

# GALVESTON COUNTY



## Office of County Auditor

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July 3, 2017

Honorable Mark A. Henry, County Judge, 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 Collections Improvement Program. The audit covered the period April 1, 2016 through March 31, 2017. Also attached are the response letters from Gregory Rikard, dated June 5, 2017 and the response letter from Judge Kathleen McCumber dated June 2, 2017.

Sincerely,

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

Randall Rice CPA  
County Auditor

cc: Gregory Rikard, Director of Personal Bonds & Collections  
Alison Cox, Justice of the Peace, Precinct 1  
Penny Pope, Justice of the Peace, Precinct 3  
Kathleen McCumber, Justice of the Peace, Precinct 4

Attachment: Galveston County Collections Improvement Program Internal Audit Report  
Response Letter, Gregory Rikard  
Response Letter, Judge Kathleen McCumber



# Collection Improvement Program Internal Audit FY2017

April 26, 2017

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 recommendations:

- Program staff should work with iPlow and the Odyssey Team to determine the correct report parameters in order for all cases with payment plans to import into iPlow.
- Justice of the Peace, Precincts 1, 3 and 4 should document the date the defendant's contact information was verified and the individual who verified the information on all payment plans, in accordance with 1 TAC §175.3(a)(4).
- Justice of the Peace, Precincts 1 should document the date of the defendant interview on all payment plans, in accordance with 1 TAC §175.3(a)(5).

# Introduction

The Internal Audit Division conducted an internal audit of the Galveston County Collection Improvement Program, in accordance with Local Government Code §115. The internal audit covered the period April 1, 2016 through March 31, 2017. The audit was performed from March 23, 2017 through April 26, 2017.

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 twelve components relating to the way a local program must be implemented and staffed as well as the way staff must communicate with defendants and the documentation of 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(a)(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 7 employees in the Collections Office, whose essential job function relates to collection activities.

## Payment Plan Compliance Monitoring

According to 1 TAC §175.3(a)(2), program staff must monitor defendants' compliance with the terms of their payment plans 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. Cases with signed payment plans are imported into iPlow from Odyssey daily. Copies of signed payment plans are stored in Odyssey.

**Finding:** iPlow is not consistently importing all cases with signed payment plans.

**Recommendation CIP-17-01:** Program staff should work with iPlow and the Odyssey Team to determine the correct report parameters in order for all cases with payment plans to import into iPlow.

## Application or Contact Information

1 TAC §175.3(a)(3) states for payment plans set by a judge or standard payment plans, the defendant must provide contact information and program staff must sign and date the documented information. For all other cases, the defendant must provide a signed and dated application for a payment plan 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. All courts are in compliance with collecting application or contact information.

## Verification of Contact Information

1 TAC §175.3(a)(4) requires program staff to verify both the home and primary telephone number, 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 payment plan. 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 payment plan.

**Finding:** Justice of the Peace, Precinct 1, Justice of the Peace, Precinct 3 and Justice of the Peace, Precinct 4 are not consistently recording the contact verification date and/or the individual who verified the contact information on payment plans.

## Components for Local Program Operations (Cont'd)

**Recommendation CIP-17-02:** The date the defendant's contact information was verified and the individual who verified the information should be documented on all payment plans, in accordance with 1 TAC §175.3(a)(4).

### Defendant Interviews

1 TAC §175.3(a)(5) states that within 14 days of receiving an application, a judge-imposed payment plan or a standard plan agreement, program staff must interview the defendant to review the terms of the defendant's payment plan and, if applicable, the defendant's payment ability information. For all courts, defendant interviews are performed when the defendant comes in to sign the payment plan. The interviewer and date of the interview must be documented on the agreement.

**Finding:** Justice of the Peace, Precinct 1 is not consistently recording the interview date on payment plans.

**Recommendation CIP-17-03:** The date of the defendant interview should be documented on all payment plans, in accordance with 1 TAC §175.3(a)(5).

### Court Review of the Defendant's Ability to Pay Information

Under 1 TAC §175.3(a)(6), local program staff must provide the court the defendant's ability to pay information for the court to review and consider if non-monetary compliance options or waiver or partial waiver of costs, fees or fines are appropriate when the defendant meets one of the criteria found in 1 TAC §175.3(a)(6)(a)(i-iii). If a defendant does not meet one of the criteria but provides staff with information indicating that payment of assessed costs would cause an undue hardship on the defendant, program staff may also present this information for the court review. Along with the defendant's payment ability, program staff should also collect and provide to the court information regarding no-monetary compliance options that may enable the defendant to discharge all or part of the defendant's costs, fees or fines. The judge retains discretion in determining if any or all of the costs, fees or fines will be waived or reduced. All courts are in compliance with providing a court review of the defendant's ability to pay information, if requested by the defendant.

### Payment Plans

According to 1 TAC §175.3(a)(7), a judge may adopt standard payment plans that include a payment range and time range based on amounts owed that can be made available to defendant's when they are referred to the local program. For standard payment plans, the defendant must agree in writing that they understand the terms of the payment plan and have the ability to pay. If a defendant is unable to meet the standard plan, program staff must review the defendant's ability to pay information and establish appropriate payment terms based on the defendant's ability to pay information. All courts are in compliance with setting payment terms in accordance with statute.

# **Components for Local Program Operations (Cont'd)**

## **Telephone Contact for Past-Due Cases**

1 TAC §175.3(a)(8) requires program staff to contact the defendant by phone within one month of a missed payment. The telephone call must provide the defendant with instructions about what to do if the defendant is unable to make payments and provide information for what the defendant can do to request a hearing with a judge to review payment ability. iPlow performs automated phone calls that include the required information 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(a)(9) 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. Written notices may be made by mail, e-mail, text message, or other electronic means and must contain instructions for about what to do if the defendant is unable to make payments and information about how the defendant may request a hearing for a judge to review the defendant's payment ability. Notices are generated from a delinquency list in iPlow and printed on bright orange postcards that include the required verbiage. Delinquency notices are currently sent one week after a missed payment.

## **Final Contact Attempt**

1 TAC §175.3(a)(10) states program staff must send a final written notice by regular or certified mail to the defendant within one month of the written delinquency notice described in 1 TAC §175.3(a)(9) prior to the defendant being reported as non-compliant. This delinquency notice must also contain the information required in 1 TAC §175.3(a)(9). 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. After 30 days of the defendant being unresponsive, the case will be moved onto the list of delinquent cases to be reviewed by the court.

## **Delinquent Cases**

1 TAC §175.3(a)(11) 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. The District and County Courts are actively working with the same collection agency to turn over monitoring of delinquent cases to the collection agency. Currently, program staff makes additional contact attempts beyond what the statute requires in order to meet this component for District and County Courts.

## **Components for Local Program Operations (Cont'd)**

### **Proper Reporting**

1 TAC §175.3(a)(12) 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. Due to a change in management and technical issues with the OCA's website, the fiscal year 2016 annual report for the Justice of the Peace offices has not been submitted. Program staff is currently working with the OCA to complete this.



Greg Rikard  
Director

**County of Galveston**  
Personal Bond & Collections  
600 59<sup>th</sup> Street Suite 1500  
Galveston, Texas 77551

Phone: (409) 766-2400  
Fax: (409) 765-2603

June 5, 2017

Randall Rice CPA  
Office of County Auditor  
722 Moody Ave 4<sup>th</sup> Floor  
Galveston, Texas 7550

Re: Collection Improvement Program Internal Audit

Mr. Rice:

In response to the internal audit report on the Collection Improvement Program, we have implemented the following directives based on audit staff recommendations:

**Payment plan compliance monitoring**

Finding states that iPlow is not consistently importing all cases with signed payment plans.

CIP-17-01: iPlow does not import the actual payment plan from Odyssey. The name, address, phone number, court, sentence and filing date, case # and assessment information is what imports. All payment plan information, ie: payment dates and amounts must be entered manually. iPlow imports the address and phone number that are in Odyssey. Often, this is incorrect information, especially if it's an older case, so the information has to be updated to what is on the payment plan. A case in iPlow will show as a No Show until a payment plan is added for that particular case.

Additionally, the following discrepancies were noted for:

**Verification or Contact Information**  
**Defendant Interviews**

These discrepancies occurred in the Justice of the Peace Courts Precinct 1, Precinct 3 and Precinct 4. The following directive has been implemented to address the missing data once it's received by a collection's clerk:

First return: Email the JP Clerk with specific directions on what needs to be corrected. CC the JP Supervisor and Collections Manager.

Final return: Collection staff will notify Collections Manager, Kelly Baksa; and she will email the JP Clerk, JP Supervisor and Judge.

Corrected payment plans should be returned within 24 hours to originating Collections clerk.

Per OCA compliance, all lines on a payment plan must be filled in, if something does not apply, write N/A or put a line through it. Defendant's signature/date and clerk's signature/date must also be completed. Any place asking for verification needs to be initialed, signed or checked.

Please feel free to contact me should you have any questions or concerns related to the above changes.

Respectfully,

A handwritten signature in black ink, appearing to be 'GR', with a long horizontal line extending to the right.

Greg Rikard  
Director  
Personal Bond & Collections



**KATHLEEN M. MCCUMBER**

JUSTICE OF THE PEACE  
GALVESTON COUNTY, PRECINCT 4  
174 Calder Road, Room 111  
League City, Tx 77573  
(281) 316-8716 or (281) 316-8718  
Fax (281) 316-8704

LORRI

June 2, 2017

Galveston County Auditor  
Randall Rice CPA  
722 Moody  
Galveston, Texas 77550

Re: Collection Improvement Program Internal Audit FY2017

Dear Mr. Rice:

I am writing to acknowledge receipt of the Collection Improvement Program Internal Audit FY2017.

The audit indicated that JP4 is not consistently documenting verification of phone numbers on payment plans submitted to collections. The form we submit has been corrected to indicate the date and name of the clerk verifying the phone number and clerks have been instructed to complete with each payment plan.

Please, call me if you have questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "Kathleen M. McCumber".

Kathleen M. McCumber  
Justice of the Peace  
Precinct 4, Galveston County