



COMMISSIONERS COURT  
COMMUNICATION

REFERENCE NUMBER 0  
PAGE 1 OF 10  
DATE: 4/14/2009

SUBJECT: **RECEIVE AND FILE THE AUDITOR'S REPORT FOR THE TARRANT COUNTY JUSTICE OF THE PEACE, PRECINCT 7**

**COMMISSIONERS COURT ACTION REQUESTED:**

It is requested that the Commissioners Court receive and file the Auditor's Report of the Tarrant County Justice of the Peace, Precinct 7.

**BACKGROUND:**

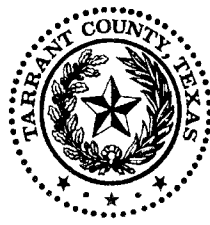
At the request of the Justice of the Peace, Precinct 7 (JP7), the Auditor's Office performed a limited review of the books and records as of October 31, 2008. The objective of the review was to provide accountability over the transfer of authority to the incoming Acting Court Manager. As part of the objective, the Auditor's Office reviewed procedures to determine whether controls over County funds were adequate.

A written response from JP7 is attached.

**FISCAL IMPACT:**

There is no direct fiscal impact associated with this item.

SUBMITTED BY:	Auditor	PREPARED BY:	S. Renee Tidwell
		APPROVED BY:	



## TARRANT COUNTY

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February 27, 2008

The Honorable District Judges  
The Honorable Commissioner's Court  
The Honorable Charles T. Corbin, Justice of the Peace, Precinct 7  
Tarrant County, Texas

RE: Auditor's Report – Justice of the Peace, Precinct 7, Acting Court Manager Exit Review

### SUMMARY

At the request of the Justice of the Peace, Precinct 7 (JP7), we performed a limited review of the books and records as of October 31, 2008. The objective of the review was to provide accountability over the transfer of authority to the incoming Acting Court Manager. As part of our objective, we reviewed procedures to determine whether controls over County funds were adequate. As a result of our review, we found the following conditions that require management's attention:

Observation 1 The position of Court Manager has not been staffed with a permanent employee since May 2008.

Observation 2 Segregation of duties does not exist between certain incompatible tasks.

Observation 3 The Civil Monies Held in Trust account contains funds that should be remitted to the Auditor's Office.

On March 27, 2009, we discussed our observations and recommendations with JP7 management and staff. Attached is management's response to this report.

## **BACKGROUND**

JPs are elected from the precincts for four-year terms. JP7 has held office since January 1, 2007.

The JP serves as a trial court judge for certain civil lawsuits and Class C misdemeanors, and as an administrative court judge for a variety of miscellaneous court procedures. JPs also collect court costs, fees, and fines for Tarrant County and the State of Texas.

JP7 collects and deposits funds into his checking account with the County depository. Twice a week, the JP7 remits funds belonging to Tarrant County and the State of Texas to the Auditor's Office for recording and subsequent disbursement. On a quarterly basis, the Auditor's Office remits State court costs and fines to the Texas State Comptroller's Office.

During fiscal year 2008, JP7 reported approximately \$631,000 in revenue to the Auditor's Office. JP7 authorized credit for Jail Time Served or Community Service totaling approximately \$157,300 during the same period.

## **OBSERVATION AND RECOMMENDATIONS**

*Observation 1 - The position of Court Manager has not been staffed with a permanent employee since May 2008.*

### **Background**

The JP Court Manager oversees all operations of the JP office, including management and control of the court docket. The Court Manager also ensures compliance with current legislation and statutes, prepares monthly financial reports and reconciliations for the Auditor's Office, supervises and trains JP employees, and provides a professional environment for the public. The Court Manager may also assist the JP in policy development, long range planning, goal setting, personnel issues, and budget development and compliance.

After holding the position for eight years, the JP7 Court Manager transferred to another JP office in May 2008. She had continuously worked at JP7 since 1992. Upon her resignation, a JP7 Court Clerk assumed the position of Acting Court Manager. On October 31, 2008, the Acting Court Manager transferred to another JP office. As of November 3, 2008, another Court Clerk assumed the duties of the position as Acting Court Manager.

### **Observation**

During our review, we found that the Court Manager position has not been permanently filled since May 2008. Rather, Court Clerks have assumed responsibilities of this position. At the time of assuming the position, we also found that the current Acting Court Clerk had not received adequate training in critical business processes of the JP office, such as:

- Monthly reporting to the County Auditor's Office;
- Reconciliation of the Civil and Misdemeanor Monies Held in Trust Accounts;
- Reconciliation of the bank account;
- Reallocation of receipts between fee codes using application tickets; and
- Preparation of the departmental budget.

On October 31, 2008, we recommended that the incoming Acting Court Manager contact other JP Court Managers for assistance as needed. We also recommended that the Acting Court Manager contact IT for system questions and the Auditor's Office for any accounting-related questions. We commend the Acting Court Manager's efforts in using County resources to gain the knowledge to accomplish these tasks.

### **Recommendations**

We also recommend that the JP:

1. Begin the process to hire permanent personnel with the skills necessary to carry out the duties of this key position.
2. In the interim, financial and operational training should be obtained for the Acting Court Manager. The Acting Court Manager should continue to contact other appropriate County departments, including IT for issues related to system processing and the Auditor's Office for accounting issues.

### ***Observation 2 – Segregation of duties was not adequate between certain incompatible tasks.***

#### **Background**

Lack of segregation of duties occurs when a few employees are required to perform incompatible duties. In situations where it is impossible to separate duties due to the small number of employees, additional controls should be implemented.

The JP7 office is typically staffed with 7 Court Clerks, 1 Court Manager, and the JP. Since the Court Manager position is being filled by one of the 7 Court Clerks, the JP7 office is short one position.

#### **Observation**

During our review, we found that the Court Manager and her assigned back-up have the ability to accept payments from defendants, approve voided transactions, reconcile daily cash receipts, prepare the deposit, write and sign checks from the JP checking account, prepare the bank reconciliation and monthly financial reports. Although we believe these tasks to be incompatible, we understand the staffing limitations of the JP offices.

In addition, the JP does not review the monthly financial reports, including the bank reconciliations. Due to the lack of segregation of duties and management oversight, unauthorized and inappropriate transactions may not be prevented or detected. As a mitigating control, the checking account requires two signatures. The JP typically signs the checks along with one of the court clerks.

### **Recommendations**

Since staffing limitations do not always allow for these incompatible duties to be segregated, we recommend procedures be implemented to prevent and detect unauthorized transactions. Specifically:

1. The JP should review all financial reports, including the monthly bank reconciliation and disbursement journal, to verify the accuracy and appropriateness of the transactions. Ideally, these reports should be reviewed by the JP prior to submission to the Auditor's Office each month. The JP should sign and date the reports as evidence of his review.
2. Whenever possible, the JP should continue to sign disbursement checks. For those checks issued without the JP's signature, we recommend that procedures be implemented whereby the JP reviews supporting documents, including case files, subsequent to the disbursement. The JP should sign and date the documents as evidence of his review.

***Observation 3 - The Civil Monies Held in Trust account contains monies that should be remitted to the Auditor's Office.***

### **Background**

The Civil Monies Held in Trust report represents all funds being held in trust by the JP pending disposition of a case. As of October 31, 2008, the trust account included \$2,517.50 related to four civil cases.

### **Observation**

During our review, we found that the Civil Monies Held in Trust account contains monies that should be remitted to the Auditor's Office. Specifically, we identified two cases whereby a judgment was entered on October 5, 2007 declaring forfeiture of surety bonds totaling \$955. The payment was received from the bail bond company for both cases on June 18, 2008.

This condition occurred because the Acting Court Manager didn't know the process for disposition of bond forfeiture funds.

### **Recommendations**

We recommend that JP7 remit two checks made payable to Tarrant County for \$477.50 each to be deposited into the General Fund bond forfeiture account under JP7's cost center. JP7 should also notate the JP Civil System indicating the disposition of the funds and remove both cases from of the Civil Monies Held in Trust report. In addition, the JP should maintain copies of the checks and all other supporting documents in the respective case jackets.

### **CLOSING REMARKS**

We wish to thank the JP and his staff for their cooperation in the completion of this review. We also appreciate his prompt attention to our recommendations.

Sincerely,



S. Renee Tidwell, CPA  
County Auditor

### **Attachment:**

Management response dated April 6, 2009

### **Distribution:**

Dorothy Woods, Court Clerk, Justice of the Peace, Precinct 2  
Dana Dicken, Court Clerk, Justice of the Peace, Precinct 7

### **Team:**

Kim Trussell, Audit Manager  
Julie Hillhouse, Senior Internal Auditor  
Angela Tran-Le, Internal Auditor

April 6, 2009

To: Ms. Kim Trussell, Audit Manager

From: Tom Corbin, Justice of the Peace, Pct. 7

Re: JP7 Acting Court Manager Exit Review dated February 27, 2009

Thank you for your meeting with me on March 27, 2009, and reviewing your draft report.

You cited background, observation, and recommendations in three areas:

- 1) The position of Court Manager has not been staffed with a permanent employee since May 2008.
- 2) Segregation of duties was not adequate between certain incompatible tasks.
- 3) The Civil Monies held in Trust account contains monies that should be remitted to the Auditor's office.

I.

A.

Audit Comments—Court Manager

Your report indicates that court clerks assumed the positions of Acting Court Manager on two occasions between June 1, 2008, and current. You mentioned further that the Court Manager position performs the following functions:

- a) manages and controls the court docket
- b) ensures compliance with current legislation and statutes
- c) prepares monthly financial reports
- d) reconciliations for the Auditor's Office
- e) supervises and trains JP employees
- f) provides a professional environment to the public.
- g) assists the JP in policy development, long range planning, goal setting, Personnel issue, and budget development and compliance.

Additionally, you reference the Auditing Department recognized at October 31, 2008, that clerk (Ms. Dicken) whom assumed certain new responsibilities did not have specified training in certain areas:

- a) monthly reporting to the County Auditor's Office
- b) Reconciliation of Civil and Misdemeanor Monies Held in Trust Accounts,

- c) Reconciliation of the bank account
- d) Reallocation of receipts between fee codes using application tickets, and
- e) Preparation of the departmental budget.

And, you commended Ms. Dickens' accomplishments in familiarizing herself with the above in the meantime since November 1, 2008, to current (preparation of the department budget is just now beginning, and Ms. Dicken is already scheduled for training).

B.

Response to Audit Comments on Court Manager

Ms. Wood (6/1 to 10/31/2008) and Ms. Dicken (11/1/2008 to current) have performed certain duties

- c) prepares monthly financial reports
- d) reconciliations for the Auditor's Office

The Justice of the Peace has performed the balance of the outlined Court Manager functions.

Consideration will be given to the appointment of a Court Manager and/or restructuring to establish an employment position including the aforementioned items: prepares monthly financial reports and reconciliations for the Auditor's Office.

No slippage in financial reporting or internal control is identified since June 1, 2008, except as noted in item "F" below—transfer of less than \$1,000 in funds from one account to another account (s).

II.

A.

Audit Comments—JP Segregation of Duties

You describe the need to segregate duties in the established pattern of staffing in the JP system for Tarrant County. You previously referenced these identical concerns with the Tarrant County JP System during November 2008 in report styled "Auditor's Report—Controls Over the Justice of the Peace Misdemeanor System".

Relative to JP7, you reference that there is approved staffing for one more clerk.

You further commented "JP does not review the monthly financial reports, including the bank reconciliation". Further, in the March 27, 2008, meeting you requested the following reports are reviewed monthly and the review is memorialized:



- 1) Bank reconciliation
- 2) Disbursement
- 3) Monthly Report
- 4) Dollars held in Trust—Civil
- 5) Dollars held in Trust—Criminal

You write that the JP should typically sign checks when checks are written and otherwise memorialize the documentation whenever a check is signed by another authorized person in the department.

B.

#### Response to Audit Comments on Segregation of Duties

The overall segregation of duties in the Tarrant County JP System is described as balancing additional personnel with the risk of continuing certain non-segregated duties. This issue is common to all JP offices, and you have pointed out the trade-offs by not adding additional personnel in your November 4, 2008, Tarrant County memorandum.

The check signing precautions that you cite are reasonable.

The auditing department's recommendation of the JP's review of certain reports is reasonable, and it is my understanding that these include those cited earlier: bank reconciliation, disbursement, monthly report, and trust funds: civil and criminal. I trust that such request for review is common to all Justice of the Peace and there is no particularity to Justice of the Peace, Pct. 7.

III.

A.

#### Audit Comments—Civil Monies Held in Trust Account

You recommend that JP7 remit \$955 from the JP7 Trust account to the Auditor's Department. You state that the clerk (Ms. Wood) did not know the process for disposition of bond forfeiture funds.

B.

#### Response to Audit Comments on Civil Monies Held in Trust Account

At our March 27, 2009, meeting it is my understanding that it is the responsibility of JP Precinct 7 to remit collected "Bail Bond Forfeitures" that are in the Justice of the Peace Trust Account to the Tarrant County Auditor's office.

We are prepared to comply with the Audit Department's request so long as we are given specific transfer instructions. And, you advised that Milton in the Auditor's office can advise JP7 on the rules and procedures for such transfers.


Presently, the balance of these funds at JP7 is reportedly \$955. Although the amount of \$955 in the JP7 Trust Account is diminimus in comparison to the annual JP7 revenue of \$631,000/year, nonetheless your request to transfer these funds is reasonable.

### III

#### Summary

1. Consideration will be given to staffing.
2. The separation of duties for internal control in Justice of the Peace clerks in Precinct 7 is the separation of duties issue that is common to the JP system throughout Tarrant County. According to the Audit Department's November, 2008, report, one solution to the issue is to add additional personnel. Consequently, such a solution requiring the addition of personnel is a budget issue for the County Commissioners to deliberate.
3. Transfers of Bail Bond Forfeitures Collections in the JP7 Trust Account to the Tarrant County Auditing Department's Trust Account are reasonable so long as the transfer rules are clear.

Thank you

  
Tom Corbin  
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4/6/2009  
Date