

GALVESTON COUNTY



Office of County Auditor

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March 23, 2020

Honorable Mark A. Henry, County Judge, and
Members of the Commissioners Court
722 Moody Ave, Suite 200
Galveston, TX 77550

Honorable Mark A. Henry and Members of the Court:

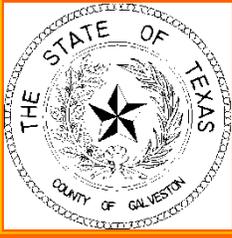
Attached to be received and filed is the internal audit report of Justice of the Peace, Precinct 1. The audit covered the period January 1, 2019 through December 31, 2019. Also attached is the response letter from Honorable Gregory Rikard, dated March 11, 2020.

Sincerely,

Randall Rice CPA
County Auditor

cc: Honorable Gregory Rikard

Attachment: Justice of the Peace, Precinct 1 Audit Report
Response Letter, Judge Gregory Rikard



Justice of the Peace, Precinct 1 Audit

February 7, 2020

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)

- The court should implement a policy to ensure proper separation of duties when recording adjustments, reversals and voided transactions in Odyssey.
- No material exceptions were noted in the recording of citations issued by the Galveston County Sheriff's Office in Odyssey.

Safeguarding of Assets (page 4)

- All collections were accounted for during the surprise cash count.
- Physical security over assets (collections) is adequate.
- Court policy is to deposit collections daily.
- Bond account bank reconciliations are submitted to the Auditor's Office monthly.

Compliance with Statutes, Policies and Procedures (pages 5-7)

- No material discrepancies were noted in the testing of Administrative Dismissals.
- No discrepancies were noted in the testing of No-Charge Dismissals.
- The office is in compliance with applicable statutes when assessing court costs, fines and fees.
- No material discrepancies were noted in the testing of the "Allocation Rule".
- No discrepancies were noted in the testing of Time Payment fees.
- PC30 collection fee calculation must include the entire outstanding balance of any fines, fees and court costs.
- The Judge shall approve all credits granted to the defendants and adequate support documentation for all credits awarded must be scanned into Odyssey.

Statistical Analysis (pages 8-9)

- 36.1% of the cases filed were non-traffic misdemeanors. Evictions made up 25.9% and debit claims made up 14.7%.
- Bank deposits fluctuated from \$39,075 (December 2018) to \$90,253 (March 2019) and back down to \$60,470 (September 2019). Total collections for fiscal year 2019 were \$708,476.

Introduction

The Internal Audit Division conducted an internal audit of the Justice of the Peace, Precinct 1, in accordance with Local Government Code §115. The internal audit covered the period January 1, 2019 through December 31, 2019. The audit was performed from January 6, 2020 through February 7, 2020.

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.

Jessica Kozma, 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.

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, the court should implement a policy to ensure proper separation of duties.

Adjustments, Reversals and Voids

All clerks have the ability to process adjustments, reversals and voids in their own till in Odyssey. An explanation for the transaction is recorded in the 'comment' section of the case. Court policy requires the Chief Deputy Court Clerk to review the transactions and record their initials as authorization. The County Cash Handling Policy (effective 9/1/2017) Section 3.0 Cash Handling "required procedures for cash collection points include approval of any voided receipts by the area supervisor". A sample of adjustments, reversals and voids was tested for compliance with court policy and the County Cash Handling Policy.

Finding: The current court policy for authorizing adjustments, reversals and voided transactions is not an effective separation of duties.

Recommendation JP1-20-01: To improve the reliability and integrity of the information in Odyssey, the court should implement a policy to ensure proper separation of duties when recording adjustments, reversals and voided transactions. This objective can be met by printing the transaction, documenting the reason for the transaction then requiring both the clerk who initiated the original transaction and the clerk who authorized the corrective transaction to provide their signatures. Lastly, scan the signed document into Odyssey as support to the transaction.

Completeness and Accuracy

Information from citations issued by the Galveston County Sheriff's Office (GCSO) is recorded in their Record Management System (RMS). The citations are turned into the related Justice Court and subsequently entered into Odyssey by the clerks. Internal Audit tested a sample of citations recorded in RMS to verify the information was completely and accurately recorded in Odyssey. No material discrepancies were noted.

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 in the bank.

As part of the audit, the auditor conducted a surprise cash count at the Bacliff Office on January 7, 2020 and at the Texas City Office on January 21, 2020. 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.

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. JP1 has a policy to deposit collections daily. Deposits are reviewed quarterly by the Auditor's Office

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. JP1 performs a bond account bank reconciliation each month and submits a copy to the Auditor's Office. Bond account bank reconciliations are reviewed quarterly by the Auditor's Office.

Compliance with Statutes, Policies and Procedures

The following areas were tested to provide reasonable assurance the court is in compliance with statutes, policies and procedures.

Administrative Dismissals

Certain charges may be dismissed with an administrative fee, set by statute, when the defendant provides proof the underlying violation was resolved within the statutory time limit. When the proof is presented and the administrative fee has been paid, the clerk may dismiss the case without the consent of the Judge or the Assistant District Attorney. A sample of administrative dismissals was tested for compliance with applicable statutes. No material discrepancies were noted.

CCP §32.02 Dismissal by State's Attorney

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." Court policy requires support documentation for no-charge dismissals, signed by the Judge or the Assistant District Attorney, to be scanned into Odyssey as proof of its validity. A sample of no-charge dismissals was tested for compliance with CCP §32.02 and court policy. No discrepancies were noted.

Court Costs, Fines and Fees

The Texas Judicial Branch publishes a 'Justice Court Convictions Court Cost Chart' each year there is a legislative update. The chart shows the fees to be assessed for misdemeanor offenses, including specific costs not assessed upon conviction, but assessed under appropriate circumstances. The chart also provides the statute that supports the amount of court costs, fines and fees reflected on the chart. A sample of cases was tested for compliance with the applicable statutes regarding court costs, fines and fees collected by the office. No discrepancies were noted.

Compliance with Statutes, Policies and Procedures (cont.)

Allocation Rule

Attorney General Opinion GA-147 and the 'Justice Courts - Court Costs and Fees Handbook' define the "Allocation Rule" as the practice of allocating monies received from a defendant first 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. Accordingly, any credit awarded (Jail Time Credit, Community Service, Waivers) must be applied to the fine amount first, then to court costs and fees. A sample of cases was tested for compliance with the "Allocation Rule". No material discrepancies were noted.

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." No discrepancies were noted.

CCP §103.0031 Collection Contracts

CCP §103.0031 states the commissioners court of a county may enter into a contract with a private attorney or a public or private vendor for the provision of collection services for debts and accounts receivable such as unpaid fines, fees, court costs, forfeited bonds, and restitution. A commissioners court that enters into a contract with a private attorney or private vendor under this article may authorize the addition of a collection fee in the amount of 30 percent of the outstanding balance that is more than 60 days past due and has been referred to the attorney or vendor for collection. A sample of cases was tested for compliance with CCP §103.0031.

Finding: PC30 fees are not consistently being assessed accurately in Odyssey.

Recommendation JP1-20-02: To ensure compliance with CCP §103.0031, PC30 collection fee calculation must include the entire outstanding balance of any fines, fees and court costs.

Compliance with Statutes, Policies and Procedures (cont.)

Credits

Jail Time Credit

CCP §45.048 Discharged From Jail states a defendant placed in jail shall be discharged by showing the defendant is too poor to pay the fine and costs or has remained in jail a sufficient length of time to satisfy the charges. The Judge verifies time served before granting jail time credit.

Community Service Credit

CCP §45.049(a) Community Service in Satisfaction of Fine or Costs states a justice or judge may require a defendant who fails to pay a previously assessed fine or costs, or who is determined by the court to have insufficient resources or income to pay a fine or costs, to discharge all or part of the fine or costs by performing community service.

Indigent Credit/Waivers

CCP §45.0491 Waiver of Payment of Fines and Costs for Indigent Defendants and Children states a justice court may waive payment of all or part of a fine or costs imposed on a defendant if the court determines that:

- (1) the defendant is indigent or does not have sufficient resources or income to pay all or part of the fine or costs or was, at the time the offense was committed, a child as defined by Article 45.058(h); and
- (2) discharging the fine or costs under Article 45.049 or as otherwise authorized by this chapter would impose an undue hardship on the defendant.

Court policy dictates all credits must be approved by the Judge.

A sample of cases was tested for compliance with CCP §45.048, CCP §45.049(a), CCP §45.0491 and court policy.

Finding: Jail time credit was awarded without providing adequate support documentation of the Judge's approval.

Recommendation JP1-20-03: To ensure compliance with office policy, the Judge shall approve all credits granted to the defendants and adequate support documentation for all credits awarded must be scanned into Odyssey.

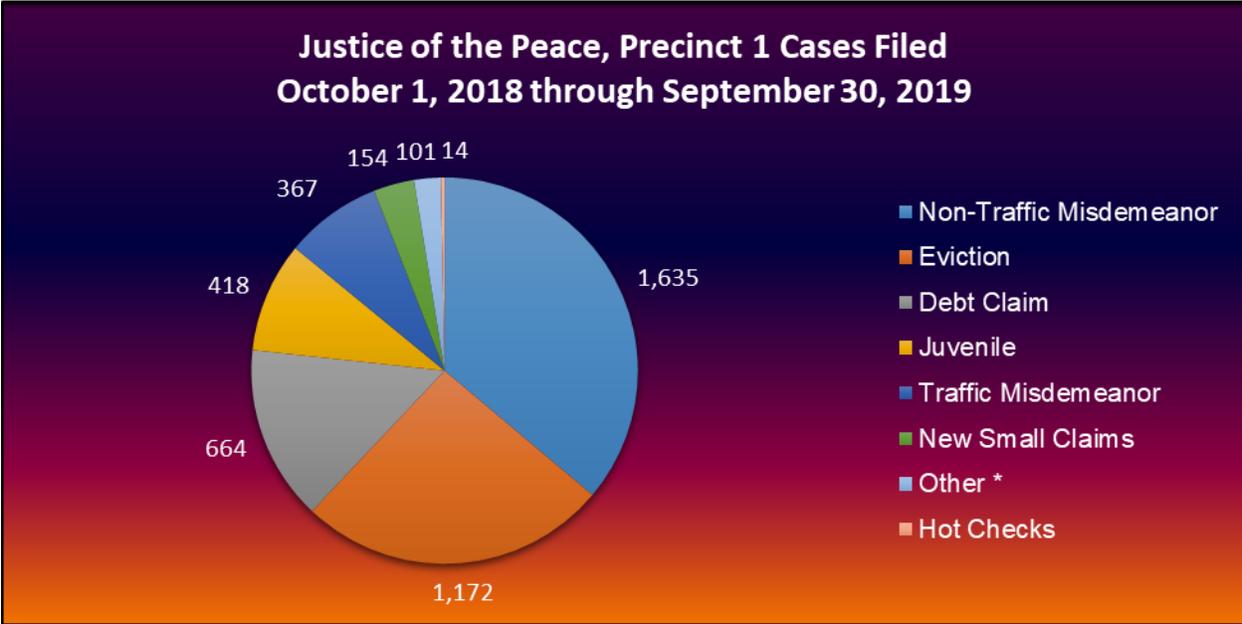
Statistical Analysis

A statistical analysis was performed on the cases filed through JP1 during fiscal year 2019. The data for the analysis was obtained from the Odyssey Case Filing Statistics Report. The date range used for the report was October 1, 2018 through September 30, 2019. More than a third (36.1%) of the cases filed were non-traffic misdemeanors. Evictions made up 25.9% and debit claims made up 14.7%.

The following reflects the number and types of cases filed during fiscal year 2019:

Non-Traffic Misdemeanor	1,635	36.1%
Eviction	1,172	25.9%
Debt Claim	664	14.7%
Juvenile	418	9.2%
Traffic Misdemeanor	367	8.1%
New Small Claims	154	3.4%
Other *	101	2.2%
Hot Checks	14	0.3%
Total Cases Filed	4,525	100.0%

Other*
 Occupational License – 35
 Truancy – 32
 JP License Revocation – 20
 Magistrate Duty – 10
 Tow Hearings – 4



Statistical Analysis (cont.)

A statistical analysis was also performed on the bank deposits made by JP1 during fiscal year 2019. The data used in the analysis was obtained from OneSolution, the County's financial reporting system. The date range used for the report was October 1, 2018 through September 30, 2019. Bank deposits fluctuated from \$39,075 (December 2018) to \$90,253 (March 2019) and back down to \$60,470 (September 2019). Total collections for fiscal year 2019 were \$708,476.

The following reflects the bank deposits made by JP1 during fiscal year 2019:

JP1 - Bank Deposits		
Oct-18	\$	59,612
Nov-18	\$	46,207
Dec-18	\$	39,075
Jan-19	\$	64,051
Feb-19	\$	61,549
Mar-19	\$	90,253
Apr-19	\$	69,674
May-19	\$	56,552
Jun-19	\$	45,910
Jul-19	\$	61,252
Aug-19	\$	53,870
Sep-19	\$	60,470
Total	\$	708,476



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P.O. Box 8327
Texas City TX, 77590
Bacliff, TX 77518



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2516 Texas Ave

Gregory L. Rikard
Justice of the Peace
Galveston County, Pct. 1

March 11, 2020

Randall Rice CPA
Office of County Auditor
722 Moody, 4th Floor
Galveston, Texas 77550

Mr. Rice,

I am in receipt of the Justice of the Peace, Precinct 1 FY2020 audit and have the following responses based on the discrepancies discovered:

Separation of Duties, Adjustments, Reversals and Voids

Current and previous directive issued is that all adjustments, reversals and voids were approved by the Chief Clerk and initials indicating the approval. Based on the recommendation, all adjustments, reversals and voids with will be printed out, signed by the clerk requesting the action, signed by the Chief clerk that approved the action, and the document will be scanned into Odyssey.

CCP 103.0031 Collection Contracts

Finding was PC30 fees are not consistently being assessed accurately in Odyssey. JP1 is currently working with the Auditors office to resolve this issue. In the interim, this office will no long assess any other fees, once PC30 has been applied to a case.

Indigent Credit/Waivers

Jail time credit awarded without providing adequate support documentation of the Judge's approval. Directive given immediately, all jail time credit will be given credit on a judgement form, signed by the judge, and then scanned into Odyssey.

I would like to thank the professional work of the audit staff, Jessica Kozma and Lori McWhirter for their help and explanation during this audit.

Respectfully,


Judge Greg Rikard