



THE COUNTY OF GALVESTON
COUNTY AUDITOR'S OFFICE
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First Assistant, Director of Accounting

August 5, 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 Justice of the Peace, Precinct 1. The audit covered the period March 1, 2013 through February 28, 2014. Also attached is the response letter from Honorable James Schweitzer, dated July 20, 2014.

Sincerely,

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

Randall Rice CPA
County Auditor

cc: Honorable Judge James Schweitzer

Attachment: Justice of the Peace, Precinct 1 Audit Report
Response Letter, Judge James Schweitzer



Justice of the Peace, Precinct 1 Audit

July 15, 2014

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 3-4)

- Nothing came to our attention during the audit to cause us to doubt the overall reliability and integrity of the information. However, controls over recordkeeping and reporting can be improved by implementing the following recommendations:
 - The judgment date should be recorded as the day the defendant makes a plea or the first payment.
 - Payment compositions should accurately be recorded in Net Data and reconciled with the Net Data reports.
 - A procedure should be established for mail in payments that ensures separation of duties by utilizing at least two people in the process.

Safeguarding of Assets (page 5)

- There are no recommendations to improve the safeguarding of assets at this time.

Compliance with Statutes, Policies, and Procedures (page 6-7)

- The Court should comply with the statutes and Court policies by implementing the following recommendations:
 - Collections should be deposited in the bank daily or a minimum of once a week.
 - Time Payment fees should not be collected on a payment that is made before 31 days after the judgment.
 - The Court should utilize the Net Data pro rate feature when collecting partial payments.
 - Voided receipt transactions should be approved by a clerk other than the one requesting the void.

General Information (pages 8-9)

- The County's portion of the Justice of the Peace, Precinct 1's total annual cash collections have increased from \$145,540 in 2009 to \$174,699 in 2013.
- Total annual case filings for Justice of the Peace, Precinct 1 have increased from 3,373 cases in 2009 to 3,544 cases in 2013.

Introduction

The Internal Audit Division conducted an internal audit of the Justice of the Peace, Precinct 1, as required by Local Government Code §115.0035. The internal audit covered the period March 1, 2013 through February 28, 2014. The audit was performed from April 25, 2014 through June 3, 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 Justice of the Peace, Precinct 1. The internal audit included, but was not limited to, the books, accounts, reports, dockets, and records of the Justice of the Peace, Precinct 1.

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 Justice of the Peace, Precinct 1, as defined by the AICPA professional standards. However, our internal audit was performed with objectivity and due professional care.

Madeline Walker, Internal Auditor I, 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.

Record Keeping

Judgment Date

The judgment date for a criminal case is when the defendant makes a plea or when the first payment is made.

Finding: The Court is incorrectly recording the case judgment date in Net Data.

Recommendation JP1-13-01: Record the judgment date as the day the defendant makes a plea or when the first payment is received. *(This is a finding from a prior audit)*

Jail Time Credits

Per office policy, jail time credits (JTC) recorded in Net Data require the Judge's approval to grant jail time credits and proof of the defendant serving jail time. As a control to mitigate the possibility of invalid JTC being entered, the Judge should review "Net Data Jail Time Collections" report monthly and sign the report.

The auditor reviewed the jail time credits recorded in Net Data to verify the validity of the recording and found that credits were valid. The Judge reviews the "Net Data Jail Time Collections" report monthly and signs the report as confirmation of the validity of the recorded jail time credits.

Net Data Collections

Collections recorded in Net Data include the amount and the composition of the payment: Cash (C), Check (K), Money Order (O), and Direct Deposit/Credit Card (D). The composition of the collections should match the composition of the Net Data report and bank deposit.

Finding: Clerks are not consistently recording the correct composition of payments in Net Data.

Recommendation JP1-12-01: Record the correct payment type when entering the transaction in Net Data. Furthermore, the Chief Clerk should reconcile the composition of collections to the Net Data Collections Report during close-out procedures. *(This is a finding from a prior audit.)*

Reliability and Integrity of Information (continued)

Separation of Duties

One of the most important internal controls is to have proper separation of duties. No one person should authorize a transaction, record a transaction, and have custody of the assets.

A proper separation of duties is sometimes difficult to establish due to the size of staff and budgetary constraints; however, there are compensating controls that can be implemented in the following area of operations.

Mail-In Payments

Mail-in payments should be properly logged, monitored and recorded in Net Data. To ensure proper separation of duties, at least two clerks should perform this process.

Finding: The same clerk opens the mail, records the payment in Net Data, and retains custody of the payment until close-out.

Recommendation JP1-14-01: Create a mail-in payment procedure which ensures separation of duties during the process.

Safeguarding of Assets

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

Physical Security

Physical security encompasses any method to physically secure the collections from loss. Monies collected should be kept in a locked drawer/safe until they are deposited.

As part of the audit, the auditor conducted a surprise cash count on April 25, 2014. All collections were accounted for at the time of the surprise cash count.

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

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 the collections. The Court only accepts cash, cashier's checks and money orders. Cashier's checks and money orders are restrictively endorsed immediately upon receipt. The Court's policy is to deposit collections daily.

Management of Collections

Properly prepared and adequately supported bank reconciliations are one of the best methods of cash management. The Court submits properly prepared and adequately supported bank reconciliations to the Auditor's Office in a timely manner. In addition, the Judge is reviewing the bond reconciliations prior to submission.

Compliance with Statutes, Policies, and Procedures

Except for the following, no instances were found in which the Court was not in compliance with the applicable laws, contracts, policies, and procedures.

Deposits

LGC § 113.022 Time for Making Deposits states requires “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”. The Court’s policy is to deposit collections daily.

Finding: The Court is not in compliance with LGC § 113.022 Time for Making Deposits or the Court’s policy of depositing daily.

Recommendation JP1-09-02: Deposit collections daily, or at a minimum of once a week. (*This is a finding from a prior audit.*)

Time Payment Fee

LGC §133.103 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.”

Finding: The Court is collecting a time payment fee prior to the 31st day after judgment.

Recommendation JP1-12-02: The Court should calculate the number of days between judgment date and payment date prior to collecting a time payment fee. (*This is a finding from a prior audit.*)

Allocation Rule

Attorney General Opinion GA-147, states monies received from a defendant should first be allocated to pay costs and then to pay a fine. If the monies received do not cover all of the costs, then the monies must be allocated to costs on a pro rata basis.

Finding: The Court is inconsistent in allocating/prorating partial payments and the payments are being applied randomly to fees.

Recommendation JP1-09-04a: The Court staff should utilize the “Pro Rate” feature in Net Data to pro rate court cost and fees when receiving the first payment that is less than total court costs and any other partial payments received thereafter. (*This is a finding from a prior audit.*)

Compliance with Statutes, Policies, and Procedures (continued)

Voided Receipts

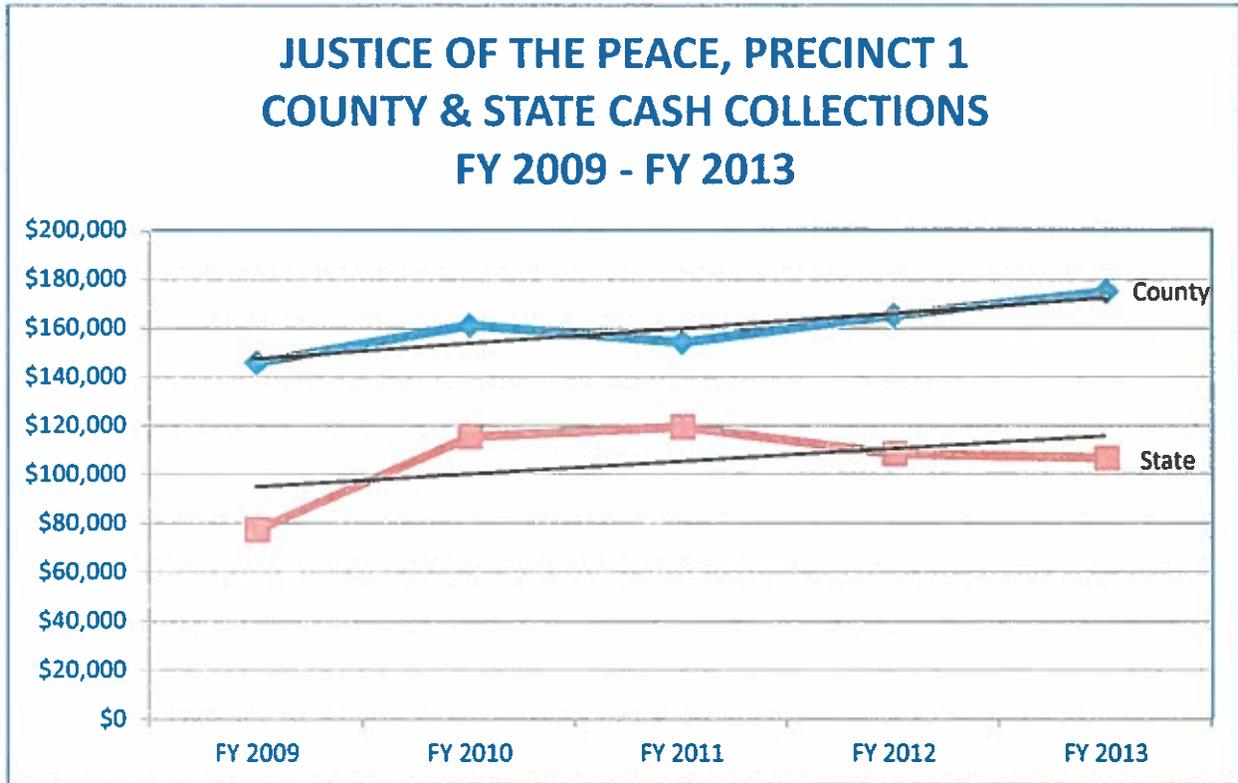
Voided receipt transactions must be approved by the Chief Clerk, another clerk (other than the clerk requesting the void), or the Judge, depending on who made the error. Voided receipts should be re-issued in a timely manner, preferably by the end of the following business day.

Finding: Voided receipts are not consistently approved by another clerk.

Recommendation JP1-09-01a: Internal controls can be strengthened by requiring the clerks to comply with the Court's procedure. (*This is a finding from a prior audit.*)

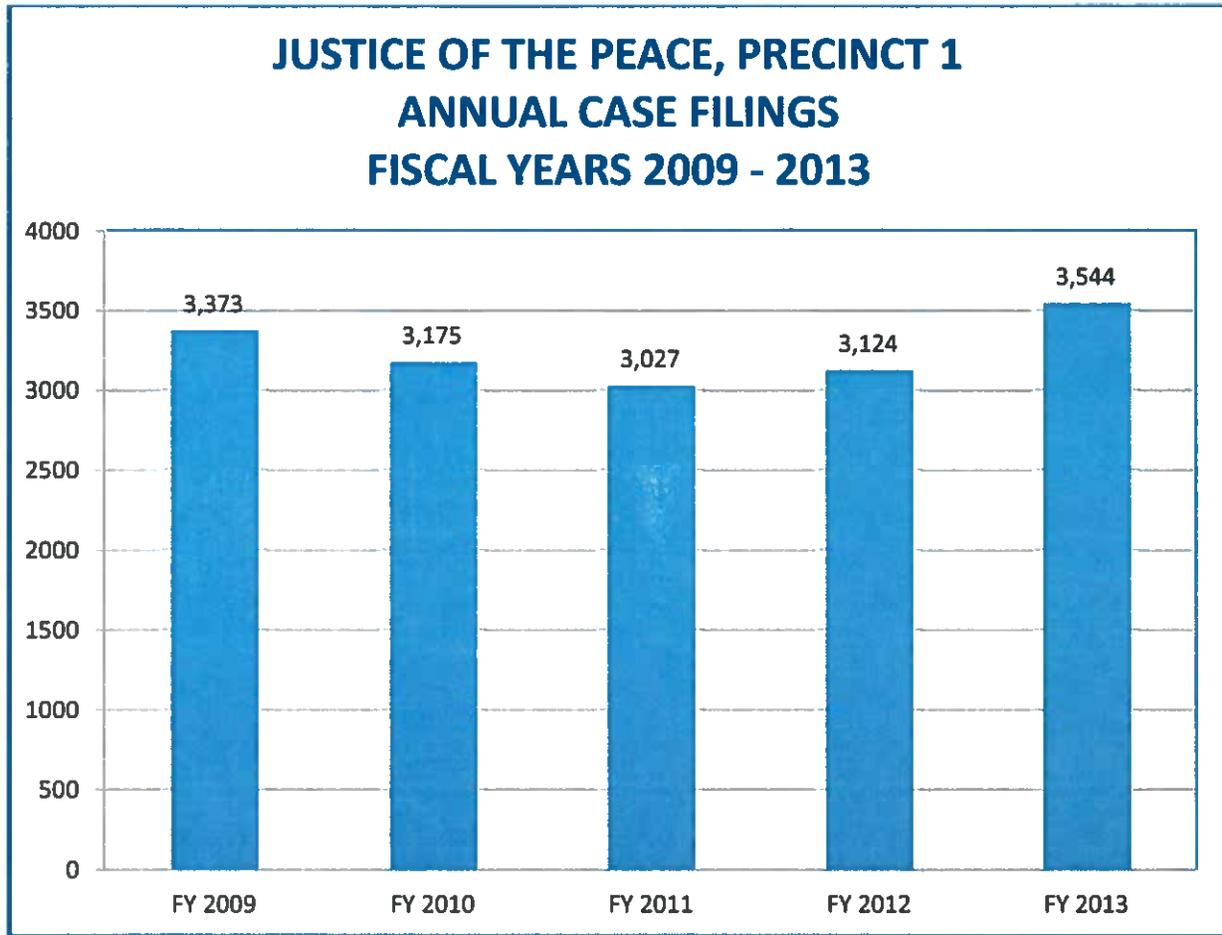
General Information

The County's portion of the Justice of the Peace, Precinct 1's total annual cash collections have increased from \$145,540 in 2009 to \$174,669 in 2013. The chart below illustrates the total annual County and State cash collections of this Court over the past five years.



General Information (continued)

The total annual case filings for Justice of the Peace, Precinct 1 have increased from 3,373 cases in 2009 to 3,544 cases in 2013. There has been an increase in criminal filings and a decrease in class A-B misdemeanors and felonies. The chart below illustrates the total case filings of this Court for the last five years.



Jim Schweitzer

Justice of the Peace, Precinct 1 (2)
1922 Sealy
Galveston, Texas 77550
409-766-2250

July 20, 2014

Randall Rice, CPA
County Auditor
P.O. Box 1418
Galveston, Texas 77553

Mr. Rice:

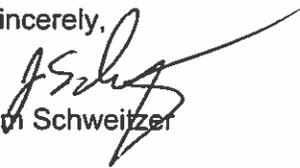
I have received and reviewed the internal audit report of Justice of the Peace, Precinct 1 (2) for March 1, 2013 through February 28, 2014.

With an increase in both filings and revenue this year the two clerks have struggled at times to comply with the statutes, policies, and procedures provided through your office. My staff and I will continue working to comply with your recommendations.

I appreciate the information your office supplies and the clerks will work with your staff to implement the shortcomings.

It was a pleasure working with your staff during the audit.

Sincerely,


Jim Schweitzer