



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

September 2, 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 2. The audit covered the period April 1, 2013 through March 31, 2014. Also attached is the response letter from Honorable Penny L. Pope, dated August 14, 2014.

Sincerely,

A handwritten signature in black ink, appearing to read "RRice", is written over a faint circular stamp.

Randall Rice CPA
County Auditor

cc: Honorable Judge Penny L. Pope

Attachment: Justice of the Peace, Precinct 2 Audit Report
Response Letter, Judge Penny L. Pope



Justice of the Peace, Precinct 2 Audit

July 23, 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)

- 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 provides her signature of approval prior to submission.

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

- The Court has implemented adequate internal controls to ensure compliance with applicable statutes, policies, and procedures.

General Information (pages 6-7)

- The County's portion of the Justice of the Peace, Precinct 2's total annual collections decreased from \$51,317 in 2009 to \$40,684 in 2011. In 2012 and 2013 collections have increased from \$42,590 to \$51,198, respectively.
- Case filings decreased from 1,537 in 2009 to 690 in 2011. Since then, however, case filings have increased from 829 in 2012 to 945 in 2013.

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, 2013 through March 31, 2014. The audit was performed from June 13, 2014 through July 7, 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 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.

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.

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.

No-Charge Dismissals

Court policy dictates all no-charge dismissals must be approved by the Judge or the Assistant District Attorney. The official should provide their signature of approval on the case jacket. As an additional control, the Judge should review the "Net Data Dismissed Cases" report monthly.

The Judge reviews and signs the "Net Data Dismissed Cases" report monthly. No discrepancies were noted in the review of no-charge dismissals.

Jail Time Credit

A defendant placed in jail for failure to pay the fine and court costs shall be discharged if the defendant has remained in jail a sufficient length of time to satisfy the charges. Jail Time Credit (JTC) must be approved by the Judge after the defendant provides proof of time served. In addition, the Judge should review the "Net Data Jail Time Collection Register" report monthly and provide her signature of approval.

No 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. Collections not being used should be secured in a locked drawer or safe until they are ready for deposit.

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 secure the collections in the office until deposited.

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 were made according to Court policy.

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

The Court has implemented adequate internal controls to ensure compliance with applicable statutes, policies, and procedures.

Voided Receipts

When a receipt is voided in Net Data, the clerk is required to document the reason for the void on a copy of the voided receipt. The clerk should sign the receipt and retain the copy in the case jacket. If the transaction needs to be re-receipted, a copy of the corrected receipt should also be retained. Court policy dictates the judge must verify and sign all voided receipts.

The Court is in compliance with policy regarding voided receipts.

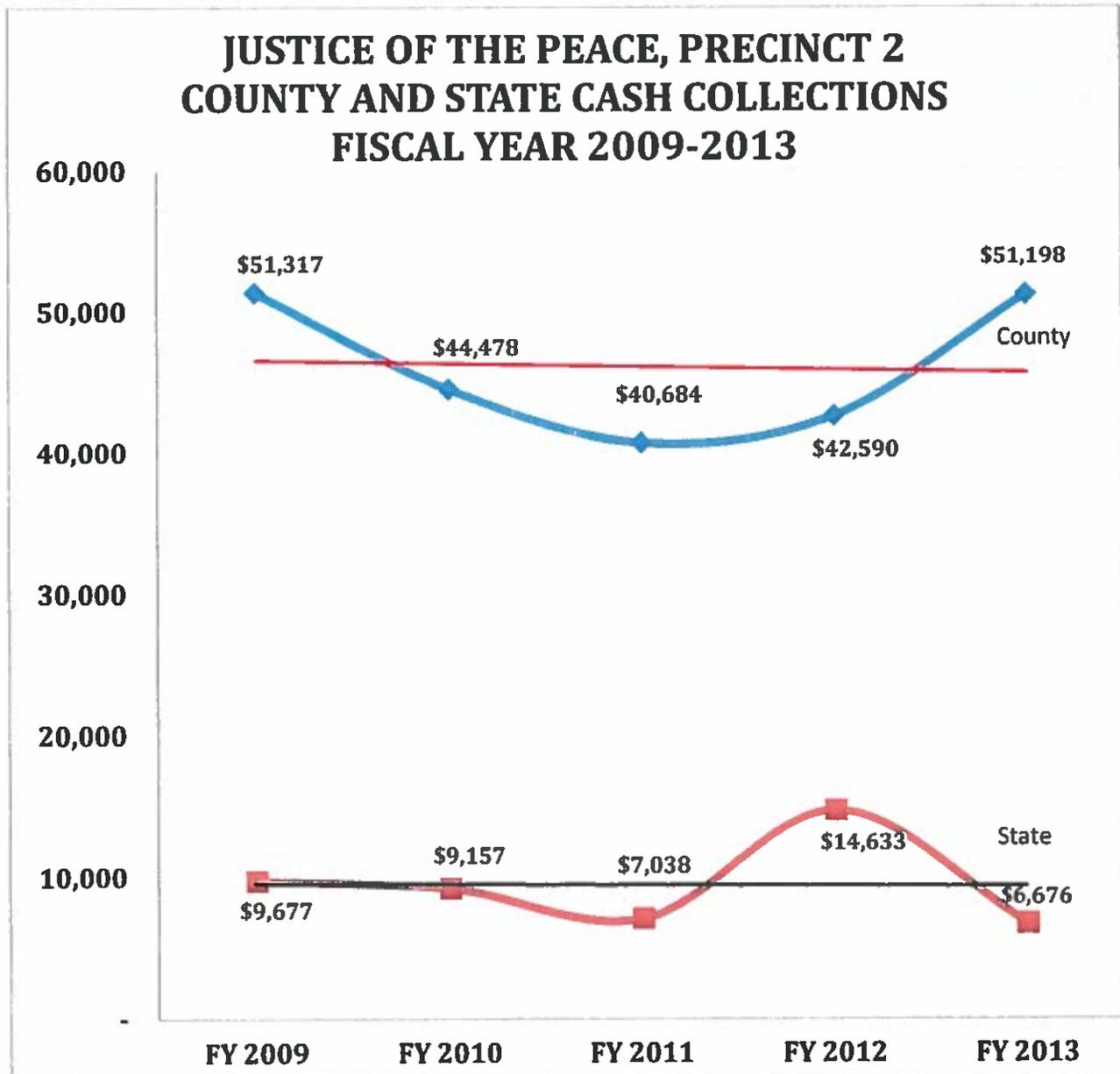
Allocation Rule

Attorney General opinion GA-147 states monies received from a defendant should be allocated first to court costs and then to pay fines. 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.

The Court is in compliance with the 'Allocation Rule'.

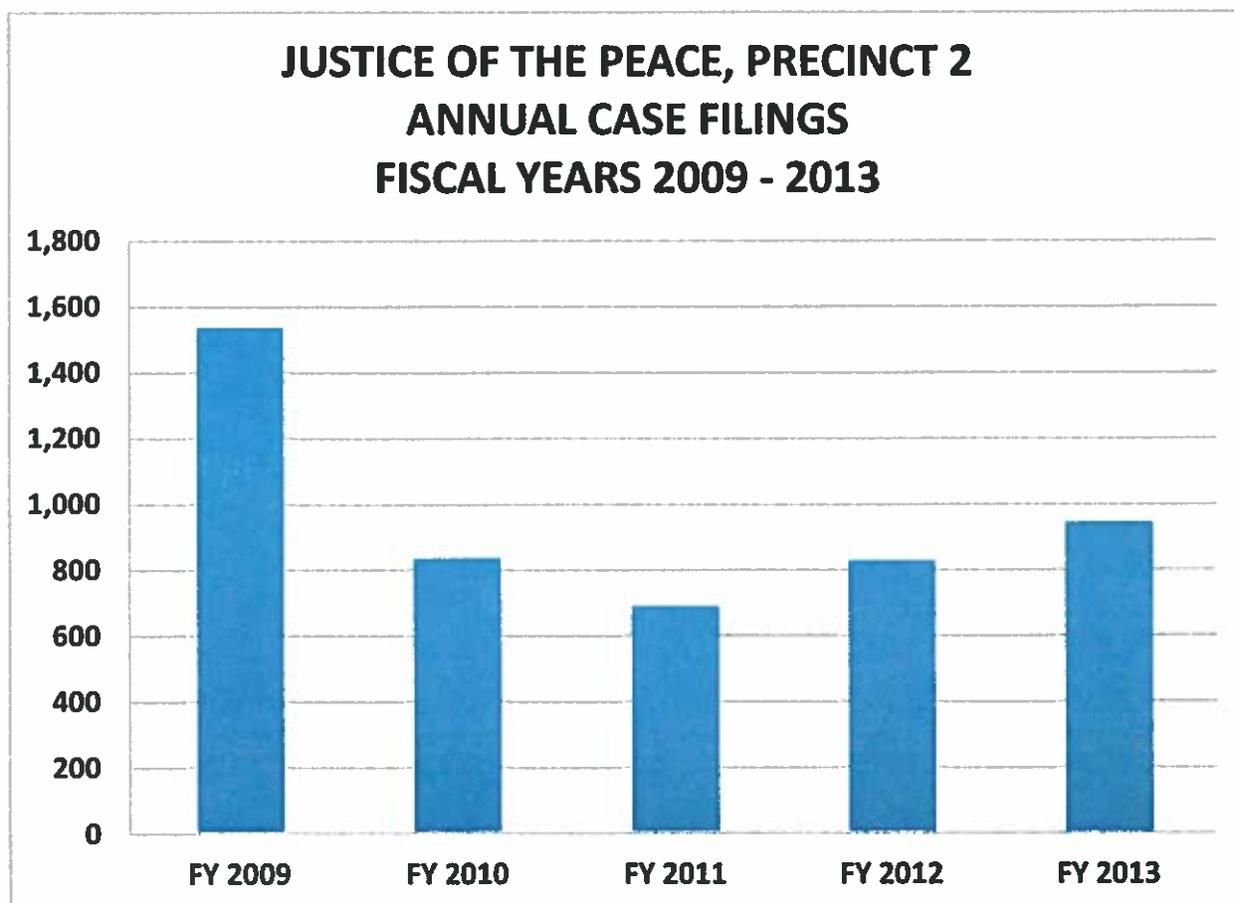
General Information

The County's portion of the Justice of the Peace, Precinct 2's total annual collections decreased from \$51,317 in 2009 to \$40,684 in 2011. Since then, County collections have increased from \$42,590 in 2012 to \$51,198 in 2013. The chart below illustrates the total annual County and State collections from this court over the past five years.



General Information (continued)

The total annual case filings for the Justice of the Peace, Precinct 2 decreased from 1,537 in 2009 to 690 in 2011. Since then, however, case filings have increased to 829 in 2012 and 945 in 2013. The chart below illustrates the 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
(409) 770-6295 Facsimile

August 14, 2014

Mr. Randall Rice, CPA
Auditor, Galveston County
722 Moody, 4th Floor
Galveston, Texas 77550

Re: Justice of the Peace, Precinct 2 Audit

Dear Mr. Rice:

I am pleased that your office found no major problems with the operations of Justice of the Peace, Precinct 2 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