



COMMISSIONERS COURT
COMMUNICATION

CO#114411
REFERENCE NUMBER 0
PAGE 1 OF 4
DATE: 1/8/2013

SUBJECT: **RECEIVE AND FILE THE AUDITOR'S REPORT FOR THE TARRANT COUNTY EXIT REVIEW FOR THE JUSTICE OF THE PEACE PRECINCT 5**

***** CONSENT AGENDA *****

COMMISSIONERS COURT ACTION REQUESTED:

It is requested that the Commissioners Court receive and file the Auditor's Report of the Tarrant County Exit Review for the Justice of the Peace, Precinct 5.

BACKGROUND:

On November 19, 2012, the Honorable Sergio De Leon replaced Manual Valdez as Tarrant County Justice of the Peace, Precinct 5 (JP5). The Auditor's Office conducted selected procedures to provide accountability and cut-off for the transfer of authority. Since the scope of this review was limited in nature, the Auditor's Office does not opine on the financial statements and internal control structure. Based on the results of the testing, the transfer of Justice of the Peace, Precinct 5's authority appears to be complete without exception.

Attached to this report is management's response from Justice of the Peace, Precinct 5.

FISCAL IMPACT:

There is no direct fiscal impact associated with this item.

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



TARRANT COUNTY

TARRANT COUNTY ADMINISTRATION BUILDING - ROOM 506

100 E. WEATHERFORD

FORT WORTH, TEXAS 76196-0103

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S. RENEE TIDWELL, CPA
COUNTY AUDITOR
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November 29, 2012

CRAIG MAXWELL
FIRST ASSISTANT COUNTY AUDITOR
cmaxwell@tarrantcounty.com

The Honorable Sergio De Leon, Justice of the Peace, Precinct 5
The Honorable District Judges
The Honorable Commissioners Court
Tarrant County, Texas

Re: Auditor's Report – Exit Review for Justice of the Peace, Precinct 5

SUMMARY

On November 19, 2012, the Honorable Manuel Valdez retired as the Justice of the Peace, Precinct 5 (JP5). The successor, the Honorable Sergio De Leon, assumed office on the same day. The Auditor's Office conducted selected procedures to provide accountability for the transfer of authority to the incoming JP5. We do not opine on JP5's financial statements and internal control structure since our review was limited in scope. Based on the results of our testing, the transfer of authority appears to be complete without exception.

During our review, we observed that segregation of duties was not adequate. We discussed this with Justice of the Peace De Leon on November 29, 2012, along with other minor issues. Attached is his written response.

OBSERVATION AND RECOMMENDATION

Segregation of duties was not adequate.

Background

The JP5 office is staffed with three Court Clerks, one Court Manager, and the JP. 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, management should implement additional controls.

Observation

During our review, we observed that the Court Manager and a clerk signed disbursement checks. The Court Manager and the clerk accept payments, 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. As a mitigating control, the checking account requires two signatures. Although these tasks are incompatible, we understand the staffing limitations of the JP offices.

In addition, the JP did not review the monthly financial reports including the bank reconciliations. Due to the lack of segregation of duties and management's review, unauthorized and erroneous transactions may not be prevented or detected.

Recommendations

Since staffing limitations do not always allow incompatible duties to be segregated, we recommend procedures be implemented to prevent and detect unauthorized and erroneous 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. Prior to submitting monthly reports to the Auditor's Office, the JP should review the reports. The JP should also sign and date the reports as evidence of his review.
2. Whenever possible, the JP should sign disbursement checks. For those checks issued without the JP's signature, we recommend that the JP review supporting documents, including case files, subsequent to the disbursement. The JP should sign and date the documents as evidence of his review.

SCOPE AND METHODOLOGY

Our review included the following procedures:

- Reviewed and reconciled trust balances as of October 31, 2012;
- Performed a cash count of change funds as of November 19, 2012;
- Obtained ending receipt numbers, both automated and manual, as of November 19, 2012;
- Verified the change of authorized signatures related to accounts payable and the JP5 checking account;
- Verified removal of the outgoing officeholder's access to County systems and applications; and
- Confirmed receipt of the outgoing officeholder's office keys, building access card, employee identification badge, parking Chubb card, and assigned County assets.

We also verified that the incoming officeholder's Official Bond and Oath was on file with the County Clerk's Office.

CLOSING REMARKS

We appreciate the cooperation of the Honorable Sergio De Leon and his staff during our review and their attention to our recommendations. In addition, we express gratitude to the Honorable Manuel Valdez for the cooperation extended to the Auditor's Office during his tenure with the County.

Very truly,



S. Renee Tidwell, CPA
County Auditor

Attachment: Management's Response dated December 17, 2012

Distribution: The Honorable Manuel Valdez, Former Justice of the Peace, Precinct 5
Suzanne McKenzie, Financial Accounting Manager, Auditor's Office

Audit Team: Kim Trussell, Audit Manager
Julie Hillhouse, Senior Internal Auditor
Frank Mazza, Audit Supervisor
Angela Tran-Le, Internal Auditor



SERGIOL DELEON
JUSTICE OF THE PEACE
PRECINCT 5

TARRANT COUNTY
FORT WORTH, TEXAS 76196-0247

350 WEST BELKNAP
FORT WORTH, TEXAS 76196-0247
884-1438

December 17, 2012

S. Renee Tidwell, CPA
Tarrant County Auditor
100 E. Weatherford
Fort Worth, Texas 76196

Re: Auditor's Report for Justice of the Peace, Pct. 5

Dear Auditor Tidwell:

Our office is in receipt the Auditor's Report for the Justice of the Peace, Pct. 5 which noted among other things the reconciliation of our account due to the transition in office holders. We accept the report and agree with all observations made by the Tarrant County Auditor's Office. Accordingly, we have adopted all recommendations and have attached a copy of our thorough Standard Operating Procedures as it relates to all financial transactions in this office.

I look forward to continuing my working relationship with your office to ensure accountability and transparency of fines and fees collected on behalf of the taxpayers of Tarrant County. Please feel free to contact me if you have any questions or have any additional suggested recommendation for financial transactions.

Kindest regards


SERGIO L. DE LEON
Justice of the Peace, Pct. 5

/sld
Enclosure

CC: Rosemary Garza, Chief Court Manager, Justice of the Peace, Precinct 5

RECEIVED
DEC 17 2012
AUDITOR-SCB