



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

County Auditor
Randall Rice CPA
CITP CISA CIO CBM DABFA CGMA

Ron Chapa CPA
First Assistant, Director of Auditing

Jeff Modzelewski CPA
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 3. The audit covered the period April 1, 2013 through March 31, 2014. Also attached is the response letter from Honorable Sonny James, dated August 7, 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 Sonny James

Attachment: Justice of the Peace, Precinct 3 Audit Report
Response Letter, Judge Sonny James



Justice of the Peace, Precinct 3 Audit

July 14, 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)

Controls over recordkeeping and reporting can be improved by implementing the following recommendations:

- A clerk other than the one who entered the original transaction should void the transaction in Net Data. An explanation for the void should be recorded in the 'Case Notes' section of Net Data and on the receipt. Both clerks should initial the copy of the voided receipt to be retained in the case jacket

Safeguarding of Assets (page 4)

- Physical security over assets (collections) is adequate.
- Reconcile the bond bank account and the Net Data book balances each month. (*This was a finding in a previous audit.*)

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

- Escheat all checks that have been outstanding for more than three years. (*This was a finding in a previous audit.*)

General Information (pages 6-7)

- County's portion of the Justice of the Peace, Precinct 3's total annual cash collections decreased from FY2009 to FY2013 from \$500,813 to \$213,658 respectively.
- Justice of the Peace, Precinct 3's cases filed and payments collected have been decreasing since 2009.

Introduction

The Internal Audit Division conducted an internal audit of the Justice of the Peace, Precinct 3, 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 4, 2014 through July 3, 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 3. The internal audit included, but was not limited to, the books, accounts, reports, dockets, and records of the Justice of the Peace, Precinct 3.

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 Justice of the Peace, Precinct 3 as defined by the AICPA professional standards. However, our internal audit was performed with objectivity and due professional care.

Tony Pompa, 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 recordkeeping and reporting must be adequate and effective.

Nothing came to our attention during this audit to cause us to doubt the overall reliability and integrity of the information. However, controls in the following areas can be improved.

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 asset.

Voided Transactions

Finding: The clerk processes voids without the approval of another clerk.

Recommendation JP3 14-01: A clerk other than the one who recorded the original transaction should void the transaction in Net Data. Furthermore, an explanation for the void should be recorded in the 'Case Notes' section of Net Data. Both clerks should initial a copy of the voided receipt retained in the case jacket.

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/safe until they are deposited.

As part of the audit, the auditor conducted a surprise cash count on June 4, 2014. All collections were accounted for at the time of the surprise cash count.

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. The Court has a policy to deposit collections daily.

The auditor tested deposits and found the Court deposits collections in the bank in a complete, accurate and timely manner.

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.

Bond Account

Finding: The bond bank and book (Net Data) balances were not in agreement with each other. (*This was a finding from the previous audit.*)

Recommendation JP3 08-05: The Court should reconcile the bond bank account and book (Net Data) balances each 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.

Escheatment of Checks

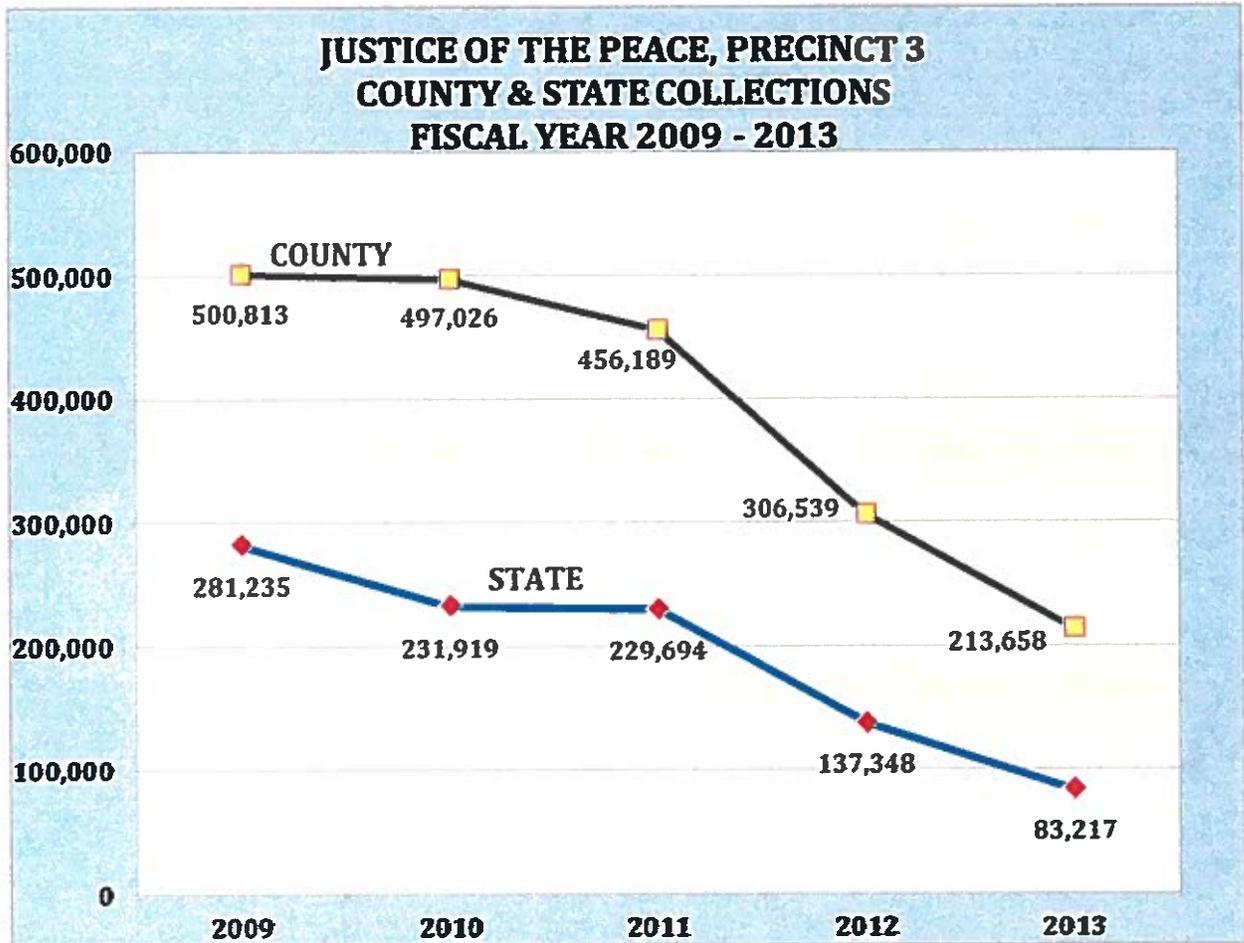
Property Code 72.101(a) states personal property is presumed abandoned if, for longer than three years, the existence and location of the owner of the property is unknown to the holder of the property.

Finding: There are outstanding checks from the bond account that were issued from November 2000 to July 2003 totaling \$612.00. *(This was a finding from the previous audit.)*

Recommendation JP3-12-02: Escheat all checks that have been outstanding for more than three years.

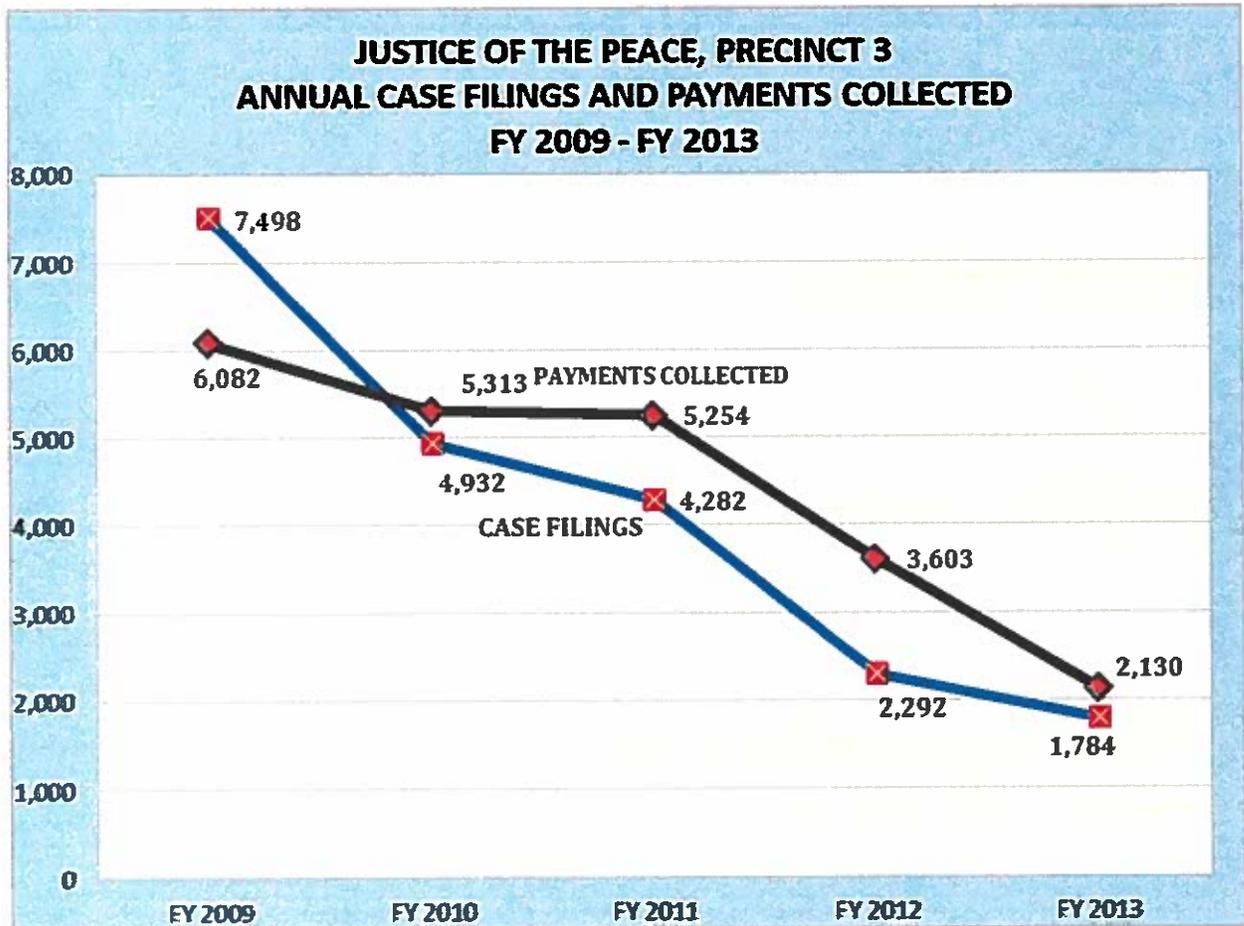
General Information

The County's portion of the Justice of the Peace, Precinct 3's total annual cash collections decreased from FY2009 to FY2013 from \$500,813 to \$213,658. The chart below illustrates the total annual County and State cash collections of this Court over the past five years.



General Information (continued)

Justice of the Peace, Precinct 3's cases filed and payments collected have been decreasing since 2009. The chart below illustrates the total annual cases filed and payments collected for this Court over the past five years.





**SONNY JAMES
JUSTICE OF THE PEACE
GALVESTON COUNTY, PRECINCT 3
203 Vauthier Rd
La Marque, Tx 77568
409-765-2930, 409-765-3288 (Fax)
www.co.galveston.tx.us**

August 7, 2014

Mr. Randall Rice, CPA
County Auditor's Office
P.O. Box 1418
Galveston, Texas 77553

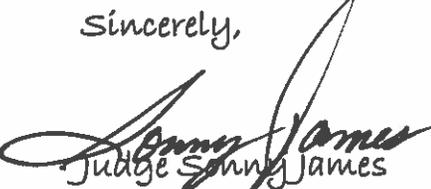
Dear Sir,

Thank you for the draft internal report submitted to me. I have reviewed the findings and recommendations found in the Internal Audit report conducted during the period of April 1, 2013 thru March 31, 2014 for Precinct # 3.

I have met with my Chief Clerk and together we have implemented and utilize recommendations suggested to us by the Internal Auditor Tony Pompa.

Our primary goal here at Precinct # 3 is to provide customer service while complying with county procedures, policies and statutes.

Sincerely,


Judge Sonny James
Justice of the Peace, Precinct 3