



THE COUNTY OF GALVESTON
COUNTY AUDITOR'S OFFICE
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August 19, 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 the District Clerk's Fees collections. The audit covered the period December 1, 2012 through December 31, 2013. Also attached is the response letter from Honorable John D. Kinard, dated July 31, 2014.

Sincerely,

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

Randall Rice CPA
County Auditor

cc: Honorable John D. Kinard

Attachment: District Clerk's Fees Collections Audit Report
Response Letter, Honorable John D. Kinard



District Clerk's Office Internal Audit FY 2014

June 19, 2014

Galveston County
Internal Audit
Division

Randall Rice CPA
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County Auditor

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Executive Summary

Reliability and Integrity of Information (page 3)

Nothing came to our attention during the audit to cause us to doubt the overall reliability and integrity of the information.

- The District Clerk has adequate controls to ensure proper separation of duties relative to recording, authorizing and collecting.

Safeguarding of Assets (page 4)

- All cash collected on the day of the surprise cash count was accounted for. Collections are deposited daily by a Sheriff's Deputy.

Compliance with Statutes, Policies, and Procedures (pages 5-6)

- To comply with the statutes, the Office should adopt the following recommendations:
 - Stop assessing the District Clerk's Contingency Fund Fee.
 - Work with IT to adjust the configurations in Odyssey so reduced charges will reflect the correct fees.
 - Grant the criminal court clerks the authorization to perform the adjustments manually, with the approval of the accounting supervisor, until the issue is resolved.

Introduction

The Internal Audit Division conducted an internal audit of the District Clerk's Office, as required by Local Government Code §115.0035. The internal audit covered the period December 1, 2012 through December 31, 2013. The audit was performed from April 4 through June 19, 2014.

The primary objectives of the internal audit were 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 Clerk's Office. The internal audit included, but was not limited to, the books, accounts, reports, dockets, and records of the District Clerk's Office.

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 District Clerk's Office of Galveston County as defined by the AICPA professional standards. However, our internal audit was performed with objectivity and due professional care.

Yun Yap, Internal Auditor III, 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 controls is to have proper separation of duties. No one person should authorize a transaction, record the transaction, and have custody of the assets.

Criminal Court Division

The Office has instituted procedures to ensure separation of duties between authorizing, recording and collecting in the Criminal Court Division. The District Attorney's Office (DA) initiates the filings of the criminal charges. The District Clerk's Office records the criminal charges in Odyssey, the Court's electronic record keeping system. The Court Collections Department collects the payments.

Civil Court Division

The Office has instituted procedures to ensure separation of duties between authorizing, recording and collecting in the Civil Court Division.

The court clerks record the civil suits in Odyssey; the cashiers collect the payments. Furthermore, the Accounting Supervisor is the only District Clerk employee who has the authority to adjust court costs or fees in Odyssey.

Safeguarding of Assets

Safeguarding of collections has three basic aspects: 1) physical security, 2) minimal exposure to loss, and 3) management of the collection process.

Physical Security - Collections

Physical security encompasses any method used to physically secure the collections from loss. Monies collected should be kept in a locked drawer or safe until ready for deposit.

As part of the audit, we conducted a surprise cash count on April 4, 2014 and April 8, 2014. All collections and change funds were accounted for.

Minimizing Exposure to Loss

Daily deposit is one of the best methods of minimizing exposure of collections to loss as well as providing the County with maximum benefit of the collections.

The District Clerk's Office only accepts cash, cashiers or attorney's checks, money orders, and credit cards. Checks and money orders are restrictively endorsed immediately upon receipt. A Sheriff's Deputy deposits the collections daily.

Compliance with Statutes, Policies, and Procedures

Texas statutes and local government codes dictate the amounts of court costs and fees to be assessed and collected by the District Clerk's Office.

Civil Fees

Internal Audit reviewed the assessments of the state and local fees for civil filing suits. Except for the following, the office is in compliance with the current statutes.

District Clerk's Contingency Fund Fee

Government Code §51.302 requires the District Clerk to obtain an insurance policy to cover the District Clerk (DC) and any deputy clerk against liabilities incurred through errors or omissions and to cover losses from burglary, theft, robbery, counterfeit currency, or destruction. Government Code §51.302(e) states a commissioners court may establish a contingency fund to provide the aforementioned coverage if it is determined insurance coverage is unavailable at a reasonable cost.

Finding: The District Clerk's office is assessing a contingency fund fee (DC BOND Fee) in error.

Recommendation DCF-14-01: The office should stop assessing the contingency fund fee. As of July 1, 2014 the District Clerk's office no longer assesses the contingency fund fee.

Criminal Fees

Internal Audit reviewed the assessments of the criminal fees on convicted judgments and deferred dispositions.

Finding: Odyssey is not adjusting the assessed fees when an offense is reduced to a lesser charge.

Recommendation DCF-14-02: The office should work with IT to adjust the configurations in Odyssey. Until the issue is resolved, the clerks should be authorized to perform the adjustments manually, with the approval of the accounting supervisor.



JOHN D. KINARD
DISTRICT CLERK GALVESTON COUNTY

July 31, 2014

Mr. Randall Rice
Galveston County Auditor
722 Moody
Galveston, Texas 77550

RE: District Clerk Response to Draft Internal Audit FY 2014

Dear Mr. Rice:

Our office has received and reviewed the Draft Internal Audit Report dated July 16, 2014. We concur with the findings listed in the Report, and would offer the following as our response to the same:

1. DCF-14-01: As stated in the report, we stopped collecting this fee on or about July 15, 2014. We will gather additional information regarding this matter, and will consult with County Legal in order to determine the best course of action from this point;
2. DCF-14-02: We agree that Odyssey does not appear to be adjusting the assessed fees when a felony offense is reduced to a misdemeanor. This is a configuration issue. Our office has requested a meeting with the Galveston County I.T. Department, as well as Galveston County's Conference of Urban County's consultant, (Charlotte Nichols), to further assess this issue and determine an effective resolution.

Thank you in advance for your attention to this matter. Please do not hesitate to contact me if you have any questions, or if you are in need of any additional information.

Sincerely,

John D. Kinard
District Clerk of Galveston County