

Justice of the Peace, Precinct 2 Audit

May 31, 2013

Galveston
County
Internal Audit
Division

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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 the audit to cause us to doubt the overall reliability and integrity of the information. Though the Court lacks proper segregation of duties due to the size of the Court staff, there are sufficient compensating controls for daily operations.

Safeguarding of Assets (page 4)

- Physical security over assets (collections) is adequate.
- The Court submits properly prepared and adequately supported bank reconciliations to the Auditor's Office in a timely manner. The Judge reviews the bank reconciliation and signs for approval prior to submission.

Compliance with Statutes, Policies, and Procedures (page 5)

- The Court should comply with the statutes and Court policies by implementing the following recommendations:
 - The Court should utilize the Net Data pro rate feature when collecting partial payments.

General Information (pages 6-7)

- The County's portion of the Justice of the Peace, Precinct 2's total annual collections has decreased for the last four years from \$51,955 in 2008 to \$40,684 in 2011, primarily due to a significant decrease in criminal, civil, and hot check case filings. However, in 2012, collections began to increase to \$42,590.
- As an impact of Hurricane Ike, criminal, civil, and hot check case filings have decreased from 747 in 2008 to 481 in 2011. However, in 2012, case filings began to increase to 611.

Introduction

The Internal Audit Division conducted an internal audit of the Justice of the Peace, Precinct 2, as required by Local Government Code §115.0035. The internal audit covered the period April 1, 2012 through March 31, 2013. The audit was performed from May 1, 2013 through May 31, 2013.

The primary objectives of the internal audit are to provide reasonable assurance concerning:

- The reliability and integrity of the information.
- The 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 2. The internal audit included, but was not limited to, the books, accounts, reports, dockets, and records of the Justice of the Peace, Precinct 2.

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 2, as defined by the AICPA professional standards. However, our internal audit was performed with objectivity and due professional care.

Jordan Guss, 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, there are compensating controls that are being implemented in different areas of the operations as listed below.

Dismissals

The Court's policy for dismissals requires the Judge's or the Assistant District Attorney's signature on the case jackets, authorizing the cases for dismissal. As a control to mitigate the possibility of invalid dismissals being entered, the Judge should review the "Net Data Dismissed Cases" report monthly and sign the report.

The auditor reviewed the dismissals recorded in Net Data to verify validity of the recording. It was found that dismissals were valid and authorized by the Judge. The Judge reviews the "Net Data Dismissed Cases" report monthly and signs the report as confirmation of the validity of the recorded dismissals.

Jail Time Credits

Per office policy, jail time credits (JTC) recorded in Net Data require the Judge's approval to grant jail time credits, a written plea from the defendant, 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.

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. Collections not being used should be kept in a locked drawer/safe until they are needed.

As part of the audit, the auditor conducted a surprise cash count. All collections were accounted for at the time of the surprise cash count. Controls are in place to ensure the staff uses lockable drawers and a safe to safeguard their money in the office until deposited. Each clerk has a separate drawer that is kept locked and 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 has a policy to deposit collections twice a week.

The auditor tested deposits for timeliness and determined deposits are being made on average every four days.

Management of Collections

Properly prepared and adequately supported bank reconciliations are one of the best methods of cash management available to any official.

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

As part of the audit, the auditor evaluated the adequacy and effectiveness of the internal controls in responding to the risks within the Court's operations and governance regarding the compliance with laws, regulations and contracts.

Jail Time Credit Allocation

According to Attorney General Opinion GA-147, 2004 interpretation and Justice Courts-Court Costs and Fees handbook prepared by the State Office of Court Administration (OCA), "Under the allocation rule, the jail time credit is applied to the fine first."

The auditor tested the allocations of the jail time credits and found the Court complies with the allocation rule.

Voids

To void a receipt, the Court's procedure requires the clerk who receives the payment to void the receipt, write the reason for the void, and sign on the voided receipt. It also requires a second clerk to review the void for validity and sign the voided receipt.

The auditor examined the voided receipts to verify the validity of the voids. The clerks are in compliance with the Court's procedure.

Partial Payment Proration

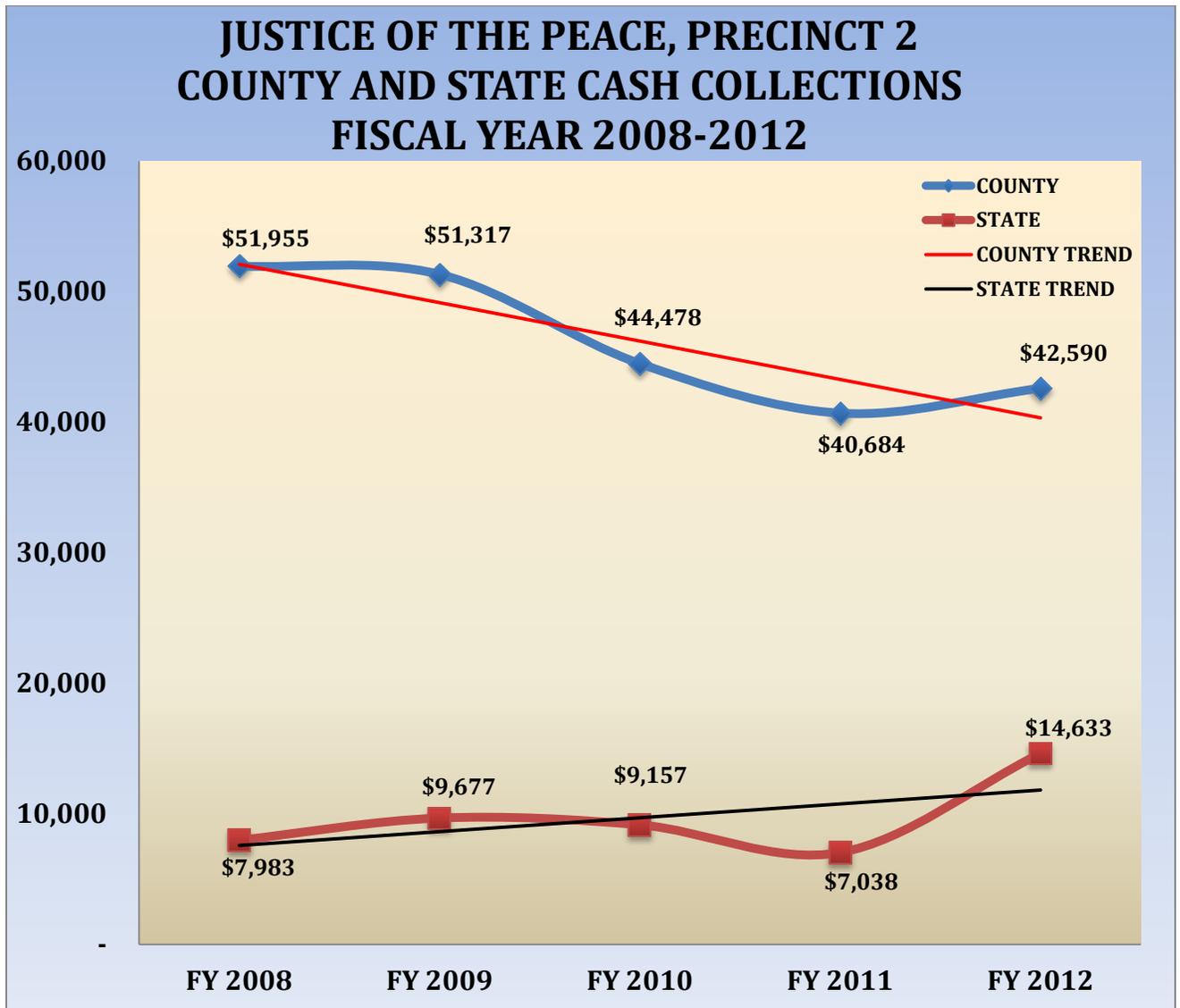
According to Attorney General Opinion GA-147, 2004, Article 45.041 of the Code of Criminal Procedure (CCP) authorizes a Justice of the Peace to order a convicted defendant to pay costs and fines due either as a lump sum or in installments, but it does not preempt the application of the long-standing costs first allocation rule. Under the allocation rule, a county must allocate monies received from a defendant first to pay costs and then to pay a fine. If monies received do not cover all of the costs, then the monies must be allocated to costs on a pro rata basis. If a Justice of the Peace has ordered installment payments, the total sum received must be allocated in accordance with the allocation rule.

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

Recommendation JP2-13-01: To comply with the AG opinion, the Court should utilize the Net Data pro rate feature when collecting partial payments. For this feature to be effective, the prorate feature must be used with the initial payment for subsequent payments to accept the prorate feature.

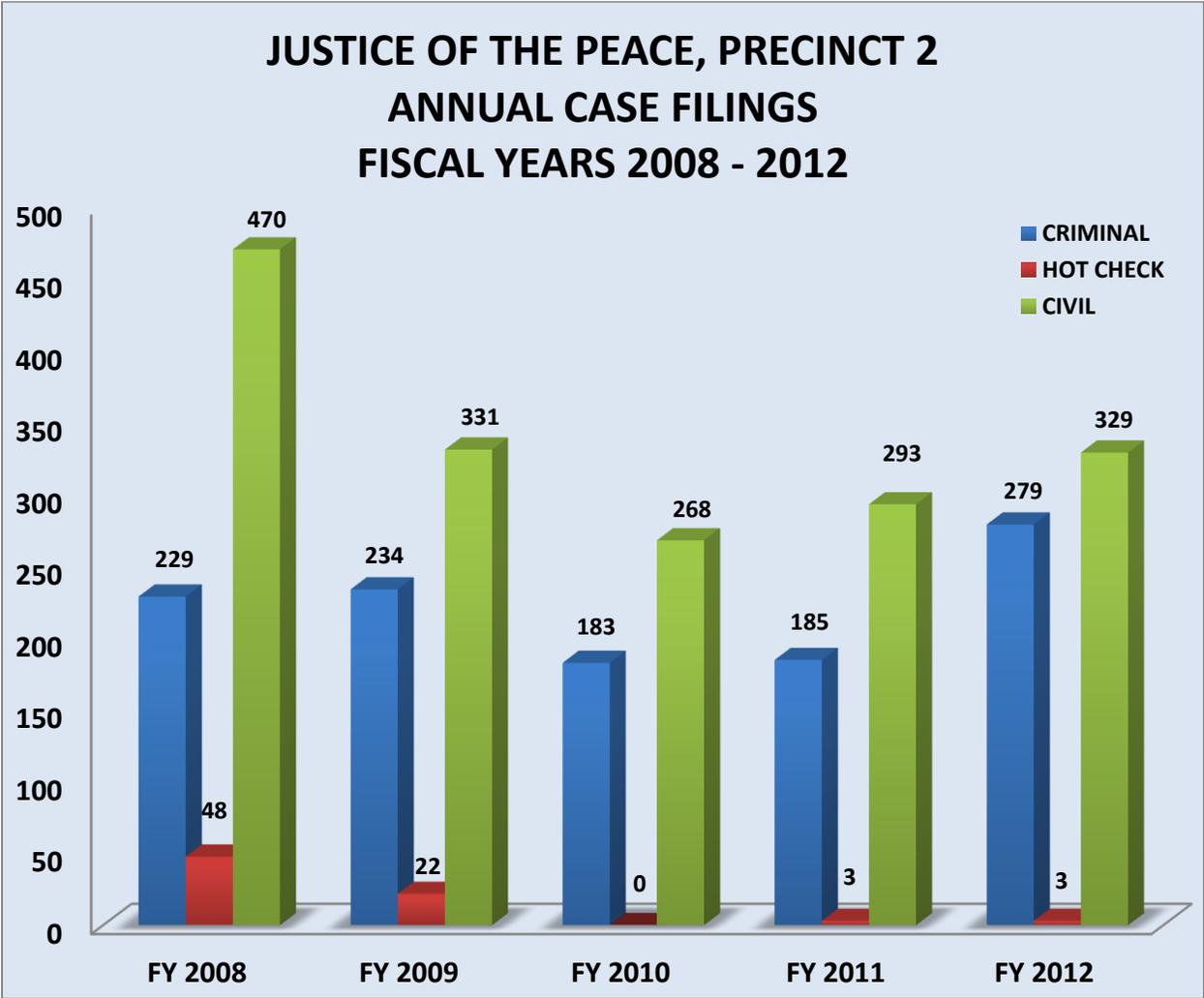
General Information

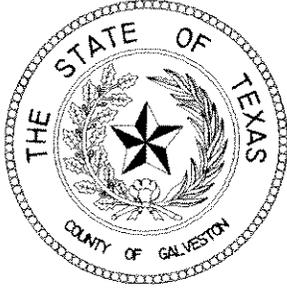
The County's portion of the Justice of the Peace, Precinct 2's total annual collections were decreasing from 2008 through 2011 from \$51,955 to \$40,684 as a result of criminal, civil, and hot check case filings decreasing. In 2012, collections began to increase to \$42,590. The chart below illustrates the total annual County and State collections of this Court over the past five years.



General Information (continued)

The total annual case filings for criminal, civil, and hot checks for the Justice of the Peace, Precinct 2 have been decreasing for the last four years from 747 in 2008 to 481 in 2011. In 2012, case filings began to increase to 611. The chart below illustrates the criminal, civil, and hot check case filings for this Court over the last five years.





JUDGE PENNY L. POPE
JUSTICE OF THE PEACE
PRECINCT 2, GALVESTON COUNTY
1922 Sealy
Galveston, Texas 77550
(409) 770-5455
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August 13, 2013

Mr. Cliff Billingsley, CPA
Auditor, Galveston County
P. O. Box 1418
Galveston, Texas 77553

Re: Justice of the Peace, Precinct 2 Audit

Dear Mr. Billingsley:

I am pleased that your office found no major problems with the operations of JP2 in the recent audit. I extend a thank you to you and your staff for the time and attention given in this matter. It was a pleasure to work with your staff.

Respectfully,

A handwritten signature in cursive script that reads "Penny L. Pope".

Penny L. Pope