



Audit Report
Justice of the Peace, Precinct 3-1
January 1, 2012 – June 30, 2012
Status: Final

For action:

Judge Chuck Ruckel Justice of the Peace, Precinct 3-1

For information:

Jeff May County Auditor
Randall Rice First Assistant Auditor
Shela Vinson Audit Manager

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Report Summary

As part of the 2012 Compliance Audit Plan, an audit of the Justice of the Peace, Precinct 3-1 was conducted in accordance with Texas Local Government Code §115.002.

The overall objective of the audit was to provide assurance that internal controls are in place to ensure:

- The officer has collected all the money they are obligated to collect
- The money collected was properly remitted to the appropriate party
- All funds are properly managed
- All money is properly accounted for, accurately reported, and adequately safeguarded
- The operations of the office conform to prescribed procedures
- Exposure to potential risk is minimized

The audit scope included an audit of banking, cash receipts and internal controls. The time period audited was January 1, 2012 through June 30, 2012.

Refer to the Observations and Recommendations section, as well as the Appendix for the results of the audit.

This review was not intended to provide absolute assurance on all procedures, activities, or controls. We will continue to examine aspects of the office in compliance with statutes and to provide reasonable assurance that County assets are safeguarded and appropriately managed.

An exit conference with the Justice of the Peace, Precinct 3-1 was held to discuss this report.

The time and assistance provided by the Justice of the Peace, Precinct 3-1 and the staff during this engagement is greatly appreciated.

Observations and Recommendations

Observation	Recommendation	Management Response
<p><u>12-JP31-Q12-01: Cash Tills – Un-Receipted Funds Held by Office</u></p>		
<p><u>Condition:</u> There were 57 checks in the safe held between 4 and 300 days, based on the stamped date or the date the office stamps on the checks to identify when they were received. No manual or computerized receipts for these checks were issued; therefore no documentation of these payments exists. (See Appendix I)</p> <p><u>Effect:</u> If not recorded promptly,</p> <ul style="list-style-type: none"> a. Money owed to the County and/or other entities could be delayed. There is an increased risk of loss due to the error or mismanagement of checks that are held for an extraordinary amount of time. b. Cases not filed timely may result in legal complications. <p><u>Cause:</u> According to the Office Manager:</p> <ul style="list-style-type: none"> a. The 16 checks for cases already filed were held until a determination could be made on how to handle these checks. Some checks were for duplicate payments for the same services, some partial payments, and some checks were held due to additional documentation needed in order to file the case. b. The 41 checks were waiting for someone to have the time 	<p><u>a. Transaction Required:</u> For the checks held in the safe,</p> <ul style="list-style-type: none"> a. If additional information is required on the 16 checks, follow up with the payor to determine whether to return the checks or deposit them. b. The 41 checks should be receipted and deposited immediately. <p><u>b. Internal Control Change:</u> Checks received in the office should be restrictively endorsed upon receipt and recorded in the financial system. A computer generated receipt should be issued to the customer at the time of transaction. If a situation arises where JP 3-1 cannot immediately record collections in the system, then a manual receipt should be issued in its place. All receipts, manual and system generated, should be included in the days deposit and received at the bank by the next business day.</p>	<p><u>Status of corrections:</u> Completed</p> <p><u>Date Completed:</u> August 2012</p> <p><u>Status of procedure change:</u> <u>Date Implemented:</u> The majority of the checks received in our office are not from the public at the counter, but are bulk filings delivered through the mail or a courier. Our office does not have the staff to enter everything received on a daily basis or hand write a manual receipt for each one. Either process would require roughly the same amount of time. The process we have in place has been successful and we do not run into an auditing issue by depositing funds that are not balanced to the daily deposit report and accounted for on Odyssey. The only other way to solve this problem would be to increase staff. At this time the current turn around (up to 2 weeks) appears reasonable. Checks held beyond two weeks indicate another type of problem that has been resolved.</p>

Observation	Recommendation	Management Response
to enter them into the system. Criteria: There should be no collections held in the office.		

<u>Observation</u>	<u>Recommendation</u>	Management Response
<u>12-JP31-Q12-02:</u> Cash Tills – Disbursements Held by Office		
<p><u>Condition:</u> Disbursement checks were written by JP 3-1, but not issued. The checks were held in the safe. (See Appendix I)</p> <p><u>Effect:</u> If not issued timely, the original checks may need to be voided and new checks issued.</p> <p><u>Cause:</u> According to the Office Manager, the address was incorrect for these three checks. When a good address is identified, these checks will be mailed out.</p> <p><u>Criteria:</u> Checks should not be written or printed until accurate address information is obtained.</p>	<p><u>a. Transaction Required:</u> Immediate efforts should be made to contact the payor to obtain an updated address. In the event the address cannot be obtained, the checks should be voided and reissued when additional information is acquired, or the payments held until the items meet the statutory escheatment requirements.</p> <p><u>b. Internal Control Change:</u> Procedures should be in place to ensure that proper documentation exist to issue checks, prior to initiating the issuance of checks.</p>	<p><u>Status of corrections:</u> These checks have been voided until further information can be obtained.</p> <p><u>Date Completed:</u> October 2012</p> <p><u>Status of procedure change:</u> <u>Date Implemented:</u> We may not know the information provided is incorrect until it is returned in the mail. We can only use the information provided to us.</p>

Observation	Recommendation	Management Response
12-JP31-Q12-03: Bank Reconciliation – Outstanding Checks General Account		
<p>Condition: Three outstanding checks totaling \$82 were not listed on the General Account outstanding check-list on the June 2012 Bank Reconciliation. In addition, one check totaling \$60 identified on the list should not be included on the outstanding check list, since it was voided on March 15, 2012.</p> <p>Effect: The June 2012 General Account Bank Reconciliation is incorrect as currently submitted.</p> <p>Cause: There were 3 adjustments labeled "Book Adj" that caused the bank reconciliation to balance in spite of the 4 checks previously mentioned.</p> <p>Criteria: In order to maintain integrity over finances and financial records, bank reconciliations must include all outstanding transactions to be accurate.</p>	<p>a. Transaction Required: The bank reconciliations should be revised for the General Account. The reconciliations should be approved by management, documented by a signature, and resubmitted to the Auditor's Office.</p> <p>b. Internal Control Change: JP 3-1 should perform a bank reconciliation that compares to ending book and bank balance for the month and identify and explain any differences between the two balances. Adequate research should be done to resolve all issues. This should be done monthly and submitted to the Auditor's Office.</p>	<p>Status of corrections: The general account is currently reconciled and balanced to \$0.00 w/ the bank and Odyssey and excel spreadsheet and is reconciled on a monthly basis.</p> <p>Date Completed: February 1, 2013</p> <p>Status of procedure change: Date Implemented: See status above</p>

Observation	Recommendation	Management Response
<u>12-JP31-Q12-04:</u> Disbursements – Void Checks		
<p><u>Condition:</u> Two checks written on the Escrow Account were voided in Case Manager but not voided in Office Financial Manager (OFM).</p> <p><u>Effect:</u> The Escrow book balance does not accurately reflect financial activity. If the checks voided in Case Manager are, at any time in the future, exported to Financial Manager it will cause duplicate entries for every voided check processed in this manner.</p> <p><u>Cause:</u> As part of the offices' current procedures, voided checks are initiated in Case Manager but are not exported to Financial Manager. Instead, they are manually inputted into Financial Manager. The two checks that were voided in Case Manager and not in Financial Manager appear to have been overlooked by the office.</p> <p><u>Criteria:</u> The information in Case Manager and Financial Manager should agree.</p>	<p><u>a. Transaction Required:</u> The two voided checks should be recorded in Financial Manager.</p> <p><u>b. Internal Control Change:</u> Voided checks should be initiated in Case Manager and then exported to Financial Manager.</p>	<p><u>Status of corrections:</u> At one time on Odyssey, you had to void in case manager then in OFM. That has since changed and once voided in Case Manager it exports to OFM.</p> <p><u>Date Completed:</u> August 2012</p> <p><u>Status of procedure change:</u> No procedure changed, Odyssey process corrected.</p> <p><u>Date Implemented:</u> Unknown when this correction occurred.</p>

Appendix I

Unrecorded Checks Held in Safe					
Days Held in Safe	Total Number of Checks	Dollar Amount – Existing Cases on System	Number of Existing Cases on System	Dollar Amount- Non-Existing Cases on System	Number of Non-Existing Cases on System
0-5 Days	3	640.00	2	31.00	1
6-10 Days	32	393.00	2	930.00	30
11-20 Days	14	959.00	4	341.00	10
21-90 Days	4	287.00	4	0.00	0
91-180 Days	2	107.00	2	0.00	0
>180 Days	2	22.00	2	0.00	0
Total	57	\$2408.00	16	\$1302.00	41

Checks Written by JP 3-1 Held in Safe			
Date - Check Written	Number of Checks	Days Held in Safe	Dollar Amount
July 23, 2012	1	21	55.76
June 1, 2012	1	73	40.00
May 30, 2012	1	75	5.00
Total	3		\$100.76