



THE COUNTY OF GALVESTON
COUNTY AUDITOR'S OFFICE
P.O. Box 1418
GALVESTON, TEXAS 77553

County Auditor
Randall Rice CPA
CITP CISA CIO CBM DABFA CGMA

Ron Chapa CPA
First Assistant, Director of Auditing

Jeff Modzelewski CPA
First Assistant, Director of Accounting

Latoya Jordan
First Assistant, I.T. Systems

May 27, 2014

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 District Attorney Hot Check Fund. The audit covered the period January 1, 2013 through December 31, 2013. Also attached is the response letter from Jack Roady, Criminal District Attorney, dated May 19, 2014.

Sincerely,

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

Randall Rice CPA
County Auditor

cc: Honorable Jack Roady

Attachment: District Attorney Hot Check Fund Audit Report
Response Letter, Honorable Jack Roady



District Attorney Hot Check Fund Audit

April 14, 2014

Galveston
County
Internal Audit
Division

Jeff Modzelewski, CPA
First Assistant in Charge
Director of Accounting

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Executive Summary

Reliability and Integrity of Information (page 3)

- One of the most important controls is to have proper separation of duties. However, the cost of additional staff would outweigh the benefits received by the District Attorney (DA) Hot Check Division. At the time of the audit, the staff had the capability to perform all duties effectively.

Safeguarding of Assets (page 4)

- The office has adequate controls in place to ensure assets are safeguarded and properly managed.

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

- Expenditures from the DA Hot Check Fund were reasonable and in compliance with the Criminal Code of Procedures Article 102.007(f).
- DA Hot Check fees collected were in compliance with the Criminal Code of Procedures Article 102.007.

General Information (page 6)

- Revenues have been decreasing over the past three years from \$4,920.08 in FY 2011 to \$2,203.42 in FY 2013, due to the increased use of Check 21 Legislation and debit cards.

Introduction

The Internal Audit Division conducted an internal audit of the District Attorney Hot Check Fund, as required by Local Government Code §115.0035. The internal audit covered the period January 1, 2013 through December 31, 2013. The audit was performed from April 4, 2014 through April 14, 2014.

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 District Attorney Hot Check Fund. The internal audit included, but was not limited to the books, accounts, reports, dockets, and records of the District Attorney Hot Check Fund.

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 Galveston County District Attorney as defined by the AICPA professional standards. However, our internal audit was performed with objectivity and due professional care.

Madeline Walker, 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.

One of the most important controls is to have proper separation of duties. No one person should authorize a transaction, record the transaction, and have custody of the assets. The DA Hot Check Division consists of three part time clerks, making proper separation of duties not feasible. The DA authorizes all dismissals and reviews the monthly reports which strengthen the reliability and integrity of information.

The cost of additional staff would outweigh the benefits received by the DA Hot Check Division. At the time of the audit, the staff had the capability to perform all duties effectively.

Safeguarding of Assets

Safeguarding of assets has three basic components:

- 1) Physical security of collections
- 2) Minimal exposure to loss
- 3) Proper management of collections.

Physical Security - Collections

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

Controls are in place to ensure the staff uses a lockable filing cabinet to safeguard their money in the office until deposited. The filing cabinet remains locked when not in use.

Minimizing Exposure to Loss

Daily depositing is one of the best methods of minimizing exposure of cash to loss. Due to the decrease in hot check collections, the DA Hot Check Division deposits collections monthly.

Management of Collections

The DA Hot Check Division does not accept cash payments for fees or restitution. All payments must be made in the form of money orders or cashier's checks.

In conclusion, the financial assets are adequately safeguarded.

Compliance with Statutes, Policies, and Procedures

Use of Funds

Texas Code of Criminal Procedures Article 102.007(f) states the following:

“Fees collected under Subsection (c) of this article shall be deposited in the county treasury in a special fund to be administered by the county attorney, district attorney, or criminal district attorney. Expenditures from this fund shall be at the sole discretion of the attorney and may be used only to defray the salaries and expenses of the prosecutor's office, but in no event may the county attorney, district attorney, or criminal district attorney supplement his or her own salary from this fund.”

The expenditures from the District Attorney Hot Check Fund were in compliance with CCP 102.007(f).

DA Hot Check Fees

Texas Code of Criminal Procedures Article 102.007 Fee For Collecting and Processing Sight Order governs the hot check fee amounts.

DA hot check fees were collected in compliance with CCP 102.007.

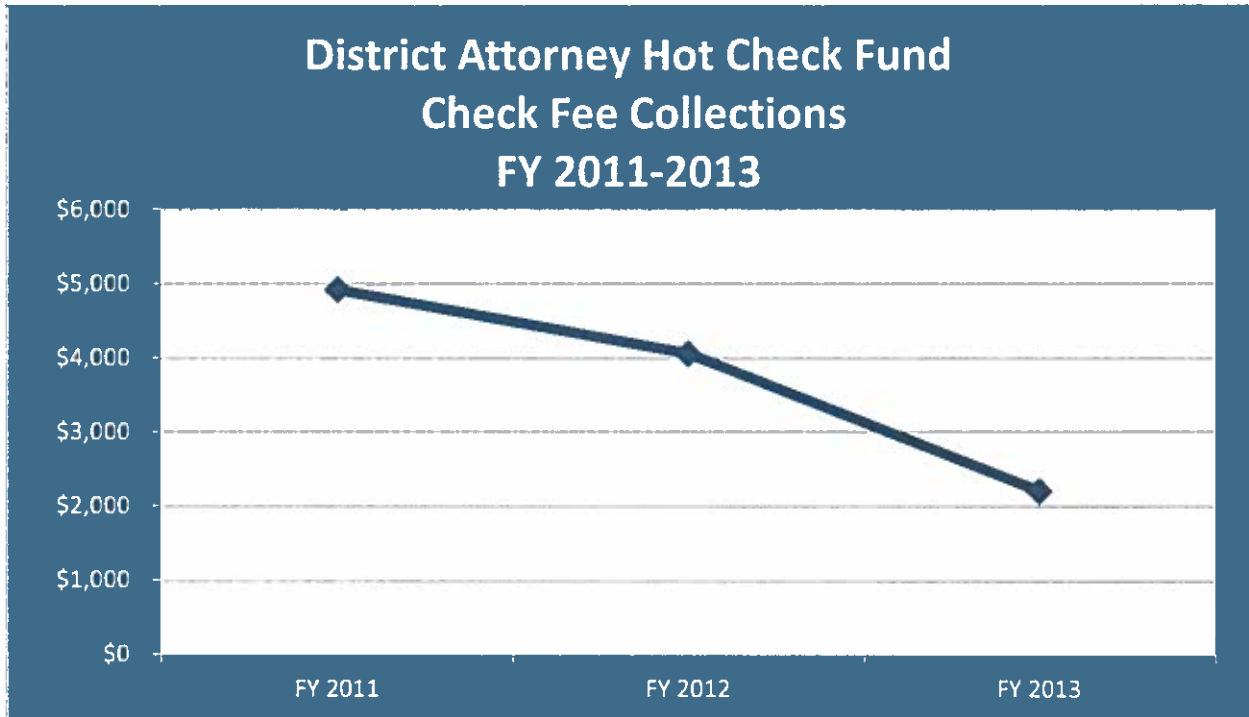
Timeliness of Filing Cases to Higher Courts

Internal Audit reviewed the timeliness of filing cases to higher courts by the Hot Check Division. Once hot check claims are filed by merchants, a courtesy letter is sent notifying the defendants of a 25 day time frame given to resolve the hot check charge before the case is filed to the appropriate higher court. The District Attorney can authorize an extension of this time frame if requested by the defendant.

No material discrepancies were noted in the timeliness of filing hot check cases to higher courts.

General Information

The District Attorney's Hot Check Fee Collections have decreased over the past three years from \$4,920.08 in 2011 to \$2,203.42 in 2013. This decrease is the result of the increased use of debit cards and Check 21 Legislation (the digitalization of paper checks allowing retailers to run the check through the bank at the time of check-out), eliminating opportunities for hot check offenders. The chart below illustrates the decrease in the DA's Hot Check Fee collections over the past three years.





COUNTY of GALVESTON
Criminal District Attorney
JACK ROADY

Donna W. Cameron
First Assistant

Johnny J. Freeze
Chief Investigator

Zonia Wilturner-Smith
Chief Executive Officer

May 19, 2014

Mr. Randall Rice, CPA
Galveston County Auditor
722 Moody, 4th Floor
Galveston, TX 77550

Re: 2013 District Attorney Hot Check Fund Audit

Dear Mr. Rice:

Please know I have reviewed and approved the District Attorney Hot Check Fund Audit, prepared by your office covering January 1, 2013 through December 31, 2013.

As always, I appreciate the fine work and assistance of your office.

Respectfully,

A handwritten signature in blue ink, appearing to read "JR", with a long horizontal stroke extending to the right.

Jack Roady
Criminal District Attorney