



Texas Association of County Auditors  
On The Road Area Training – January 2016

# Auditing the Justice of the Peace

# Understand JP Operations

The Texas Constitution provides that each county shall have one to eight justice precincts depending on population. The major responsibility of this office is to preside over the justice court, which also may function as a small claims court.

A Justice of the Peace is elected from each justice precinct in the county to serve a four-year term, and until a qualified successor is elected.

# Jurisdiction, Duties and Responsibilities

- Justice of the Peace courts have jurisdiction over criminal and civil (up to \$10,000) cases as well as other non-judicial duties.
  - Inquests and Hearings (Dead Body, Fire, Unsafe Driver)
  - Marriage Ceremonies
  - Ex Officio Notaries Public
  - Registrar of Vital Statistics – can be C/Clerk (Health & Safety Code 191.022)

# Guides and Resources

- Justice of the Peace Manual – February 2002
- Court Financial Management Handbook for Texas Counties – January 2006
- 2014 Guide to Texas Laws for County Officials
- 2014 Special and Dedicated Funds
- 2015 Oath and Bond Requirements for County Officials
- Texas Constitution, Statutes, AG Opinions
- County Policies and Procedures

# Justice of the Peace Manual for Texas Counties

- Published by: Texas Comptroller of Public Accounts
  - February 2002
  - Chapter 1 – Office of the Justice of the Peace
  - Chapter 2 – Jurisdiction, Duties, Responsibilities
  - Chapter 3 – Collections and Fees of Office
  - Chapter 4 – Financial Procedures
  - Chapter 5 – Auditing the Office
  - Chapter 6 – Computer Systems

# Court Financial Management Handbook for Texas Counties

- ▶ Prepared by: State Office of Court Administration – January 2006
  
- ▶ This document is intended to give court personnel an understanding of financial management.
  - Chapter 1 – The County Auditor
  - Chapter 2 – General Internal Control
  - Chapter 3 – Receipts and Disbursements
  - Chapter 4 – Other Financial Management Areas
  - Appendix – Statutes

# 2014 Guide to Texas Laws for County Officials

- ▶ Prepared by: David B. Brooks for Texas Association of Counties
- ▶ Quick Reference Guide ONLY – NOT all inclusive
- ▶ Guides main focus is a description of the office and the associated administrative duties.

# Justice of the Peace

- ▶ **Source:** 2014 Guide to Texas Laws for County Officials

Overview.....	124
1. Judicial Responsibilities .....	125
Justice Court	
Small Claims Court	
Issuance of Writs	
Evidence Proceedings	
2. Miscellaneous Judicial Duties .....	127
3. Description of Office and Regulation of Justice Courts.....	129
4. Financial Duties and Transactions .....	130



# Special and Dedicated Funds – 2014

- ▶ Prepared by: Texas Association of Counties
- ▶ Electronic Filing Fee (Government Code 51.851)
- ▶ Justice Court Building Security Fund (CCP 102.017(d-2)(2))
- ▶ Justice Court Technology Fund (CCP 102.0173)

# Oath & Bond Requirements for County Officials

- ▶ Prepared by the Texas Association of Counties -- Legal Department - July 2015
- ▶ “...before entering upon the duties of office, a justice of the peace is required to take the official oath. (Texas Constitution, Article XVI, Section 1(a))
- ▶ The statement of the officer must be filed in the official records of the office before the oath can be taken. (Texas Constitution, article XVI, Section 1(c))
- ▶ Each justice of the peace must give a bond payable to the county judge in an amount of not more than \$5,000 conditioned that the justice will faithfully and impartially discharge the duties required by law and promptly pay all money that comes into the justice’s hands during the term of office. (Local Government Code 88.001)

# Statutory Authority

- ▶ ...examine the accounts, dockets, and records of each clerk, justice of the peace, and constable and of the sheriff and county tax assessor–collector to determine if any money belonging to the county and in the possession of the officer has not been accounted for and paid over according to law. (Local Government Code 115.901)
- ▶ ...examine the receipt book or computer records and determine whether the money collected has been properly disposed of. (Code of Criminal Procedure 103.011)

# Statutory Authority – Continued

- ▶ In counties with a population of 190,000 or more, audit the accounts of officials at the end of each fiscal year or the accounting period fixed by law. (Local Government Code 115.004)
- ▶ All Auditors must determine when and how reports are made to them. (Local Government Code 114.002) Additionally, in counties with a population of 190,000 or more, the auditor may require monthly, annual, or other reports regarding receipts, disbursements or money on hand. (Local Government Code 114.043)
- ▶ Also, each auditor must require every person who receives county money or who is responsible for disposing of or managing county property, to make reports to the auditor. (Local Government Code 112.005(c))

# When To Audit?

- According to the Audit Plan
- To Meet a Statutory Requirement
- When Elected or County Official Requests
- When Fraud or Wrongdoing is Suspected
- When Key Personnel Retires or is Terminated

# Auditable Units

- Receipts – face-to face, mail, e-filing
- Disbursements – County, State, Third Party
- Financial Reporting/Computer Generated Reports
- Fixed Assets Inventory
- Bank Reconciliations
- Security Authorizations to Computer Systems (External Websites)

# Security Authorizations to Computer Systems and External Websites

- ▶ Obtain a list of Computer Applications and End Users from IT.
- ▶ Begin developing a list of external websites “Key” employees access (Banks, TCDRS, IRS, etc.)
- ▶ Work with IT to establish a process to deactivate employee access to computer systems & websites

# Communicate with the JP Office

- ▶ Schedule a time to meet with the JP and their staff.
- ▶ Introduce Auditor's Office staff who will work with the JP office.
- ▶ Discuss the duties and responsibilities of the JP and Auditor.
- ▶ Provide statutes and discuss critical due dates, such as depositing receipts, making disbursements and submitting financial reports.
- ▶ Build a relationship with the JP and their staff.



# Plan the Audit

- Determine the type of audit to perform – statutory compliance, financial, security, etc.
- Determine the audit scope – full or limited
- Determine time period – fiscal year ended, quarter ended, as of date, etc.
- Perform a risk assessment
- Schedule an entrance conference with the JP

# Entrance Conference

- ▶ Discuss the scope of the audit, audit period and staff assigned (if different).
- ▶ Ask the JP for a copy of their current policies and procedures.
- ▶ Identify the types of reports and documents needed from their staff.
- ▶ Ask the JP and their staff what area(s) of their operation concern them.

# Internal Controls

- Appropriate Segregation of Duties – challenging due to limited number of staff.
  - Rotate Duties
  - Strict Supervision
  - Enforce Vacations
  - More Frequent Audits
  
- Qualified Personnel – normally staff skill set is court related, not financial.
  - Provide Special Training

# Internal Controls – Cont.

- Documented Procedures –should be consistent and detailed including ALL duties to be performed, by whom and how often.
  - Include Sample Documents, Reports, etc.
  
- Management Oversight by JP
  - Review Bank Reconciliations
  - Review Void and Adjustment Report
  - Review Cases with Credit for Time Served
  - Review Cases with Credit for Community Service
  - Review Cases with Court Costs or Fees Waived
  - Review Reduction or Waiver of Fines

# Examples for Traditional Audits

- Justice of the Peace, Precinct 1
- Planning Memo
- Audit Program
  - 2 Observations
  - Report issued
  
- Limited Financial Review, JP3
- Planning Memo
- Audit Program
  - 7 Observations
  - Report issued

# Exit Review

- Justice of the Peace or Court Manager
- Perform Cash Count to Transfer Custody of Change Funds
- Review Monies Held in Trust
- Agree Monies Held in Trust to reconciled bank balance
- Determine Proper Cut Off of Receipts, Deposits and Check Stock

# Exit Review – Continued

- Change Check Stock and Bank Signatures Cards
- Fixed Assets Returned
- Keys, ID badge and building access cards returned or deactivated
- Computer Authorizations Deactivated
- Dues and Memberships

# Exit Review – Continued

- ▶ Credit Card or Procurement Card
- ▶ Inventory of Fixed Assets Complete
- ▶ Oath and Bond – Elected Official
- ▶ Reports Issued
  - Justice of the Peace, Precinct 2
  - Court Manager, Precinct 4



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