

GALVESTON COUNTY



Office of County Auditor

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November 5, 2018

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, 2017 through August 31, 2018. Also attached is the response letter from Honorable John D. Kinard, dated October 24, 2018.

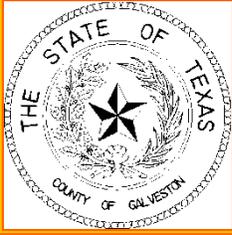
Sincerely,

A handwritten signature in black ink that reads "Rice CPA". The signature is written in a cursive style.

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 5, 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)

- Cashiers who accept collections should not have the ability to make adjustments in Odyssey.

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 (page 5)

- Civil fees are appropriately assessed in the District Clerk's Office.
- The District Clerk's Office is in compliance with Code of Criminal Procedure (CCP) §32.02, Dismissal by State's Attorney.
- No exceptions were noted in reviewing refunded payments.
- When the court clerks assess the court costs and fees in Odyssey, the Bill of Costs must agree with the Judgment Order.

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, 2017 through August 31, 2018. The audit was performed from September 11, 2018 through October 5, 2018.

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.

Adjustments, Reversals and Voids

Office policy limits the ability to process adjustments, reversals and voids in Odyssey to the Accounting Supervisor and Supervisor. The Chief Deputy and Administrative Assistant have rights to process all transactions as a backup. Two cashiers have the ability to perform adjustments only for charges. An explanation for the transaction is recorded in the 'comments' section of Odyssey and the clerk who initiated the void will immediately re-receipt the transaction, when applicable. A sample of adjustments, reversals and voids was tested for compliance with office policy.

Finding: Cashiers who take in collections have the ability to make adjustments to charges in Odyssey.

Recommendation DC-18-01: To improve the reliability and integrity of the information, cashiers who accept collections should not have the ability to make adjustments 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.

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

As part of the audit, a surprise cash count was conducted on September 11 and 18, 2018. 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 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 civil fees.

Criminal Fees

Criminal fees are set by statute and configured in Odyssey. When the court clerk records the conviction in Odyssey, the basic court costs are automatically assessed. Any additional court costs or fees must be added to the case by the court clerk (attorney fees, restitution, fines, crime stoppers, etc.). An Odyssey Bill of Costs is printed and signed by the defendant. The total on the Bill of Costs must agree with the Judgment Order, which is signed by the judge. A sample of criminal cases was tested for compliance with statute.

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

Recommendation DC-18-02: 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.

Refunded Payments

Payments are refunded when money is collected for services not rendered or for overpayments. The District Clerk's Office will make an Odyssey adjustment to the "Overpayment Refund" for services not rendered. Office policy is to document an explanation for each adjustment. At the time an overpayment occurs the overpayment goes to "Overpayment Refund". Refunds are disbursed through Printech. A sample of transactions labeled "Overpayment Refund" were tested to verify the appropriate amount was disbursed. AP invoices are created for miscellaneous payments, such as passports or certified copies. All purchase orders were tested to verify the appropriate amount was refunded. There were no discrepancies found.



COUNTY of GALVESTON
District Clerk
JOHN D. KINARD

October 24, 2018

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

RE: District Clerk Response to Draft Internal Fee Audit FY 2018

Dear Mr. Rice:

Our office has received and reviewed the Draft Internal Audit Reported dated October 10, 2018. We concur with the findings listed in the Report, and would offer the following as our response to the same:

1. Adjustments, Reversals and Voids-DC-18-01: As stated in the report, we have two senior bookkeepers who can make adjustments prior to any payment being made. Moving forward we will only have Supervisors make those cost/fee adjustments.
2. Criminal Fees-DC-18-02: We agreed today, the current cost bills fees are set by statute and configured in Odyssey. Additional Costs and Fees are hand written by an Assistant District Attorney into the Judgment. The clerk enters these fees manually, and it is reviewed by our coding department to assure cost and fees match the judgment on paperwork. Then the final process is made by authorized Court Clerks or Supervisor for final approval to be updated/closed in Odyssey. Our office is continuously working on improving processes to improve judicial document hand-offs, system communication and clerical review. We are currently in the process of reaching out to the DA's office to restructure the current Judgment form used in Court to include extradition fees in cost re-cap on to the front page to minimize search throughout the documents for closing and finalizing document information.

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 Galveston County