



THE COUNTY OF GALVESTON
COUNTY AUDITOR'S OFFICE
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January 5, 2016

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 (Bacliff and Texas City locations). The audit covered the period January 1, 2015 through August 31, 2015. Also attached is the response letter from Honorable Alison Cox, dated December 17, 2015.

Sincerely,

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

Randall Rice CPA
County Auditor

cc: Honorable Judge Alison Cox

Attachment: Justice of the Peace, Precinct 1 Audit Report
Response Letter, Judge Alison Cox



Justice of the Peace, Precinct 1 Audit

September 28, 2015

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 this 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:
 - When dismissing cases without charge, the judge or Assistant District Attorney should sign the case jacket or court order as proof of authorization.

Safeguarding of Assets (page 4)

- Physical security over assets (collections) is adequate.
- The court can improve the management of assets by implementing the following recommendations:
 - Bank reconciliations should be submitted to the Auditor's Office by the 5th of each month.
 - Record the adjusting entries in Net Data as soon as possible. For future bank reconciliations, adjusting entries should be made in Net Data the following month.

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

- The court should comply with the statutes and court policies by implementing the following recommendations:
 - JTC should be applied to the fine first and then to court costs and fees.
 - PC 30 fees should be assessed to any unpaid balance more than 60 days past due.
 - Administrative dismissals should only be authorized when the proof of remedy meets the statutory time limit.

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 January 1, 2015 through August 31, 2015. The audit was performed from August 27, 2015 through September 28, 2015.

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.

Lauren Ramsey, 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.

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 are being implemented in different areas of the operations.

No-Charge Dismissals

CCP §32.02 Dismissal By State's Attorney states that "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."

Court policy requires the judge or the Assistant District Attorney must sign or initial the case jacket or court order as proof of authorization.

Finding: Cases dismissed without charges did not have the judge or the Assistant District Attorney's signature of approval.

Recommendation JP1-15-01: To strengthen the internal control over no-charge dismissals the judge or Assistant District Attorney should sign the case jacket or court order as proof of authorization.

Jail Time Credits

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

No material discrepancies were detected in the review of JTC. The judge reviews the "Net Data Jail Time Collection Register" report monthly and provides her signature of approval.

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 or safe until they are deposited.

As part of the audit, the auditor conducted surprise cash counts at all locations. All collections were accounted for at the time of the surprise cash counts. Controls are in place to ensure the staff uses a lockable safe to secure collections until ready to be deposited. The safe remains locked when not in use.

Management of Collections

Properly prepared and adequately supported bank reconciliations are one of the best methods of cash management available to any official. The reconciliation process identifies any discrepancies in the bond account and assists in preventing the misuse of funds. LGC§ 114.001(b) states that "a monthly report must be filed within 5 days after the last day of each month".

Finding: The court has not submitted properly prepared and adequately supported bank reconciliations to the Auditor's Office since March 2015. Internal audit assisted the court in completing the bank reconciliations thru August 2015.

Recommendation JP1-15-02: Bank reconciliations should be submitted to the Auditor's Office by the 5th of each month.

In December 2014, a close-out was performed on former Judge Toni Randall. The Auditor's Office worked with the court staff to reconcile the previous bond bank accounts with Net Data. Net Data adjusting entries needed to reconcile the bond account were noted in the March 2015 bank reconciliation.

Finding: The court has not made all of the necessary adjusting entries in Net Data to reconcile the bond account.

Recommendation JP1-15-03: Record the adjusting entries in Net Data as soon as possible. For future bank reconciliations, adjusting entries should be made in Net Data the following month.

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.

Voided Receipts

Court policy dictates all voided receipts must be approved by the Chief Clerk. In the absence of the Chief Clerk, one of the other court clerks must approve the voided receipt. An explanation for the voided receipt must be documented on the physical receipt, each clerk signs (or initials) the receipt, then retains it in the case jacket as support.

There were no material discrepancies found when the court is voiding receipts.

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 judgement is entered assessing the fine, court costs, or restitution."

There were no material discrepancies found in the court's assessment of time payment fees.

Jail Time Credit Allocation

A defendant may be awarded JTC in lieu of paying the court costs, fees and fine. If the amount of JTC awarded is not enough to satisfy all charges, the court must follow the "Allocation Rule". Attorney General Opinion GA-147 and the 'Justice Courts - Court Costs and Fees Handbook' define the "Allocation Rule" for JTC as the practice of applying JTC to the fine first and then to court costs and fees. If the monies received do not cover all of the court costs, then the monies must be allocated to court costs on a pro-rata basis.

Finding: The Bacliff office did not allocate JTC to the fine first and then to court costs and fees.

Recommendation JP1-15-04: JTC should be applied to the fine first and then to court costs and fees.

Compliance with Statutes, Policies and Procedures (continued)

Private Collection Contract (PC 30 Fees)

The county has agreed to pay the contracted collection agency 30% of the amount collected for unpaid fines, fees and court costs imposed on (1) adjudicated cases occurring on or before June 18, 2003 and (2) offenses occurring after June 18, 2003.

Finding: The court is not consistently assessing the amount of PC 30 fees.

Recommendation JP 1-15-05: PC 30 fees should be assessed to any unpaid balance more than 60 days past due.

Administrative Dismissals

Certain violations can be dismissed with an administrative fee when the defendants show they rectified the underlying complaint within the statutory time limit. Once the proof is presented and the administrative fee has been paid, the clerk may dismiss the case, without the consent of the judge.

Finding: The court clerks authorized administrative dismissals when the defendant did not meet the statutory time limit for providing proof.

Recommendation JP 1-15-06: Administrative dismissals should only be authorized when the proof of remedy meets the statutory time limit.



JUDGE ALISON COX
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December 17, 2015

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

Re: Justice of the Peace, Precinct 1 FY 2015 Audit

Mr. Rice:

I have received the audit report and have met with Ms. McWhirter to discuss this report.

Recommendations JP1-15-02 and JP1-15-03 are in the process of implementation. The court has not had access to monthly statements because of issues with the banking establishment. We are working with the Treasurer's Office, the Auditor's Office and Texas First Bank to clarify our needs.

All other recommendations have been implemented through training.

Sincerely,

A handwritten signature in cursive script that reads "Alison Cox".

Judge Alison Cox
Justice of the Peace, Pct. 1