



COLLIN COUNTY

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Date: April 24, 2009

To: Judge John Lewis, Justice of the Peace 3-1 

From: Donald W. Cozad, County Auditor

Subject: Third and Fourth Quarter FY08 Audit Results - Final

Internal Audit personnel met with you on November 6, 2008 to start an examination of books and records for the County Auditor quarterly audit requirements. The audit objectives were to ensure county property and cash receipts were promptly accounted for, accurately recorded, safeguarded and disbursed properly.

The time period reviewed was April 1, 2008 through September 30, 2008. The scope of the audit entailed performing a cash count; a review of deposits and disbursements; bank reconciliations; and a fixed asset inventory.

During the review, we identified certain practices and procedures that we believe could be enhanced to strengthen internal controls and increase efficiencies. The review was not intended to be a comprehensive examination of every procedure or activity. Accordingly, the findings and recommendations presented in this report should not be considered as all-inclusive of areas where improvements may be needed.

Your office personnel were extremely helpful and courteous in assisting with the quarterly review. An exit conference was held with you on March 24, 2009.

If we may be of any help or you have any questions, please feel free to contact us.

Bank Reconciliations – General Account

Findings:

During the audit, we verified that bank statements were reconciled to the AS 400 check register and to the checkbook. A transactional spreadsheet is also maintained by Justice of the Peace 3-1. During the audit, we identified transactions that were not recorded on one or more of the General Account check registers.

1. At the time of our audit, the bank reconciliation for the General Account was not completed for the months of April 2008 through September 2008.

Note: This was a finding in the previous audit for that audit timeframe.

2. The following is a list of exceptions identified with the closed Bank One General Account:

- Outstanding checks in the amount of \$396 have not been voided.
- A stop payment was issued on a check deposited in May 2006 in the amount of \$100; this returned item was not recorded on the checkbook.

3. The following is a list of exceptions identified on the American National Bank General Account:

- Interest received for the following months was not recorded on the AS400 until after the close of the month.
 - April interest for \$53.74 was not recorded until June 3, 2008.
 - May interest for \$70.23 and June interest for \$48.02 was not recorded until July 10, 2008.
 - July interest for \$30.09 was not recorded until September 23, 2008.
- There was a \$0.02 calculation error on the checkbook when posting the interest received from the bank for November 2006 through April 2007.
- A telephone transfer on October 19, 2007 in the amount of \$104 has not been posted to the checkbook.
- A deposit on March 3, 2008 was recorded \$0.20 short; it should have been recorded as \$3,320.40 on the bank deposit.
- Two deposits were short; one on April 1, 2008 for \$82.00 and another on April 24, 2008 for \$10.00.

4. This is a summary of exceptions that were not recorded or recorded late on the AS400 check register for the American National Bank General Account. We included the exceptions from the prior audit period that carried over into this audit timeframe for reconciliation purposes. The exceptions include deposits, checks, voided checks, credit card adjustments, interest, and chargebacks from the bank.

- During the first quarter of FY08, there were eleven exceptions identified.
- During the second quarter of FY08, there were twenty-five transactions identified.
- During the third quarter of FY08, there were thirteen transactions identified.
- During the fourth quarter of FY08, there were five transactions identified.

Note: An excel spreadsheet was provided to the elected official at the exit conference detailing these exceptions.

5. This is a summary of exceptions that were not recorded or recorded late on the office Excel spreadsheet check register for the American National General Account. We included the exceptions from the prior audit period that carried over into this audit timeframe for reconciliation purposes. The exceptions include deposits, checks, voided checks, overcharge adjustments, interest, and chargebacks from the bank.
 - For the first quarter of FY08, there were five transactions identified.
 - For the second quarter of FY08, there were twelve transactions identified.
 - For the third quarter of FY08, there were seven transactions identified.
 - For the fourth quarter of FY08, there were three transactions identified.

Note: An excel spreadsheet was provided to the elected official at the exit conference detailing these exceptions.

Recommendations:

1. The bank reconciliation should be completed each month for all accounts on timely basis. We request that the reconciliation be completed within five days following the end of the month.
2. The Bank One account is closed and any outstanding issues should be resolved immediately.
- 3, 4 & 5. All exceptions in the checkbook, the AS400 accounting system, the office Excel spreadsheet or the bank accounts should be researched and resolved in a timely manner. There are numerous risks that may occur with lax recordkeeping, such as overpayments, warrant recalls and such; it is important to update the records in a timely manner to monitor and identify everything is in balance. Lax recordkeeping also increases the time required to complete the required audits and requires more office staff time to assist us.

Response:

All funds are accounted for; this audit in no way reflects any missing funds or resources for JP 3-1.

1. April and May were complete and balanced to zero prior to this audit. June through September had been completed; however we were not able to balance.
2. Bank One General Account
 - Attempts to correct this began in the second quarter of 2008. The checks were voided on AS400 on April 16, 2009.
 - In absence of the check number, these records are in storage. We just need time to research in storage.
3. American National Bank General Account
 - June was posted upon receipt of the bank statement.
 - I have noted that this is corrected from last audit. I am currently researching.
 - It should never have been transferred from General to Escrow. Per email conversation with bank, this was transferred back to General on April 17, 2008 during the last audit. AS400 and checkbook were never affected.

- The court records were correct and balanced. This was an error on the banking side and was corrected in October 2008.
 - April 1, 2008 was a Lynk issue; I am researching to find what case it should be reflected on. April 24, 2008; I am currently researching this.
4. Court and bank statements reconciled and balanced. These discrepancies only relate to AS400 entries.
 5. This is a worksheet only – not an official document.

Bank Reconciliation – Escrow Account

Findings:

The Escrow Account was examined and the cash balance was verified with the following exceptions:

- Escrow account was not reconciled to AS400.
- The following checks issued from Escrow Account were missing in AS400 check register:

Check #	Check Date	Check Amount
1393	4/7/08	\$1,000.00
1402	4/7/08	\$ 500.00
1435	5/1/08	\$ 404.00

- Disbursements from the Escrow Account were not posted to the AS400 when issued or on a regular basis. The checks issued from June 2008 thru August 2008 were posted in September 2008.
- A monthly detailed asset to liability statement was not available for the Escrow Account.

Recommendations:

The following recommendations should be implemented to strengthen internal controls and increase efficiency.

- Escrow account should be reconciled to AS400 check register on a monthly basis.
- Check register should be reviewed for corrections and the missing checks should be posted to AS400 check register.
- Checks issued should be posted to AS400 regularly and the check register should be reconciled monthly.
- A detailed asset to liability statement should be maintained. The total amount of the asset to liability statement should be reconciled to AS400 check register and a copy of the asset to liability statement should be attached to the bank reconciliation.

Response:

The court accepts the above recommendations and will comply in every way possible.

Report Verification:

Findings:

We reviewed the manual receipts and the check register, finding the following exceptions:

- Manual receipts issued during the audit period were not attached to the corresponding computer receipts.
- The ending balance of the check register for April 2008 was not the beginning balance of May 2008 in general account. The difference was not identified and not documented.

Recommendation:

The following recommendations should be implemented to enhance internal control:

- Computer receipts should be printed for all manual receipts and the corresponding computer receipts should be attached to the manual receipts.
- The ending balance of a month should be the beginning balance of the following month. The difference between ending balance and beginning balance should be identified and the check register corrected.

Response:

- Researching to put AS400 receipts in manual receipt book.
- This is beyond the court's control and this was discussed between our office and the auditor. There were no clear answers as to how this could occur, so I have emailed I.T. for an answer.