



COLLIN COUNTY

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Date: September 25, 2012
To: Judge Paul Raleeh, Justice of the Peace – Precinct 1
From: Jeff May, County Auditor 
Subject: Third and Fourth Quarters FY11 Audit Result – Final

An examination of the Justice of the Peace, Precinct 1 financial books and records was conducted in accordance with Texas Local Government Code §115.002. The audit objectives were to provide reasonable assurance receipts and disbursements were promptly accounted for, accurately recorded and properly disbursed, and the internal controls were sufficient to protect County assets.

This review covered the period between April 1, 2011 and September 30, 2011. The audit procedures included a cash count, a test of deposits and receipts, a verification of disbursements, a review of the fee schedule and an examination of other financial aspects of your office.

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

Justice of the Peace, Precinct 1 personnel were extremely helpful and courteous in assisting with this review. An exit conference was held on May 23, 2012.

A written response to the report recommendations should be returned to Jeff May and Shela Vinson, Audit Manager, within ten (10) business days after receipt. If all recommendations will be implemented as stated, please respond with a statement to that effect; otherwise, please respond as to why and how the finding(s) will be corrected. A reply can be made via email or hard copy.

Please feel free to contact this office with any questions.

Bank Reconciliation

Findings:

1. The ending bank balance of the Cash Bond Account on September 30, 2011 is \$20,014.96; it does not match the ending account reconciliation balance of \$21,349.36 for September in Odyssey. The difference of \$1,334.40 could not be identified by JP-1. However, the difference was resolved in October 2011.
2. JP-1 is using the Odyssey account reconciliation, which does not identify the discrepancies between bank and book activity that may be due to timing, error, or unauthorized activities.

The Odyssey account reconciliation takes the beginning bank balance and adjusts it for the financial activity during the month to get the ending bank balance. This ending balance matches the statement ending bank balance for the months of June to September 2011. However, it does not reconcile book to bank; the following differences were identified between the adjusted bank balance and the book balance for the same months:

	Adjusted Bank Balance*	Odyssey Book Balance	Difference (Book Over Bank)
April	\$ 38,081.09	\$ 39,100.71	\$ 1,019.62
May	\$ 22,347.29	\$ 23,366.91	\$ 1,019.62
June	\$ 14,681.09	\$ 15,205.90	\$ 524.81
July	\$ 52,845.39	\$ 53,390.20	\$ 544.81
August	\$ 19,125.99	\$ 19,650.80	\$ 524.81
September	\$ (538.34)	\$ -	\$ 538.34

*The Adjusted Bank Balance is the ending bank balance adjusted for deposits and checks recorded in the system but have not yet cleared the bank

Recommendation:

1. The ending bank balance on September 30, 2011 should match with the ending account reconciliation balance for the same month.
2. JP-1 should perform reconciliations that identify and explain differences between book and bank balances due to timing, error, or unauthorized activity. Continuing to use their current reconciliation may lead to unauthorized activity or errors that go undetected.

The monthly reconciliation should compare the book and bank ending balances and identify and explain any differences between the two balances. This ensures all financial transactions are recorded by the bank are valid, accurate, and agree with the agency's financial records. It also ensures that

valid transactions initiated by the bank are documented in the agency's financial records accurately and timely. Any discrepancies that are not explained in the reconciliations should be investigated to ensure the proper protection of County funds.

Response:

The Justice Court in Precinct One manages all of its financial activities three ways; two check books (General account and Escrow account) and the court management software system (Odyssey).

In this report when the auditor makes reference to "book" they are referring to an excel spreadsheet that they have requested the court administrator maintain in addition to the other financial activity currently completed.

It should be noted that Justice Court 1 financial activities are compared daily, weekly and monthly by the court administrator. Discrepancies are identified repaired and heavily documented.

The error indicated in this audit was result of several financial difficulties in 2009 when the court went live with the new software system. The court identified errors and immediately called the auditors' office. They were gracious enough to send two employees to the court and work with us for a week while we worked through the new software issues. Unfortunately, the damage was done and to date, no fix has been agreed on. The auditor suggests that JP1 make adjustments in OFM. Tyler Technologies [Odyssey] say don't make the adjustment the auditor has recommended because it will cause a domino effect corrupting a lot of financial data.

In summary, we know where the problem is but we can't agree on the fix, so the court keeps getting a negative finding each audit on the same issue.

There is no money missing, there are no outstanding bills to be paid, and there is a paper mistake that we have not found a fix for.

Auditors' Response

When the Auditor's Office makes reference to a book balance or book activity, it is a specific reference to the agencies official financial records. The official financial records for JP-1 are maintained in the Odyssey Financial Manager, and populated by activity from Odyssey Case Manager. The excel spreadsheet that is mentioned in the Auditee's Response is a manual bank reconciliation that we recommend all offices perform in order to compare and identify any differences between the book and bank activity for a given period. This manual reconciliation should include the accurate ending balance book balance from the Odyssey Financial Manager for the period under review as a part of its calculations.

The financial records should accurately record and reflect the financial activity of the office. JP-1 should work with Tyler Technologies if there are system issues, stemming from the conversion to Odyssey that in any way hinders the accuracy of its financial records.

The bank reconciliation is merely a financial tool to verify that bank activity is accurately recorded in the financial records and the financial records represent all the bank activity.

At this time, JP-1 has prepared bank reconciliations that identify differences between the book and bank monthly ending balances.

Disbursement Verification

Finding:

JP-1 is not correctly documenting voided and replacement checks in the case files. As a result, the financial information in Case Manager does not agree with Financial Manager.

Ch#2858 (issued 5/31/10), for \$30, was voided on 6/22/11 in OFM. The proceeds were sent to Auditor Trust Fund (Unclaimed Funds). The case file does not reflect this voided check and reissuance of funds to the Unclaimed Funds account.

Four different checks (#3294 to #3297) have similar issues and were voided in OFM but not in Case Manager.

Recommendation:

All voided checks or financial adjustments should be initiated in Case Manager and then exported to OFM to ensure documentation of financial activity in the case files. This will ensure the case files accurately record financial activity, and the Case Manager and Financial Manager agree.

Response:

The statement that the court is not correctly documenting voided or replaced checks is somewhat strong.

The court did make an error in the transactions listed. The court found the errors and documented them. The court told the auditor of the errors during the audit. We were written up with a negative finding as if we weren't aware. After we noticed that the check was only voided in OFM and not case manager as well, the complication of software will not let you fix this without creating more damage. This is why we stopped, documented and told the auditor. Instead of getting a recommended fix we receive a negative finding.

Auditors' Response:

The Odyssey Case Manager module provides detailed information on the various occurrences that take place on a case including financial activity, unlike the Financial Manager module which only shows financial information that does not correspond to case files. In the finding cited above, check number #2858 was voided and the funds were then sent to the County Treasury for deposit, until which time a claim is made for the funds or until the escheatment process begins. The county is now in possession of the funds. This information will not be known or identified when reviewing the case on Case Manager; there is no record to indicate the original check was voided and the money was issued to the county. The last financial activity on the case will show funds were issued to the appropriate party that should have received the funds, thereby creating inaccurate accounting records.

As system issues arise beyond the course of normal processes, procedures should be implemented to address system issues with the appropriate administrators of the system.

The Tyler Technologies technical support division may have a solution to the problem. This occurrence may have been a reportable issue with other counties that use the Odyssey System. The ability to reverse an incorrect entry and then make the appropriate entry should be a standard and common procedure to perform on the Odyssey system.