

GALVESTON COUNTY



Office of County Auditor

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May 7, 2018

Honorable Mark A. Henry, County Judge, and
Members of the Commissioners Court
722 Moody Avenue
Galveston, Texas 77550

Honorable Mark A. Henry 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 February 1, 2017 through January 31, 2018. Also attached is the response letter from the Director of Personal Bonds & Collections Gregory Rikard, dated April 26, 2018.

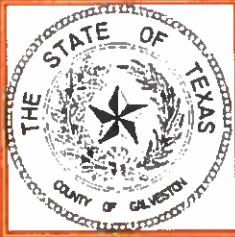
Sincerely,

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

March 27, 2018

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)

- Adequate controls are in place by the Court Collections Department to ensure a proper separation of duties relative to authorizing, collecting, and recording.
- Court Collections mail-in payments are recorded accurately in Odyssey.

Safeguarding of Assets (page 4)

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

Compliance with Statutes, Policies, and Procedures (page 5-7)

- 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 and office policy.
- Court Collections is in compliance with CCP §103.0031 Collection Contracts.
- No exceptions were noted in the testing of voided receipts.
- Refunds caused by overpayments of fines and fees were processed in compliance with office policy.
- Court Collections is in compliance with CCP §42.032 Good Conduct for jail time credits tested.
- Court Collections is in compliance with Transportation Code §706.002 Contract with Department and §706.006 Payment of Administrative Fee regarding the assessment of OMNI fees.
- Court Collections is in compliance with LGC §133.103 Time Payment Fee.

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 February 1, 2017 through January 31, 2018. The audit was performed from February 28, 2018 through March 27, 2018.

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.

Lillian Arredondo, Internal Auditor, 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 a transaction, record a transaction and have custody of the assets. The County Cash Handling Policy (effective 9/1/2017) Section 4.0 Procedures for Cash Collection states cash collections points must maintain a clear separation of duties. An individual should not have responsibility for more than one of the cash handling components: collecting, depositing, disbursement and reconciling. The Collections Clerks receives the payments and records them in Odyssey. The Senior Collections Clerk or the Collection Manager prepares the bank deposits. A sheriff deputy deposits the collections in the bank and returns the bank deposit configuration slip to the Senior Collections Clerk. The Department of Court Collections has effective separation of duties.

Mail-In Payments

A 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 and a copy of the mail log are delivered to a different Collections Clerk to be processed. The Collections Clerk immediately restrictively endorses the checks and money orders then records the payments in Odyssey. A copy of the Odyssey receipt is mailed to the payee. The second clerk delivers the mail log to a third clerk for payment verification in Odyssey. A sample of mail-in payments were tested to verify the payments were recorded accurately in Odyssey. No exceptions were noted.

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 the locked safe 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 February 28, 2018. All collections and change funds were accounted for at the time of the surprise cash count.

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.” A sample of deposits were tested for compliance with statutory time limit set by LGC §113.022 Time For Making Deposits. No material exceptions were noted.

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). A sample of restitution payments were tested for compliance with CCP §42.037 and office policy. No material discrepancies were noted.

Collection Contracts

CCP §103.0031 Collection Contracts states the commissioners court of a county may enter into a contract with a private attorney or a public or private vendor for the provision of collection services for debts and accounts receivable such as unpaid fines, fees, court costs, forfeited bonds and restitution. A commissioners court that enters into a contract with a private attorney or private vendor under this article may authorize the addition of a collection fee in the amount of 30 percent of the outstanding balance that is more than 60 days past due and has been referred to the attorney or vendor for collection. A sample of cases were tested for compliance with CCP §103.0031. No discrepancies were noted.

Voided Receipts

The Department of Court Collections office policy requires the Collections Manager, Senior Collections Clerk and authorized Collection Clerks to process all voided receipts. When a void is requested by a clerk, the authorized personnel 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 clerk who records the receipt does not have the ability to void the receipt in the Odyssey system. A sample of voided receipts were tested for compliance with office policy. No exceptions were noted.

Compliance with Statutes, Policies and Procedures (Continued)

Overpayment Refunds

Office policy dictates all overpayments are refunded back to the payee. Overpayments made by credit cards are refunded through Official Payments or via Chase credit card reader and the refund is placed back onto the original credit card used. Overpayments made by cash, money order or cashier's check are refunded through Printech 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 Senior Collections Clerk must approve all refunds. A sample of overpayment refunds was tested for compliance with office policy. No discrepancies were noted.

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 as jail time credit. A sample of good conduct credit was tested for compliance with CCP §42.032. No discrepancies were noted.

OMNI Fees

Transportation Code §706.002 Contract with Department states, "(a) A political subdivision may contract with the department to provide information necessary for the department to deny renewal of the driver's license of a person who fails to pay or satisfy a judgment ordering payment of a fine and cost in the manner ordered by the court in a matter involving any offense that a court has jurisdiction of under Chapter 4, Code of Criminal Procedure." Galveston County is in contract with OmniBase Services of Texas, a third party vendor, to provide the necessary information for defendants who fail to pay their fines and costs for the denial of driver's license renewal.

Transportation Code §706.006 Payment of Administrative Fee states, "a person who fails to appear for a complaint or citation for an offense described by Section 706.002 (a) shall be required to pay an administrative fee of \$30 for each complaint or citation reported to the department under this chapter..." The Court Collections department assesses a \$30 administrative fee to the defendant and sends cases to OmniBase Services of Texas when applicable. No exceptions were noted for the cases reviewed.

Compliance with Statutes, Policies and Procedures

(Continued)

Time Payment Fee

LGC §133.103 Time Payment Fee states, "(a) A person convicted of an offense shall pay, in addition to all other costs, a fee of \$25 if the person: (1) has been convicted of a felony or misdemeanor; and (2) pays any part of a fine, court costs or restitution on or after the 31st day after the date on which a judgment is entered assessing the fine, court costs, or restitution." A sample of cases were tested for compliance with LGC §133.103 regarding Time Payment Fees. No discrepancies were noted.



Greg Rikard
Director

County of Galveston
Personal Bond and Collections Department
600 59th Street - Suite 1500
Galveston, Texas 77551

Kelly Baksa
Manager

April 26, 2018

Mr. Rice:

I am in receipt of the draft internal audit on the Court Collections Audit for the period of February 01, 2017 – January 31, 2018. I am very pleased with the findings that the Collections Audit was found to not have any discrepancies during this audit. I believe that the hard work of the dedicated staff from this office along with changes made from our last audit reflects the results of this year's audit.

I would like to thank the professional work conducted by Lillian Arredondo and Jordon Guss with the Auditors Office.

Respectfully,

A handwritten signature in black ink, appearing to read "Greg Rikard", with a long horizontal line extending to the right.

Greg Rikard
Director
Personal Bond & Collections