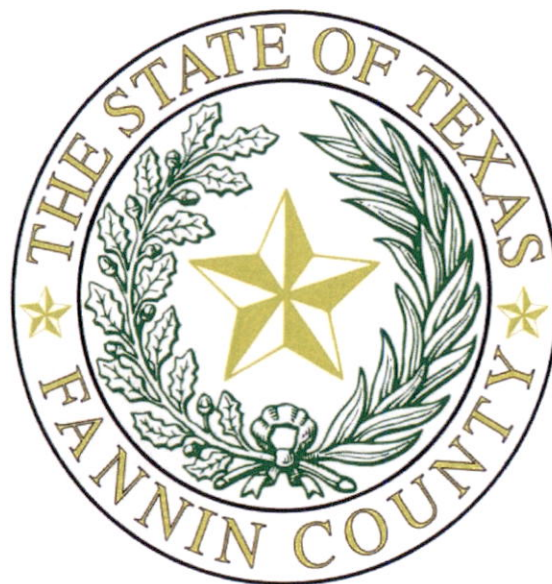


COUNTY AUDITOR'S REPORT

Justice of the Peace, Precinct 3 Office

October 1, 2022 – September 30, 2023



February 13, 2024

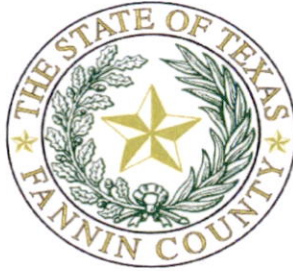
Alicia Whipple

Fannin County Auditor

Julie Criswell

Fannin County Assistant Auditor

Internal Audits



OFFICE OF THE
COUNTY AUDITOR

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February 13, 2024

Honorable Judge Kenny Karl
Justice of the Peace, Precinct 3
711 State Hwy. 56
Windom, Texas 75492

Honorable Judge Kenny Karl:

Attached is the Internal Auditor's final report labeled Justice of the Peace, Precinct 3. The audit covered the period October 1, 2022 through September 30, 2023. The internal audit was performed from Jan 31, 2024 through February 13, 2024. In order to reduce paper usage, a hard copy will not be sent through in-house mail except to the auditee.

If you prefer that released reports be emailed to a different (or additional) recipient, please inform me of the name and the change will be made.

Respectfully,

Julie Criswell

Assistant Auditor, Internal Audits

Attachment: Quarterly Audit Report, Justice of the Peace, Precinct 3

Fannin County Auditor's Office mission is to provide responsible, progressive leadership by accomplishing the following:

- Comply with applicable law and regulations
- Safeguard and monitor the assets of the County utilizing sound fiscal policies
- Assess risk and establish and administer adequate internal controls
- Accurately record and report financial transactions of the County
- Ensure accurate and timely processing of amounts due to County employees and vendors
- Set an example of honesty, fairness, and professionalism for Fannin County government
- Provide services with integrity
- Work in partnership with all departments to resolve all issues of the County
- Strive to utilize the latest efficient and effective technology in the performance of tasks
- Provide technical support and training in the development, implementation, and maintenance of information systems
- Hold ourselves accountable to the citizens of the County at all times
- Be responsive to the elected officials and department heads of Fannin County

The objectives of this audit are to:

1. Ensure compliance with laws, regulations, contracts, policies, plans and procedures.
2. Evaluate internal controls over safeguarding of assets.
3. Reliability and integrity of the information.
4. Verification of accuracy and completeness of reporting.

The scope of the internal audit encompassed the financial records and administrative procedures related to the Justice of the Peace, Precinct 3. The internal audit included, but not limited to, the books, accounts, reports, dockets, education, bonds and records of the Justice of the Peace, Precinct 3.

As part of the procedures we:

- Reviewed the Judge's bond to ensure compliance with GC 27.001
- Reviewed the Chief Clerk's bond and notary bond to ensure compliance with GC 27.002 and GC 27.056
- Reviewed educational hours to ensure compliance with GC 27.005
- Reviewed a sample of daily deposits to ensure that amounts deposited agreed with the daily reports and were deposited on a timely basis in compliance with LGC 113.022.
- Observed the office and interviewed staff members for proper internal controls.
- Interview staff members to get an understanding of office's work environment.

BACKGROUND

The justice of the peace is elected for a term of four years from each justice precinct in the county (a precinct may have more than one justice of the peace). The justice of the peace is the presiding officer of the justice court and the small claims court. The justice of the peace has jurisdiction over minor misdemeanor offenses (Class C), and in civil matters where the amount in controversy does not exceed \$20,000. A variety of civil process, as well as arrest and search warrants, can be issued by the justice of the peace. The justice of the peace also sits as judge of the small claims courts, in actions for the recovery of money, which does not exceed \$20,000.

The justice of the peace may also preside over hearings pertaining to suspension of driver licenses and conduct other hearings and inquests. The justice of the peace may conduct marriage ceremonies and serves as ex officio notary public for the precinct. The justice of the peace has administrative and financial duties concerning the keeping of records and fee and expense reports.

EXAMINATION METHODOLOGY

Our work was based on applying sampling procedures to the office records and on verbal and written representations from the Justice of the Peace, Precinct 3 office. Sampling relates to the examining, on a test basis, evidence supporting the amounts and disclosures in the financial records and statements. The use of sampling techniques would not necessarily disclose all matters in the office's financial statements, financial records, and financial controls that might be material weakness or misstatements. In regard to the written and verbal representations made by personnel from the Justice of the Peace, Precinct 3 office, unless otherwise noted in this report, office management maintains that the assertions we relied upon in the examination were correct.

SUMMARY OF FINDINGS/RECOMMENDATIONS

A review of the Justice of the Peace, Precinct 3 from October 1, 2022 through September 30, 2023 revealed the findings listed below with recommendations:

Receipting and Depositing

The Code of Criminal Procedure, Chapter 103, Payment, Collection, and Recordkeeping, it states in article 103.010 Receipt Book:

“(b) An officer who collects fines or fees in a criminal case shall give the person paying the money a receipt from the receipt book. The receipt must show:

- (1) the amount of money paid;
- (2) the date the money was paid;
- (3) the style and number of the case in which the costs were accrued;
- (4) the item of costs;
- (5) the name of the person paying the money; and

(c) Instead of a receipt book, each officer collecting fines or fees in criminal cases for the county may maintain the information listed in Subsections (b) (1) – (5) in a computer database. The officer shall provide a receipt to each person paying a fine or fee.”

Finding 1: The office is in compliance with the Code of Criminal Procedure by receipting all payments that are being submitted to the court. As collections are received they are posted into Odyssey to the corresponding case. An electronic receipt is issued. This includes filing fees, service fees and fine payments.

In accordance to the Local Government Code, Chapter 113, Management of County Money, section 113.022, Time for Making Deposits:

“(a) A county officer or other person who receives money shall deposit the money with the county treasurer on or before the next regular business day after the date on which the money is received. If this deadline cannot be met, the officer or person must deposit the money, without exception, on or before the fifth business day after the day on which the money is received. However, in a county with fewer than 50,000 inhabitants, the commissioners court may extend the period during which funds must be deposited with the county treasurer, but the period may not exceed 15 days after the date the funds are received.”

Finding 2: Daily depositing is one of the best methods of minimizing exposure of collections to loss as well as providing the county with maximum benefit of the collections. Justice of the Peace, Precinct 3 has a policy in place to deposit collections daily to the bank. At the end of each month the daily till and transaction reports, bank issued deposit slips, bank statement and credit card transaction reports are delivered to the Assistant Auditor’s office for reconciliation. After reconciliation is complete, the Jp3 revenue collected for the corresponding month is transferred to the Treasurer. Jp3 has consistently made efforts and implemented best practices to manage county money. Unfortunately, the office is not in compliance depositing money with the county treasurer on or before the fifth business day after the day on which the money is received.

Recommendation would be to transition to making weekly deposits to the Auditor’s office instead of monthly. The physical money collected throughout the week would be stored in a lockable safe until it is brought over to the Auditor’s office for deposit. The assistant auditor will reconcile the money collected and transfer to the treasurer weekly. This change would allow the additional bank account and monthly reconciliation to be eliminated. Presently, the Auditor’s office prepares two sets of monthly reconciliations because the Jp3 office has an additional bank account.

Finding 3: Chief clerk provides month end bank statements, daily till and transaction reports and deposit slips for the assistant auditor to process the monthly reconciliation for the Jp3 office. During field visit, the internal auditor and chief clerk compared the bank statement to transaction reports by day and found in most instances deposit date amounts will defer due to timing of bank deposits. (i.e. If daily deposits are made at the bank around lunch time; any payment received after the bank deposit is complete will post the following business day. Pending deposits made prior to the weekend or holiday may be further delayed.) This finding was communicated to the assistant auditor who reconciles the monthly Jp3 bank account and there were no issues noted.

Recommendation would be to have chief clerk and/or Judge review bank statement and corresponding monthly financial documentation before delivering to auditor’s office. In some instances, money received and posted to the current month will show a discrepancy at the end of the month on the bank statement due to the timing of the final monthly deposit.

Finding 4: Judge and chief clerk monitor fine and fee amounts daily. Judge monitors collection activity opportunities as a whole within Fannin County. Judge and chief clerk identify the number of cases assigned to Jp3 and measure collection program response rates to identify strengths and/or weaknesses. A small selection of cases are tested and key areas are monitored when layering additional collection efforts and expense programs. As fees are billed, Jp3 validates the actual amount collected in Odyssey vs the amount billed on each received invoice to ensure accuracy and monitor the cost of doing business. The office tracks the total number of tickets issued for all precincts so they can completely understand what collection revenue is attainable within their precinct and within the entire county. In addition, Judge periodically visits sheriff’s office and monitors the Jp mail boxes to ensure proper placement of issued tickets by precinct. Contact information is documented on every person with a case in the Jp3 office. Additional notes are added in each case to record all communication and/or interaction. The Jp3 office maintains lists of all cases, segmented by status and reviewed daily. Judge and chief clerk discuss how to proceed with each individual case and handle what is needed at the time.

Recommendation would be to continue these best practices to effectively measure and monitor the effectiveness/efficiency of your office's processes.

Bonds

In accordance to the Government Code, Chapter 27, Justice Courts, section 27.001, Bond:

“Each justice of the peace must give a bond payable to the county judge, in an amount of not more than \$5,000, and conditioned that the justice will:

- (1) faithfully and impartially discharge the duties required by law; and
- (2) promptly pay to the entitled party all money that comes into the justice's hands during the term of office.”

Finding 5: The office is in compliance, a \$5,000 bond was verified for Judge Kenny Karl and valid January 1, 2023 – Expires January 1, 2027.

In accordance to the Government Code, section 27.002, Commission; Notary:

“Each justice of the peace shall be commissioned as justice of the peace of the applicable precinct and ex officio notary public of the county.”

Finding 6: The office is in compliance, chief clerk is bonded as a notary valid July 9, 2023 – expires July 9, 2027 and the official bond and oath is valid June 26, 2023 – expires June 26, 2024.

Education Requirements

In accordance to the Government Code, Chapter 27, Justice Courts, section 27.005, Educational Requirements:

“(a) For purposes of removal under Chapter 87, Local Government Code, “incompetency” in the case of a justice of the peace includes the failure of the justice to successfully complete:

- (2) each following year, a 20-hour course in the performance of the justice's duties, including not less than 10 hours of instruction regarding substantive, procedural, and evidentiary law in civil matters;”

Justice of the Peace, Rules of Judicial Education (3) in each fiscal year thereafter, complete 20 hours of instruction approved by a justice court education committee in the performance of the duties of office. Ten of the required hours must be met by attending a live course, provided by the Texas Justice Court Training Center, which covers substantive, procedural, and evidentiary law in civil matters. The remaining hours shall consist of any live instruction provided by an approved entity with no more than four hours achieved by electronic means through course (s) provided by the Texas Justice Court Training Center.

Finding 7: The office is in compliance, Judge Kenny Karl earned twenty-two education hours in the academic year September 1, 2022-August 1, 2023. Education hours are recorded and added to the Texas Justice Court Training Center Student Transcripts. Judge provided copies of his transcripts for his continued education hours earned during this time period.

Segregation of Duties

Due to limited staffing levels, the office does not have the ability to assign unique staff members to process daily job functions to enforce recommended payment handling segregation of duties. Alternatively, both Judge and chief clerk are hands on and understand each other's responsibilities. The office works together simultaneously to review all aspects of individual cases daily. It is a normal practice to follow behind each other to double check work and discuss anything out of the ordinary or complex.

Finding 8: Chief clerk prepares the daily balance sheet, takes the majority of payments and completes daily bank deposits. Chief clerk discusses collection activities and balances throughout the day with Judge prior to making a bank deposit. Judge monitors the till balance and transaction report daily.

Finding 9: Chief clerk balances the payment drawers twice a day, once in the morning (to review any additional payments received after 5pm in the office or payments made online) and the second payment drawer balance is completed before 5pm. The following documentation is prepared and reviewed daily:

- The till balance and transaction report are printed from Odyssey and corresponding bank deposits are stapled to the report.
- A credit card transaction report printed from certified payments is also included in the daily financial paperwork.

Finding 10: Judge and chief clerk rotate opening the mail. All checks and/or money orders are immediately stamped for deposit only including Jp3 contact information, location and account number. All payments received via mail are entered into Odyssey and an electronic record is created and posted to the corresponding case. The front and back of each check are scanned and added into Odyssey. Both Judge and chief clerk are proficient in handling this job function.

Recommendation would be to continue to practice layering added quality assurance processes in substitution of segregating job functions. In addition, Judge might consider including his signature on the daily till balance and transaction reports after he has reviewed them. Adding further documentation to a best practice already administered enhances record keeping.

Safeguarding of Assets

Safeguarding of assets has three basic components: 1) physical security of collections, 2) minimal exposure to loss, and 3) proper management of the collections.

Finding 11: Physical security encompasses any method to physically secure the collections from loss. Monies collected should be kept in a locked drawer or safe until they are deposited in the bank.

As part of the audit, the auditor conducted a surprise cash count and cash count for the change drawer located at the Jp3 office on January 31, 2024. All collections were accounted for at the time of the surprise cash counts. Collections and the office checkbook are stored in a banker's bag in the front office credenza with no locking mechanism. The credenza has a lock but the keys are missing. Office and auditor discussed the issue and a resolution was implemented the same day to utilize a small safe in the credenza to store collections and checkbook.

Recommendation would be to continue utilizing the small safe to store unissued checks and collections pending deposit.

Finding 12: Daily depositing is one of the best methods of minimizing exposure of collections to loss as well as providing the county with maximum benefit of the collections. Justice of the Peace, Precinct 3 has a policy to deposit collections almost daily. Deposits are reviewed monthly by the Assistant Auditor.

Recommendation would be to prepare a written policy on the daily deposit procedures for the office.

Finding 13: The office has effective practices in place when handling collections for the office. However, the office does not have a written policy and procedure documenting the process.

Recommendation would be to prepare a written policy on the handling collections procedures for the office.

Finding 14: The office has effective best practices in place when handling check disbursements. Checks are requested by the Auditor's office via email. Chief clerk verifies, prepares and reviews check requests with Judge. If Judge delivers the checks to the Auditor's office, they are signed in the presence of the Assistant Auditor. If chief clerk delivers checks, the checks are signed by the Judge directly before transit begins. This process was verified by the Assistant Auditor who receives the checks.

Recommendation would be to document the current best practices in place so there is a written policy on the distribution of checks for the office.

Completeness & Accuracy

All court related documentation should be scanned into Odyssey for recordkeeping and auditing purposes. It is the courts duties to safely keep all dockets, books, and papers transmitted to the office. The office should appropriately apply all current and corresponding court costs and service fees to each case.

Finding 15: A sample of the status and outstanding balance on a court case was reviewed in Odyssey and no discrepancies were found.

- The office utilizes several reports internally to monitor case status, outstanding balance due, collection opportunities and timeframe limitations.
- Court documents relating to each case are uploaded to Odyssey and notes are added manually. The notes include adjustments, reversals, voids and credits, payments and extensions.

Monthly Reports

Local Government Code, Section 114.001 (b) states that “monthly reports must be filed within five days after the last day of each month.”

Local Government Code, Section 114,044 (a) states “Each...justice of the peace who collects or handles any money for the use of the county shall make a full report at least once a month at a regular term to the commissioners court on all fines imposed and collected, all judgements rendered and collected for the use of the county, and all jury fees collected by the respective courts in favor of or for the use of the county...”

Finding 16: The office is in compliance and submitted the monthly reports to the assistant auditor and to commissioner’s court during the audit period.

A statistical analysis was performed on the fees filed through Justice of the Peace, Precinct 3 for fiscal year 2023. The data for the analysis was obtained from the Odyssey Receipt Journal by Fund and Fee Code Statistics Report. The date range used for the report was October 1, 2022 through September 30, 2023. More than 21% of the total fee's reported were county fines, while consolidated court costs totaled \$11,390 attributing an additional 18.79%.

Justice of the Peace (Precinct 3) - Receipt Journal Fees Reported - FY 2023 (Monthly Comparison)

	#1	#2	#3	#4	#5	#6	#7			
	FINE - County	Consolidated Court Costs Fee	State Traffic Fine #10-318-130	Deferred Disposition Fee	Service in County	Judicial Education & Support Fund JP	JP Sate Consolidated Court Cost Fee	(#1-#7) Journal Fees Collected Total	Other* Journal Fee's Collected	Total Fees Collected Total
Oct-22	\$444.00	\$532.33	\$364.17	\$158.93	\$375.00	\$350.00	\$294.00	\$2,518.43	\$346.57	\$2,865.00
Nov-22	\$1,057.00	\$754.83	\$473.57	\$362.45	\$225.00	\$100.00	\$84.00	\$3,056.85	\$657.15	\$3,714.00
Dec-22	\$316.00	\$694.85	\$489.95	\$686.07	\$525.00	\$350.00	\$294.00	\$3,355.87	\$720.13	\$4,076.00
Jan-23	\$1,068.57	\$1,014.51	\$662.41	\$382.96	\$337.50	\$137.50	\$105.00	\$3,708.45	\$1,371.55	\$5,080.00
Feb-23	\$1,003.00	\$802.49	\$567.47	\$211.21	\$600.00	\$375.00	\$294.00	\$3,853.17	\$748.83	\$4,602.00
Mar-23	\$549.00	\$1,202.78	\$800.31	\$944.06	\$150.00	\$175.00	\$147.00	\$3,968.15	\$1,065.85	\$5,034.00
Apr-23	\$1,537.60	\$942.80	\$655.83	\$184.61	\$75.00	\$125.00	\$105.00	\$3,625.84	\$790.16	\$4,416.00
May-23	\$1,015.00	\$1,099.38	\$770.71	\$636.14	\$300.00	\$250.00	\$210.00	\$4,281.23	\$1,348.77	\$5,630.00
Jun-23	\$2,572.60	\$1,970.89	\$1,418.01	\$840.14	\$450.00	\$400.00	\$336.00	\$7,987.64	\$1,683.36	\$9,671.00
Jul-23	\$1,299.25	\$742.00	\$554.85	\$248.12	\$225.00	\$100.00	\$84.00	\$3,253.22	\$2,260.82	\$5,514.04
Aug-23	\$908.75	\$726.18	\$513.09	\$323.28	\$262.50	\$187.50	\$147.00	\$3,068.30	\$1,869.90	\$4,938.20
Sep-23	\$1,126.85	\$907.24	\$700.25	\$504.31	\$262.50	\$287.50	\$210.00	\$3,998.65	\$1,066.85	\$5,065.50
FY Total	\$12,897.62	\$11,390.28	\$7,970.62	\$5,482.28	\$3,787.50	\$2,837.50	\$2,310.00	\$46,675.80	\$13,929.94	\$60,605.74
% of FY Total	21.28%	18.79%	13.15%	9.05%	6.25%	4.68%	3.81%	77.02%	22.98%	100.00%

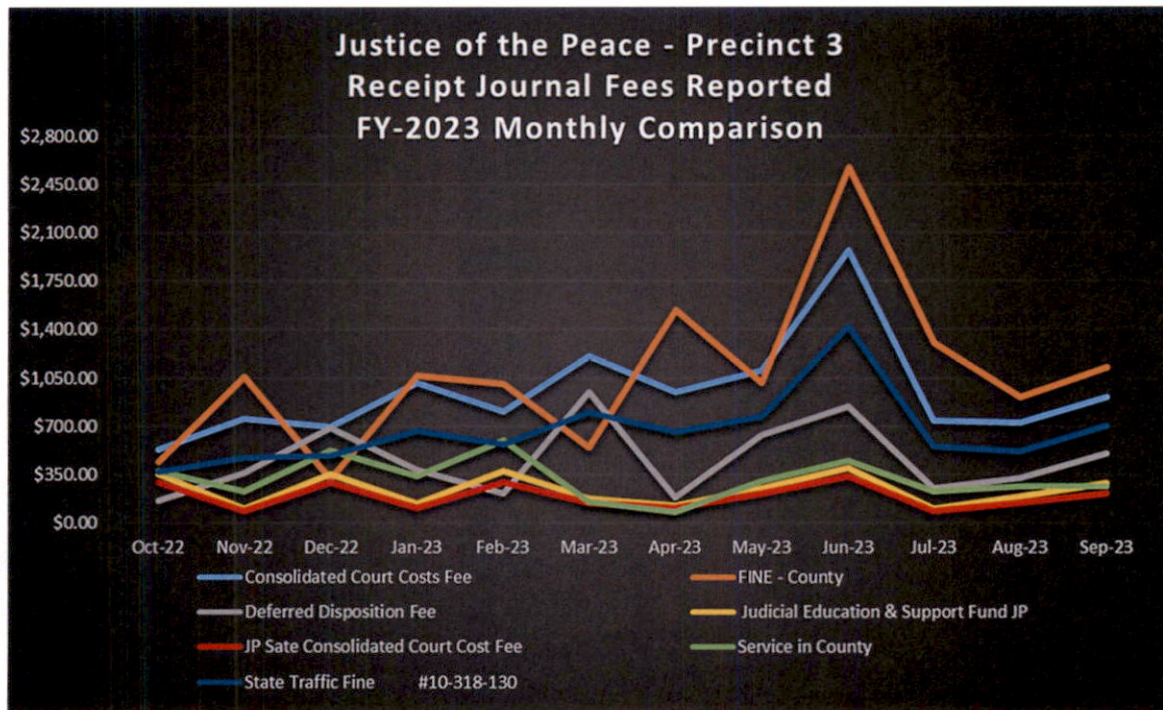
Other* - Additional Highlights

Collection Agency Fees began in June 2023, \$1,639 reported between June 2023-September 2023. Contributing an additional 6.51% of the Total Fees collected during this period.

Writ Service Fees, \$2,100 reported between October 1, 2022 - September 30, 2023. Contributing an additional 3.47% of the Total Fees collected during this period.

Warrant Fees reported between April 2023-September 2023, made up 84.13% / \$1,739 of the Total Warrant Fees of \$2,067 collected in FY 2023.

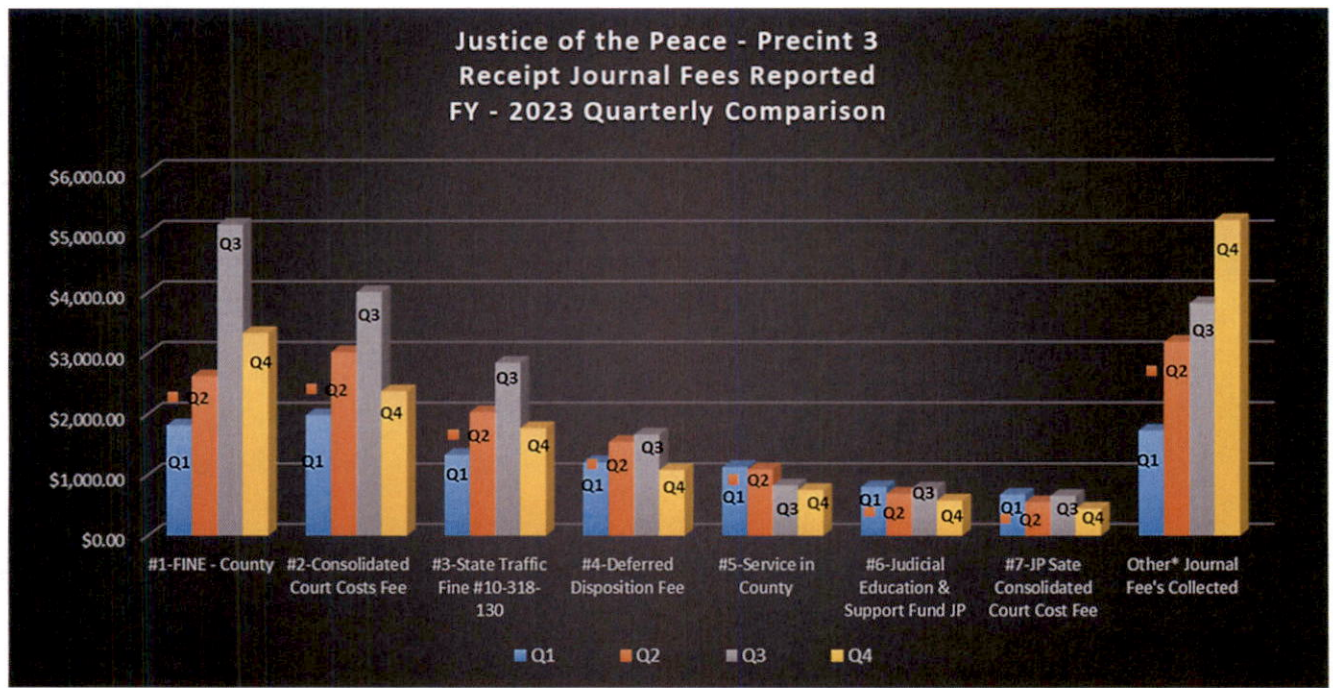
Other Journal Fees Collected Column includes Collection Agency Fees, Writ Service Fees, Warrant Fees and additional Miscellaneous Fees Collected in the FY-2023.



A statistical analysis was also prepared to compare quarterly trends on the top (7) receipt journal fees reported through Justice of the Peace, Precinct 3 for fiscal year 2023. The data for the analysis was obtained from the Odyssey Receipt Journal by Fund and Fee Code Statistics Report. The date range used for the report was October 1, 2022 through September 30, 2023. Consolidated Court Costs, Fine – County, Deferred Disposition, Judicial Education & Support Fund JP, JP State Consolidated Court Cost, Service in County and State Traffic Fine #10-318-130 attributed more than 77% of the total fees reported in the fiscal year of 2023. Q3 reported the highest receipt journal fees, top (7) receipt journal fees made up 26.23% of the total FY – 2023. In addition, Q3 total fees collected made up 32.53% of the total FY – 2023.

**Receipt Journal Fees Reported - FY 2023
(Quarterly Comparison)**

	Q1	Q2	Q3	Q4	Total
#1-FINE - County	\$1,817.00	\$2,620.57	\$5,125.20	\$3,334.85	\$12,897.62
#2-Consolidated Court Costs Fee	\$1,982.01	\$3,019.78	\$4,013.07	\$2,375.42	\$11,390.28
#3-State Traffic Fine #10-318-130	\$1,327.69	\$2,030.19	\$2,844.55	\$1,768.19	\$7,970.62
#4-Deferred Disposition Fee	\$1,207.45	\$1,538.23	\$1,660.89	\$1,075.71	\$5,482.28
#5-Service in County	\$1,125.00	\$1,087.50	\$825.00	\$750.00	\$3,787.50
#6-Judicial Education & Support Fund JP	\$800.00	\$687.50	\$775.00	\$575.00	\$2,837.50
#7-JP Sate Consolidated Court Cost Fee	\$672.00	\$546.00	\$651.00	\$441.00	\$2,310.00
(#1-#7) Total	\$8,931.15	\$11,529.77	\$15,894.71	\$10,320.17	\$46,675.80
Other* Journal Fee's Collected	\$1,723.85	\$3,186.23	\$3,822.29	\$5,197.57	\$13,929.94
Total by Quarter	\$10,655.00	\$14,716.00	\$19,717.00	\$15,517.74	\$60,605.74
% of Total Fees Collected by Quarter	17.58%	24.28%	32.53%	25.60%	



CLOSING

This information is intended solely for the information and the use of the Fannin County Justice of the Peace, Precinct 3 office and the Commissioners' Court. We greatly appreciate the cooperation that we received from Judge Karl and Stormie Dennis during this examination. The daily operations monitored during the field audit were accurate, refined and efficient. Judge Karl and Stormie Dennis generously offered to review the daily job functions in depth, explained the efforts made to achieve the current office processes and discussed future goals for the office. The Justice of the Peace, Precinct 3 office had minimal recommendations. Please feel free to contact us if you have any questions regarding this report.