

GALVESTON COUNTY



Office of County Auditor

Randall Rice CPA CISA CIO, County Auditor
Kristin Bulanek CIA, First Assistant County Auditor

P.O. Box 1418, Galveston, Texas 77553

(409) 770-5304

722 Moody Ave 4th Floor, Galveston, TX 77550

December 6, 2016

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 District Clerk's Fee Audit that covered the period September 1, 2015 through August 31, 2016. Also attached is the response letter from Honorable John D. Kinard, dated November 28, 2016.

Sincerely,

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

Randall Rice CPA
County Auditor

cc: Honorable John D. Kinard

Attachment: District Clerk Fee Audit Report
Response Letter, Honorable John D. Kinard



District Clerk's Fee Audit

October 10, 2016

Galveston
County
Internal Audit
Division

Randall Rice CPA
CITP CISA CIO CBM DABFA CGMA
County Auditor

Executive Summary.....	1
Introduction.....	2
Details.....	3-6

Executive Summary

Reliability and Integrity of Information (page 3)

- Adequate controls are in place by the District Clerk's Office 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.
- The overage detected during the surprise cash count should be submitted to the Treasurer's Office as miscellaneous revenue.

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

- Civil fees are appropriately assessed in the District Clerk's Office.
- When the court clerks assess the court costs and fees in Odyssey, the Bill of Costs must agree with the Judgment Order.
- The District Clerk's Office is in compliance with Code of Criminal Procedure (CCP) §32.02, Dismissal by State's Attorney.
- A policy should be implemented by the District Clerk's Office to document an explanation in Odyssey for each adjustment or disbursement made.
- To ensure a reasonable cost/benefit to the county, the District Clerk's Office should implement a policy to only make disbursements over a certain threshold.

Introduction

The Internal Audit Division conducted an internal audit of the District Clerk's Office, in accordance with Local Government Code §115. The internal audit covered the period September 1, 2015 through August 31, 2016. The audit was performed from September 15, 2016 through October 10, 2016.

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

Lauren Ramsey, Compliance and Procedures Analyst, 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 Administration 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 and Chief Deputy are the only District Clerk employees who have the authority to adjust court costs/fees or perform voids in Odyssey.

Safeguarding of Assets

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

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, a surprise cash count was conducted on September 15 and 16, 2016. All collections and change funds were accounted for.

Finding: A \$6.04 overage was counted in the reserve change fund at the League City Office.

Recommendation DC-16-05: Overages should be submitted to the Treasurer's Office as miscellaneous revenue.

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 accepts cash, cashiers or attorney 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 amount of court costs and fees to be assessed and collected by the District Clerk's Office.

Civil Fees

Basic civil filing fees are set by statute and configured in Odyssey to auto-populate the fee amounts when a new case is filed. The District Clerk's Office has a policy that protects these fees from being altered by unauthorized personnel. A sample of civil family, civil non-family and tax suit cases were tested for compliance with statute. The District Clerk's Office is assessing the appropriate amount of civil fees.

Criminal Fees

Criminal fees are set by statute and configured in Odyssey. Upon conviction, the court clerk assesses the court costs and fees due, based on the Judgment Order, and generates a Bill of Costs from Odyssey. The total amount due is recorded on the Judgment Order and signed by the judge. In the event a felony case is reduced to a Class A Misdemeanor, the consolidated court cost is decreased by \$50, all others remain the same. A sample of criminal cases were tested for compliance with statute.

Finding: Cases were found in which the Bill of Costs did not agree with the Judgment Order.

Recommendation DC-16-06: When the court clerks assess the court costs and fees in Odyssey, the Bill of Costs must agree with the Judgment Order.

Felony Dismissals

Code of Criminal Procedure (CCP) §32.02 Dismissal by State's Attorney states, "The attorney representing the State may, by permission of the court, dismiss a criminal action at any time upon filing a written statement with the papers in the case setting out his reasons for such dismissal, which shall be incorporated in the judgment of dismissal. No case shall be dismissed without the consent of the presiding judge." The District Clerk's Office is in compliance with CCP §32.02.

Disbursements

The majority of the disbursements made by the District Clerk's Office are to various law enforcement agencies for serving out-of-county tax citations. Other disbursements include collecting money for services not rendered or overpayments. Disbursements are processed once a week by the Accounting Supervisor using "Group Disbursement" in Odyssey and Printech. When making adjustments for disbursements, best practice is to document an explanation for the disbursement in Odyssey. To ensure a reasonable cost/benefit to the county, disbursements should only be made above a minimal threshold. Internal Audit tested a sample of disbursements for validity and accuracy.

Compliance with Statutes, Policies and Procedures (continued)

Finding: Explanations for adjustments or disbursements were not consistently recorded in Odyssey.

Recommendation DC-16-07: The District Clerk's Office should implement a policy to document an explanation in Odyssey for each adjustment or disbursement made.

Finding: Over 20% of the disbursements were for \$5 or less.

Recommendation DC-16-08: To ensure a reasonable cost/benefit to the county, the District Clerk's Office should implement a policy to only make disbursements over a certain threshold.



JOHN D. KINARD
DISTRICT CLERK GALVESTON COUNTY

November 28, 2016

Re: Internal Audit Report of October 10, 2016

Randall Rice, CPA
County Auditor

We received the internal audit report dated October 10, 2016 and have carefully reviewed the recommendations. There are two recommendations that we would like to provide additional explanation on.

DC-16-06: When the court clerks assess the court costs and fees in Odyssey, the Bill of Costs must agree with the Judgment Order,

Without knowing any of the specifics, it is difficult for us to determine why the Bill of Costs did not match the judgment. The supervisor over the Criminal Section has been informed of this finding and will instruct the staff to exercise due care in preparing the Bill of Costs.

DC-16-08: To ensure a reasonable cost/benefit to the county, the District Clerk's Office should implement a policy to only make disbursements over a certain threshold.

We concur that this would be a good idea. However, The District Clerk can only implement policies that are expressly granted in either the Constitution or statute. There is no statutory authorization to withhold funds due to individuals. The legislature passed such a bill in the last session to address this issue but the law was vetoed by Governor Abbott.

We would like to thank the Auditor's Office staff for their efforts and look forward to assisting them in the future.

A handwritten signature in black ink that reads "John D. Kinard".

John D. Kinard
District Clerk Galveston County