



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

Kristin Bulanek CIA
First Assistant, Director of Auditing

Jeff Modzelewski CPA
First Assistant, Director of Accounting

July 21, 2015

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 January 1, 2015 through March 31, 2015. Also attached is the response letter from Honorable Penny L. Pope, dated June 22, 2015.

Sincerely,

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

Randall Rice CPA
County Auditor

cc: Honorable Judge Penny L. Pope

Attachment: Justice of the Peace, Precinct 3 Audit Report
Response Letter, Judge Penny L. Pope



Justice of the Peace, Precinct 3 Audit

June 1, 2015

Galveston
County
Internal Audit
Division

Randall Rice CPA
CITP CISA CIO CBM DABFA CGMA
County Auditor

Executive Summary	1
Introduction	2
Details	3-5

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. However, controls over recordkeeping and reporting can be improved by implementing the following recommendations:
 - Deposit warrants submitted to the Treasurer's Office with multiple deposits should only contain deposits made on the same date.

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 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 signatures of both the clerk and the judge.

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 January 1, 2015 through March 31, 2015. The audit was performed from March 25, 2015 through June 1, 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 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 Galveston County 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.

Madeline Walker, 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

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 material discrepancies were noted in the review of no-charge dismissals.

Deposit Warrants

In order to ensure the reliability, integrity and accuracy of financial reporting, deposit warrants may only contain multiple deposits if the deposits were made on the same date. Deposit warrants use the bank deposit date to correctly reflect the date collections were deposited. When multiple deposit dates are placed on a singular deposit warrant, only one of those dates may be used in the county's financial system, resulting in an inaccuracy of financial reporting.

Finding: Deposit warrants that contain multiple deposit dates are being submitted to the Treasurer's Office.

Recommendation JP3-15-02: Only submit deposit warrants with multiple deposits if the deposits were made on the same date.

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 a 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 surprise cash counts at all locations. All collections were accounted for at the time of the surprise cash counts. 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 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 Crystal Beach and Galveston Offices are in compliance with the policy regarding voided receipts.

Finding: Voided receipts are not consistently being approved by the judge in the La Marque Office.

Recommendation JP3-15-03: All voided receipts should contain an explanation of the void and signatures of both the clerk and judge.

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'.

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 judgement is entered assessing the fine, court costs, or restitution."

Time payment fees are being assessed in compliance with LGC §133.103.



JUDGE PENNY L. POPE
JUSTICE OF THE PEACE
PRECINCT 3, GALVESTON COUNTY
600 59th Street, 1st Floor
Galveston, Texas 77551
(409) 770-5455
(409) 770-6295 Facsimile

June 22, 2015

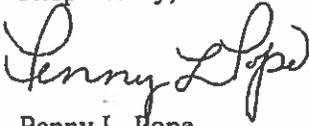
Mr. Randall Rice, CPA
Auditor, Galveston County
722 Moody, 4th Floor
Galveston, Texas 77550

Re: Justice of the Peace, Precinct 3 Audit

Dear Mr. Rice:

I am pleased that your office found no major problems with the operations of Justice of the Peace, Precinct 3 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,


Penny L. Pope