

GALVESTON COUNTY



Office of County Auditor

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March 15, 2016

Honorable Mark A. Henry and
Members of the Commissioners' Court

Honorable Mark A. Henry and Members of the Court:

Attached for your consideration is the internal audit report of the Galveston County Collection Improvement Program. The audit covered the period August 1, 2015 through December 10, 2015. Also attached are the response letters from Mr. Darren Bertin, dated March 4, 2016 and Honorable Jim Schweitzer, dated February 23, 2016.

Sincerely,

A handwritten signature in blue ink that reads "Rice CPA".

Randall Rice CPA
County Auditor

cc: Mr. Darren Bertin
Honorable Jim Schweitzer
Honorable Alison Cox

Attachment: Collection Improvement Program Internal Audit Report
Response Letter, Darren Bertin
Response Letter, Honorable Jim Schweitzer



Collection Improvement Program Internal Audit FY2016

February 1, 2016

Galveston County
Internal Audit
Division

Randall Rice CPA
CITP CISA CIO CBM DABFA CGMA
County Auditor

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Executive Summary

Components for Local Program Operations

The collection improvement program can be further improved by implementing the following recommendation:

- Justice of the Peace, Precinct 1 should send completed time payment agreements to the Collections Office the day they are signed by the defendant.

Components for Defendant Communications

The county's collection improvement program components for defendant communications can be improved by the following:

- Justice of the Peace, Precinct 2 should verify defendant contact information while the defendant is in the office signing the time payment agreement.

Introduction

The Internal Audit Division conducted an internal audit of the Galveston County Collection Improvement Program, as required by Local Government Code §115.0035. The internal audit covered the period August 1, 2015 through December 10, 2015. The audit was performed from December 10, 2015 through February 1, 2016.

The primary objective of the internal audit is to provide reasonable assurance concerning compliance with laws, regulations, contracts, policies, plans and procedures. The statutory requirements for the implementation and maintenance of the collection improvement program (CIP) are prescribed in 1 TAC §175.3 and CCP §103.0033. The CIP has eleven components. Four components relate to the way a local program must be implemented, staffed and operated. The other seven components relate to the way the program staff communicates with defendants and documents those communications. The purpose of this audit is to evaluate the processes the Collections Office currently has in place to ensure compliance with each component.

The scope of the internal audit encompassed the financial administrative procedures related to the collection improvement program. The internal audit included, but was not limited to, the books, accounts, reports and records of the collection improvement program.

The internal audit included examining transactions on a test basis and required exercising judgment in the selection of such tests. As the internal audit was not a detailed examination of all transactions, there is a risk that errors or fraud will not be detected during the internal audit. The official, therefore, retains the responsibility for the accuracy and completeness of the financial information.

Because of certain statutory duties required of the County Auditor, we are not independent with regard to the collection improvement program as defined by the AICPA professional standards. However, our internal audit was performed with objectivity and due professional care.

Madeline Walker, Compliance Audit Team Lead, performed the audit.

Components for Local Program Operations

Dedicated Program Staff

1 TAC §175.3(b)(1) requires each local program to designate at least one employee whose job description contains an essential job function of collection activities. There are currently 5 employees in the Collections Office, whose essential job function relates to collection activities.

Payment Plan or Extension Compliance Monitoring

According to 1 TAC §175.3(b)(2), program staff must monitor defendants' compliance with the terms of their payment plans or extensions and document the ongoing monitoring. Currently, staff monitors payment plans by using iPlow, the collections improvement software, that tracks missed payments, performs automated voice notifications and generates delinquency letters for past due accounts. Time payment agreements for the District and County Courts and some Justice of the Peace Courts are stored in Odyssey. Time payment agreements for cases that originated in Net Data must be sent to the Collections Office. All time payment agreements must be recorded in iPlow for proper monitoring.

Finding: Justice of the Peace, Precinct 1 is not consistently sending signed time payment agreements to the Collections Office in order for the payment plan to be monitored.

Recommendation CIP-16-01: Completed time payment agreements should be sent to the Collections Office the day they are signed by the defendant.

Delinquent Cases

1 TAC §175.3(b)(3) requires each local program to have a component designed to improve collection of balances more than 60 days past due. Justice of the Peace Courts currently use a third party collection agency that is contracted by the county to fulfill this requirement. Program staff makes additional contact attempts beyond what the statute requires in order to meet this component for District and County Courts.

Proper Reporting

1 TAC §175.3(b)(4) states that the program must report its collection activity data to the Office of Court Administration (OCA) at least annually. The Collections Office sends reports monthly to the OCA in addition to the annual report. All reports contain the required documentation as prescribed in 1 TAC §175.4.

Components for Defendant Communications

Application/Contact Information

1 TAC §175.3(c)(1) states for payment plans or extensions set by a judge, the defendant must provide or acknowledge contact information and program staff must document it. In other cases, the defendant must provide a signed or acknowledged application for extended payment that includes both contact information and payment ability information. The contact information and payment ability, if applicable, must be obtained within one month of the assessment date. The county is in compliance with this component.

Verification of Contact Information

1 TAC §175.3(c)(2) requires program staff to verify both the home or contact information and the employer or source of support, if applicable, within five days of receiving the data. For District and County Courts, contact information is verified in the Collections Office at the time the defendant signs the time payment agreement. Justice of the Peace court staff is responsible for verifying defendant contact information when the defendant signs the agreement. The staff member who verified the contact information and the date the information was verified must be documented on the time payment agreement.

Finding: Justice of the Peace, Precinct 2 is not verifying defendant contact information, citing “insufficient staff” as the reason.

Recommendation CIP-16-02: Defendant contact information should be verified when the defendant signs the time payment agreement. The staff member who verified the contact information and the date the information was verified must be documented on the time payment agreement.

Defendant Interviews

1 TAC §175.3(c)(3) states that within 14 days of receiving an application or a judge-imposed payment plan or extension, program staff must interview the defendant to review the application or to review the terms of the judge-imposed payment plan or extension. For all courts, defendant interviews are performed when the defendant comes in to sign the time payment agreement. The interviewer and date of the interview are documented on the agreement. There were no material findings for this component.

Specified Payment Terms

According to 1 TAC §175.3(c)(4), payment plans or extensions should require the highest payment amounts, and should require payment in full in the shortest period of time the defendant can successfully make. Payment plans or extensions set by a judge are up to judicial discretion and are not subject to the statutory time requirements. For all payment plans, there must be documentation of the plan. All courts are in compliance with setting payment terms in accordance with statute.

Components for Defendant Communications (Cont'd)

Telephone Contact for Past-Due Cases

1 TAC §175.3(c)(5) requires program staff to contact the defendant by phone within one month of a missed payment. iPlow performs automated phone calls the day after a defendant defaults on a payment, ensuring compliance with this component. No material discrepancies were detected.

Mail Contact for Past-Due Cases

1 TAC §175.3(c)(6) requires program staff to send a written delinquency notice to a defendant who has not contacted the program within one month of a missed payment. Notices are generated from a delinquency list in iPlow and printed on bright orange postcards. Delinquency notices are currently sent one week after a missed payment. There was an issue with cases being entered incorrectly when iPlow was first implemented, which caused a delay in sending the delinquency letter in some instances. Case numbers are now being entered into the system correctly and the Auditor's Office has provided the Collections Office with a list of cases that will need to be corrected and monitored more closely. Since this was an issue of software conversion and not a problem with the process, it is not considered a material at this time.

Contact if Capias Pro Fine Sought

1 TAC §175.3(c)(7) states if capias pro fine will be sought, program staff must make an additional telephone call or send another written notice to the defendant within one month of the telephone contact for past-due payments or written delinquency notice, whichever is later. Currently, if a defendant has not made contact within one week after the delinquency notice is sent a second notice is mailed to the defendant. This notice contains the verbiage "Failure to respond to this notice may result in the issuance of a warrant for your arrest". This allows the notice to qualify as an additional contact attempt in the event capias pro-fine is sought, ensuring compliance with this component of the statute.

Walker, Madeline

From: Bertin, Darren
Sent: Friday, March 04, 2016 2:30 PM
To: Walker, Madeline; Bulanek, Kristin
Subject: Collections Office response to audit findings

Madeline and Kristin:

I am in receipt of the internal audit performed by the Galveston County Audit Team. After review of the findings and information therein, Galveston County Collections Department has no issue with any of the findings. Of those areas that were found deficient, specifically those concerning the procedures within the JP offices, this office has no enumerated powers to enforce corrective measures over other county offices and divisions. However, remedies were already being addressed and enacted internally with the plans being submitted to us by those offices.

I want to thank both of you for hard work on our behalf. You were both extraordinarily helpful in pointing out problems and effective remedies to solve the problems identified, and have helped to streamline our procedures. For the entire duration of the audit you performed your duties honestly and diligently, and with the highest degree of professionalism and integrity. It was an absolutely pleasure to work with you, and we hope to continue working with you in the future.

Again, thank you both very much. If there is ever anything you need from us, please do not hesitate to ask. We will be more than happy to help.

Darren Bertin, M.T.S., J.D.
Director
Galveston County Justice Center
600 59th Street
Galveston, Texas 77551
409.770.5437 (phone)
409.392.0194 (cell)

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Walker, Madeline

From: Bulanek, Kristin
Sent: Tuesday, February 23, 2016 3:16 PM
To: Walker, Madeline
Subject: FW: FY16 CIP Audit Report

From: Jim Schweitzer [<mailto:jschweitzer@pobox.com>]
Sent: Tuesday, February 23, 2016 3:07 PM
To: Bulanek, Kristin
Subject: RE: FY16 CIP Audit Report

Thank you for the FY2016 Collection Improvement Program Audit Report. The Audit was performed during the last quarter of 2015. An additional clerk position was budgeted during this quarter partially to assist with this collection program.

Due to staffing, flu, etc. the staff was not able to verify defendant contact information for much of January. Upon contact by the auditor's office in late January I instructed staff to begin verifying this information. They will continue to do so.

If you have any questions, please feel free to contact me.

Jim Schweitzer
Justice of the Peace, Pct. 2
1922 Sealy
Galveston, Texas 77550
409-766-2250

From: Walker, Madeline
Sent: Tuesday, February 23, 2016 9:34 AM
To: Schweitzer, Jim; Cox, Alison
Cc: Bulanek, Kristin; Reyes, Ellenor; Branch, Carolyn
Subject: FY16 CIP Audit Report

Good Morning,

Attached is a copy of the FY2016 Collection Improvement Program Audit Report that will appear on the Commissioners Court Agenda 3/1/2016. Please contact Kristin Bulanek, Director of Auditing, with your response by **today, 2/23/2016**. If you have any questions or concerns, please let us know.

Madeline Walker
Compliance Audit Team Lead
Galveston County Auditor's Office
phone: 409-770-5312
Madeline.Walker@co.galveston.tx.us