

GALVESTON COUNTY



Office of County Auditor

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April 11, 2017

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

Honorable Judge and Members of the Court:

Attached for your consideration is the internal audit report of the Department of Court Collections. The audit covered the period January 1, 2016 through December 31, 2016. Also attached is the response letter from the Director of Personal Bonds & Collections Gregory Rikard, March 22, 2017.

Sincerely,

A handwritten signature in blue ink, appearing to read "Rice CPA".

Randall Rice CPA
County Auditor

cc: Gregory Rikard

Attachment: Department of Court Collections Audit Report
Response Letter, Gregory Rikard



Department of Court Collections

February 9, 2017

Galveston County
Internal Audit
Division

Randall Rice CPA
CITP CISA CIO CBM DABFA CGMA
County Auditor

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Executive Summary

Reliability and Integrity of Information (page 3-4)

- Voided receipts are only processed by the Collections Manager or the Senior Collections Clerk. The reason for the void is recorded in the comments section of Odyssey.
- To ensure compliance with Governor Abbott's proclamation to veto HB 2830, the office should terminate their refund policy immediately, and process refunds regardless of the amount.
- Reliability and integrity of information can be improved by implementing a policy to verify all mail-in payments recorded on the mail log are recorded in Odyssey and deposited in the bank.
- Reliability and integrity of information can be improved by retaining the cost bill with the Sheriff's Office stamp and signature attesting the defendant received Good Conduct credit to satisfy their total court costs in the electronic case jacket in Odyssey.

Safeguarding of Assets (page 5)

- Physical security over assets (collections) is adequate.
- All collections and change funds were accounted for during the surprise cash count conducted on January 26, 2017.
- Collections are deposited daily, minimizing exposure to loss.

Compliance with Statutes, Policies, and Procedures (page 6)

- Collections were deposited within the statutory time limit set by LGC §113.022 Time For Making Deposits.
- Court Collections is in compliance with CCP §42.037 Restitution, as payments are applied to restitution first, then fines and fees.
- Restitution payments are processed within 30 days of receipt (60 days for credit cards).

Introduction

The Internal Audit Division conducted an internal audit of the Department of Court Collections in accordance with Local Government Code §115. The internal audit covered the period January 1, 2016 through December 31, 2016. The audit was performed from January 24, 2017 through February 9, 2017.

The primary objectives of the internal audit are to provide reasonable assurance concerning:

- Reliability and integrity of the information.
- Safeguarding of assets.
- Compliance with laws, regulations, contracts, policies, plans and procedures.

The scope of the internal audit encompassed the financial records and administrative procedures related to the Department of Court Collections. The internal audit included, but was not limited to the books, accounts, reports, dockets and records of the Department of Court Collections.

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 were not 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 Department of Court Collections as defined by the AICPA professional standards. However, our internal audit was performed with objectivity and due professional care.

Christina Fogg, Internal Auditor I, performed the audit.

Reliability and Integrity of Information

Reliable information is accurate, timely, complete and useful. In order to achieve this, controls over record keeping and reporting must be adequate and effective.

Separation of Duties

One of the most important internal controls is to have proper separation of duties. No one person should be able to authorize, record and void transactions and have custody of the assets.

Voided Receipts

The Department of Court Collections office policy requires the Collections Manager or the Senior Collections Clerk to process all voided receipts. When a void is requested by a clerk, the Collections Manager or the Senior Collections Clerk voids the receipt in Odyssey and records the reason for the void in the comments section. The clerk immediately re-receipts the payment, when applicable. A sample of voided receipts was tested for compliance with office policy. No exceptions were noted.

Mail-In Payments

A Court Collections Clerk processes the mail every workday morning and records the details of any mail-in payments on an electronic mail log. The mail-in payments are delivered to a cashier to be processed. The cashier immediately restrictively endorses the checks and money orders then records all mail-in payments in Odyssey. A copy of the Odyssey receipt is mailed to the payee. The mail-in payments are secured with the other collections received by the cashier until close-out.

Finding: The office does not verify all mail-in payments are recorded in Odyssey and deposited in the bank.

Recommendation CA-17-01: Court Collections should implement a policy to verify all mail-in payments recorded on the mail log are recorded in Odyssey and deposited in the bank.

Reliability and Integrity of Information (cont.)

Overpayments and Refunds

Office policy dictates overpayments less than \$5.00 are submitted to the Treasurer's Office as miscellaneous revenue. Overpayments for \$5.00 or more are refunded back to the payee. Overpayments made by credit cards are refunded through Official Payments and the refund is placed back onto the original credit card used. Overpayments made by cash or cashier's check are refunded through the Printech module of ONE Solution and a county issued check is mailed to the individual who made the overpayment. All refunds must be processed within 30 days of receipt. The Collections Manager or the Senior Collections Clerk must approve all refunds.

Finding: On June 19, 2015, Governor Greg Abbott signed a proclamation vetoing House Bill 2830 which allowed counties to refuse to refund amounts less than two dollars unless the person requested a refund in writing. The proclamation states, "Citizens are legally entitled to any money owed them by the government, no matter how small the amount".

Recommendation CA-17-02: To ensure compliance with Governor Abbott's proclamation to veto HB 2830, the office should terminate their refund policy immediately, and process refunds regardless of the amount.

Good Conduct Credits

CCP §42.032 Good Conduct Section 2 states, "The sheriff in charge of each county jail may grant commutation of time for good conduct, industry, and obedience. A deduction not to exceed one day for each day of the original sentence actually served may be made for the term or terms of sentences if a charge of misconduct has not been sustained against the defendant."

The Department of Court Collections reviews cost bills and judgments which grant defendants credit for good conduct. The good conduct credit is applied to the case in Odyssey. Internal Audit reviewed a sample of good conduct credit recorded in Odyssey to verify the credit applied agreed with the cost bill.

Finding: The cost bills with the Sheriff's Office stamp and signature for good conduct credit are not being retained in the electronic case jacket in Odyssey.

Recommendation CA-17-03: The cost bill with the Sheriff's Office stamp and signature attesting the defendant received good conduct credit to satisfy their court costs should be retained in the electronic case jacket in Odyssey.

Safeguarding of Assets

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

Physical Security

Physical security encompasses any method to physically secure the assets from loss. Assets not being used should be kept in a locked drawer or safe until they are needed.

Controls are in place to ensure the staff uses lockable drawers and a safe to secure the collections in the office until deposited.

The Department of Court Collections issues manual receipts when the computer system is down. The receipt book is secured in a desk drawer in the Senior Collections Clerk's office at all times.

Minimizing Exposure to Loss

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 collections. The Department of Court Collections has a policy to deposit collections daily.

As part of the audit, the auditor conducted a surprise cash count on January 26, 2017. All collections and change funds were accounted for at the time of the surprise cash count. Cash collections were deposited daily by a Sheriff's Deputy during the audit period.

Compliance with Statutes, Policies, and Procedures

Timeliness of Deposits

Local Government Code (LGC) §113.022 Time For Making Deposits states 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. The Department of Court Collections deposits funds daily.

Restitution

Code of Criminal Procedure (CCP) §42.037 Restitution states the court may require a defendant to make restitution under this article within a specified period or in specified installments. If the court does not provide otherwise, the defendant shall make restitution immediately. The Department of Court Collections policy is to apply payments to restitution first, then fines and fees, and to process restitution payments within 30 days of receipt (60 days for credit cards). The Department of Court Collections is in compliance with CCP §42.037 and office policy.



Greg Rikard
Director

County of Galveston
Personal Bond & Collections
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Galveston, Texas 77551

Phone: (409) 766-2400
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March 22, 2017

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

Re: Court Collections FY 2017 Audit

Mr. Rice:

In response to the internal audit report on the Court Collections Audit, we have implemented the following directives based on audit staff recommendations for mail in payments, jail credit and overpayment refunds:

Mail-In Payments

Recommendation CA-17-01, all money order orders coming in via mail will be verified by a clerk other than the clerk who recorded the details on the mail in log and the cashier who posted the payment. This will not be done by the Collections Manager or the Senior Collections Clerk. This went into effect on March 21, 2017.

Overpayments and Refunds

Recommendation CA-17-02, and to ensure compliance with Governor Abbott's veto of House Bill 2830, any overpayment of any amount will be refunded back to the payee. This will reflect any transactions from March 1, 2017 forward.

Good Conduct Credits/Jail Time Credit

Recommendation CA-17-03, the cost bill with the Sheriff's Office stamp and signature will be forwarded to the County Clerk for Misdemeanors or the District Clerk for Felonies, to be scanned into the electronic jacket in Odyssey. This was implemented on or about March 1, 2017.

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

Respectfully,

Greg Rikard
Director
Personal Bond & Collections
