of jail time credit cases and supporting documentation | Needs Improvement |
| 3. Timely bank deposits and complete documentation | Needs Improvement |
| 4. Proper disposition and supporting documentation of dismissed cases | Satisfactory |
| 5. Timely processing of cash bonds | Satisfactory |
| 6. Complete mail log entries, timely deposit and posting of mailed payments | Satisfactory |
| 7. Proper authorization of expenditures | Satisfactory |
| 8. Documentation of updated policies and procedures | Needs Improvement |

METHODOLOGY

To achieve the audit objectives, we:

- Tested a sample of void transactions for justification, management approval, and proper documentation
- Tested a sample of cases with jail time credit dispositions for completeness and proper documentation
- Tested a sample of daily collections and Miracle Delivery receipt logs for complete documentation and compliance with *Local Government Code (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
- Tested a sample of mailed payment log entries for completeness, compliance with *LGC §113.022*, and timely posting to the Enterprise Justice system
- Tested a sample of expenditures for proper authorization
- Reviewed policies and procedures for completeness and updates
- Reviewed previous audit action plans for implementation

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, as well as the status of prior audit action plans.

| Control Summary | |
|---|---|
| Good Controls | Weak Controls |
| <ul style="list-style-type: none"> • Proper documentation of dismissed cases (Obj. 4) • Review of pending bonds (Obj. 5) • Mailed payment controls (Obj. 6) • Authorization of payments (Obj. 7) | <ul style="list-style-type: none"> • Void transaction controls (Obj. 1) • Posting and documentation of jail time credits (Obj. 2) • Timely deposits and proper documentation (Obj. 3) • Documentation of policies and procedures (Obj. 8) |
| Findings Summary | |
| <ol style="list-style-type: none"> 1. Void transactions do not have documented management approval (prior audit issue). 2. Jail time credit was applied as an adjustment instead of jail time credit for 100% of the sample (prior audit issue). 3. Of the 30 daily deposits sampled, 9 (30%) were not verified by a second person. 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 four of the current eight 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.



**Justice of the Peace, Precinct Number 2 Audit
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FINDINGS AND ACTION PLANS

Prior Audit Findings Summarized with Current Status

Status

- H** Open 1. **Finding:** 50% of the void transactions sampled were not approved by management and 100% were not documented in the voids log.
Recommendation: Management should document and enforce void transaction policies and procedures to follow the County Auditor’s Accounting Procedures Manual.
Action Plan: Management will implement void transaction controls. **Unresolved**
- H** Closed 2. **Finding:** 28% of mailed payments tested were not deposited timely, 61% were not entered as mailed payments in the Enterprise Justice system, and 17% had incorrect case numbers listed in the mailed payment log.
Recommendation: Mailed payments should be posted and deposited in compliance with LGC §113.022. Enforce the importance of entering accurate information in the mailed payment log and the Enterprise Justice system.
Action Plan: The Judge communicated to his staff the importance of timely deposits and of entering correct information. **Resolved**
- M** Open 3. **Finding:** 75% of jail time credit cases reviewed did not have proper documentation and 100% were applied as adjustments instead of jail time credits.
Recommendation: Official magistrate court documentation should be attached to the case. The financial balance of the case should be updated with the jail time credit transaction type.
Action Plan: Management will discuss and implement procedures to upload prison documentation in the Enterprise Justice system. Management agrees to use the jail time credit transaction type in the Enterprise Justice system. **Unresolved**
- L** Open 4. **Finding:** Documented policies and procedures need to be updated
Recommendation: The written policies and procedures should be updated to reflect current procedures and policies in use.
Action Plan: Management concurs with the recommendation. **Unresolved**



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FINDINGS AND ACTION PLANS

Current Audit Findings

| Finding #1 | | Risk Level H |
|---|------------------|---|
| <p><u>VOIDS</u> – Void transactions do not have documented management approval.</p> <p>Management approval is required on all void transactions as per County Auditor’s Accounting Procedures Manual found on the intranet. Lack of management approval could result in misappropriation of County funds. This is a repeat finding.</p> | | |
| Recommendation | | |
| <p>Void transactions should have documented management approval. Management should review a system generated voids report periodically to verify management approval of voids is documented in the Enterprise Justice system.</p> | | |
| Action Plan | | |
| Person Responsible | JP2 Judge | Estimated Completion Date 09/12/2022 |
| <p>Management will enforce the voided transactions procedure. Every voided transaction requires management’s review and approval, documented in the Enterprise Justice system. Management will verify void approvals are documented in the Enterprise Justice system by reviewing a system generated voids report on a quarterly basis. The voids report review procedure will be documented in the JP2 policies and procedures manual.</p> | | |

| Finding #2 | | Risk Level M |
|--|------------------|--|
| <p><u>Jail Time Credit</u> – There was a total of four jail time credit cases during the audit scope. Four (100%) were applied as adjustments instead of a jail time credits in the Enterprise Justice system financial section of the case. This is a repeat finding.</p> <p>Failure to correctly apply the jail time credit in the Enterprise Justice system could result in inaccurate reporting.</p> | | |
| Recommendation | | |
| <p>The financial balance of the case should be updated with the jail time credit transaction type.</p> | | |
| Action Plan | | |
| Person Responsible | JP2 Judge | Estimated Completion Date 05/10/2022 |
| <p>Management concurs with the recommendation.</p> | | |



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FINDINGS AND ACTION PLANS

| | | | |
|--|------------------|---|-------------------|
| Finding #3 | | Risk Level M | |
| <p><u>Daily Deposits</u> – There was a total of 97 daily deposits during the audit scope. Of the 30 daily deposits tested, nine (30%) were not verified by a second person. All deposits should be reviewed and verified by a second person as per the department’s policies and procedures. Weak cash handling controls could result in misappropriation of County funds.</p> | | | |
| Recommendation | | | |
| Daily deposits should be reviewed and verified by a second person, per written policy. | | | |
| Action Plan | | | |
| Person Responsible | JP2 Judge | Estimated Completion Date | 05/10/2022 |
| Management concurs with the recommendation. | | | |

| | | | |
|---|------------------|---|-------------------|
| Finding #4 | | Risk Level L | |
| <p><u>Policies and Procedures</u> – The following policies and procedures have not been documented:</p> <ul style="list-style-type: none"> • Quarterly management review of the Enterprise Justice system voids report • Timely deposit requirement- <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 (repeat finding) <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 | | | |
| The written policies and procedures should be updated to reflect current policies and procedures in use. | | | |
| Action Plan | | | |
| Person Responsible | JP2 Judge | Estimated Completion Date | 09/12/2022 |
| Management concurs with the recommendation. | | | |