



**THE COUNTY OF GALVESTON**  
COUNTY AUDITOR'S OFFICE  
P.O. Box 1418  
GALVESTON, TEXAS 77553

**County Auditor**  
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December 15, 2015

Honorable Mark A. Henry and  
Members of the Commissioners' Court

Honorable Mark A. Henry 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 January 1, 2015 through September 30, 2015. Also attached is the response letter from Honorable Jim Schweitzer, dated December 3, 2015.

Sincerely,

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

Randall Rice CPA  
County Auditor

cc: Honorable Jim Schweitzer

Attachment: Justice of the Peace, Precinct 2 Audit Report  
Response Letter, Judge Jim Schweitzer

Jim Schweitzer  
Justice of the Peace, Pct. 2  
1922 Sealy  
Galveston, Texas 77550

December 3, 2015

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

Mr. Rice,

It is always a pleasure working with your staff on the annual audit. Sometimes I think a Justice of the Peace in today's world requires an accounting degree but...

Recently I received and reviewed the audit submitted in September. I agree with the recommendations and will begin implementing the suggested areas of change.

Again, thank you and your staff for the time and direction in helping improve the effectiveness and efficiency of this court.

Sincerely,

  
Jim Schweitzer



# Justice of the Peace, Precinct 2 Audit

October 21, 2015

Galveston  
County  
Internal Audit  
Division

Richard Rice CPA  
Cert. Pub. Acct. by State of Texas  
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.

## 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 5<sup>th</sup> of each month.
  - Record any 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 (page 5-6)

- The court should comply with the statutes and court policies by implementing the following recommendations:
  - All voided receipts should contain an explanation of the void and the signature of a clerk other than the clerk who generated the void.
  - The court should not collect the time payment fee prior to 31 days after the judgment date.
  - The court should utilize the Net Data pro rate feature when collecting partial payments.
  - Administrative dismissals should only be authorized when the proof of remedy meets the statutory time limit.
  - PC 30 fees should be assessed to any unpaid balance more than 60 days past due.

# 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 January 1, 2015 through September 30, 2015. The audit was performed from October 1, 2015 through October 21, 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 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.

Eric Wolchko, 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 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 to sign or initial the case jacket or court order as proof of authorization.

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

## Jail Time Credit

CCP §45.048 states 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. Per office policy, all jail time credit (JTC) awarded must be approved by the judge. As a control to mitigate the possibility of invalid JTC being awarded, the judge should review the "Net Data Jail Time Collections" report monthly and provide a signature of approval.

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

## 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 through September 2015.

**Recommendation JP2-15-01:** Bank reconciliations should be submitted to the Auditor’s Office by the 5<sup>th</sup> of each month.

In December 2014, a close-out was performed on the bond account for JP2 – Santa Fe. The Auditor’s Office worked with the court staff to reconcile the bond bank account with Net Data. Adjusting entries needed to reconcile the bond account were provided to Judge Schweitzer.

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

**Recommendation JP2-15-02:** 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, the court was 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.

**Finding:** The clerks were inconsistent in following the court's policy for voiding receipts. Some of the voided receipts lacked an explanation for the void while others were missing the required signatures of the clerks.

**Recommendation JP2-15-03:** All voided receipts should contain an explanation of the void and the signature of a clerk other than the clerk who generated the void.

## Time Payment Fee

Local Government Code (LGC) § 133.103 states a defendant who 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 shall be assessed an additional cost of \$25.00 for a time payment (TP) fee.

Attorney General Opinion GA-0147 defines the "Allocation Rule" as the practice of applying payments to court costs and fees first and then to fines. If a payment does not satisfy all of the court costs and fees, the payment must be allocated among all court costs and fees on a pro rata basis.

Net Data has a feature which, when used, pro rates partial payments automatically.

**Finding:** The court collected the time payment fee prior to the 31<sup>st</sup> day after judgment in some of the cases tested.

**Recommendation JP2-15-04:** To comply with LGC §133.103, the court should not collect the time payment fee until on or after the 31<sup>st</sup> day of the judgment date.

**Finding:** Partial payments were not consistently allocated to costs on a pro rata basis.

**Recommendation JP2-15-05:** The clerks should utilize the pro rate feature in Net Data when collecting partial payments.

# Compliance with Statutes, Policies, and Procedures (continued)

## 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 authorized administrative dismissals when the defendant did not meet the statutory time limit for providing proof.

**Recommendation JP2-15-06:** Administrative dismissals should only be authorized when the proof of remedy meets the statutory time limit.

## 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 correct amount of PC 30 fees.

**Recommendation JP2-15-07:** PC 30 fees should be assessed to any outstanding balance more than 60 days past due.