

# Justice of the Peace, Precinct 4 Audit

March 07, 2013

Galveston  
County  
Internal Audit  
Division

Jeff Modzelewski, CPA  
First Assistant in Charge  
Director of Accounting

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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. However, internal controls over dismissed cases can be improved if the Judge notes and signs on the case jacket that the case filed in error has been dismissed.

## Safeguarding of Assets (page 4)

- Physical Security
  - Clerk's change funds should be counted as well as their collections during close-out. *(This is a finding from a previous audit).*
- Minimizing Exposure to Loss
  - The Court deposits collections to the bank daily.
- Managing the Assets
  - The Court submits properly prepared and adequately supported bank reconciliations to the Auditor's Office in a timely manner.

## 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 begin using the collection agency and submit a purchase request by the 15<sup>th</sup> of the following month for the PC 30 fees collected.
  - 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 4's total annual cash collections were decreasing from FY2008 to FY2010 from \$409,596 to \$374,816 as a result of Hurricane Ike in FY2008. Collections began to increase in FY 2010 to FY2012 from \$374,816 to \$436,757.
- The total annual case filings for Justice of the Peace, Precinct 4 have decreased over the last five years from 5,961 in FY2008 to 5,459 in FY2012. Criminal case filings, the most predominant case type, have decreased from 5,321 in FY2008 to 4,991 in FY2012.

# Introduction

The Internal Audit Division conducted an internal audit of the Justice of the Peace, Precinct 4, as required by Local Government Code §115.0035. The internal audit covered the period October 1, 2011 through September 30, 2012. The audit was performed from January 17, 2013 through March 5, 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 4. The internal audit included, but was not limited to, the books, accounts, reports, dockets, and records of the Justice of the Peace, Precinct 4.

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 4, 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 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.

## 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. In addition, the Judge authorizes the clerks to dismiss certain cases that can be dismissed with proof of remedy and payment of the administrative dismissal fees. The auditor examined both types of dismissals to verify the validity of the dismissals.

**Finding:** Dismissed cases filed erroneously at Justice of the Peace, Precinct 4 were dismissed without the Judge's or the ADA's signature on the case jacket.

**Recommendation JP4-13-01:** For dismissed cases caused by a filing error, the Judge should note and sign the case jacket.

## Jail Time Credits

Per office policy, jail time credits recorded in Net Data require the Judge's approval to grant jail time credit.

The auditor reviewed the jail time credits recorded in Net Data to verify the validity of the recording and found that credits were valid.

## 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. All clerks have diligently followed the Court's procedure.

# 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 on January 17, 2013. All collections were accounted for at the time of the surprise cash count. However, the auditor noticed the following concern.

**Finding:** The change funds were not counted during close-out and change fund totals were not verified at the end of the day. *(This is a finding from a previous audit).*

**Recommendation JP4-11-01:** Clerk's change funds should be counted as well as the clerk's collections during close-out.

## 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. By depositing daily, the office is within compliance with applicable statutes governing depositing of county funds.

The auditor tested the deposits and found the Court deposits the collections to the bank daily and they are delivered to the bank by a Constable Deputy.

## 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

Except for the following, no instances were found in which the Court was not in compliance with the applicable laws, policies, contracts and procedures.

## Collection Contract (PC 30 Fees)

The County has agreed to pay the contracted collection agency 30% of the total unpaid fines and fees of adjudicated cases occurring on or after June 18, 2003. The County shall pay the agency by the 20<sup>th</sup> of each month all compensation earned by the firm for the previous month.

According to the contract under Article 2: 2.05 "The County agrees to provide to the firm data regarding any fines and fees that are subject to the agreement, subject to the approval for the justice of the peace court in which the fines and fees originated. Each justice of the peace will have final authority to approve or deny referral of data or any portion of any data, including one or more defendants, to firm for collection".

Under this section of the agreement, the Court has decided to not participate in the private collection services contract for the collection of outstanding fees due to the office.

**Finding:** Although the Court has decided not to participate in the collection contract, the Court was inconsistent with the collection of the PC30 fee and failed to submit purchase requests for the fees collected in a timely manner.

**Recommendation JP4-13-02:** Due to the inconsistencies, it is recommended the Court begin participating in full capacity with the private collection contract. The clerks should submit a purchase request by the 15<sup>th</sup> of the following month for the PC30 fees collected.

## Partial Payment Proration

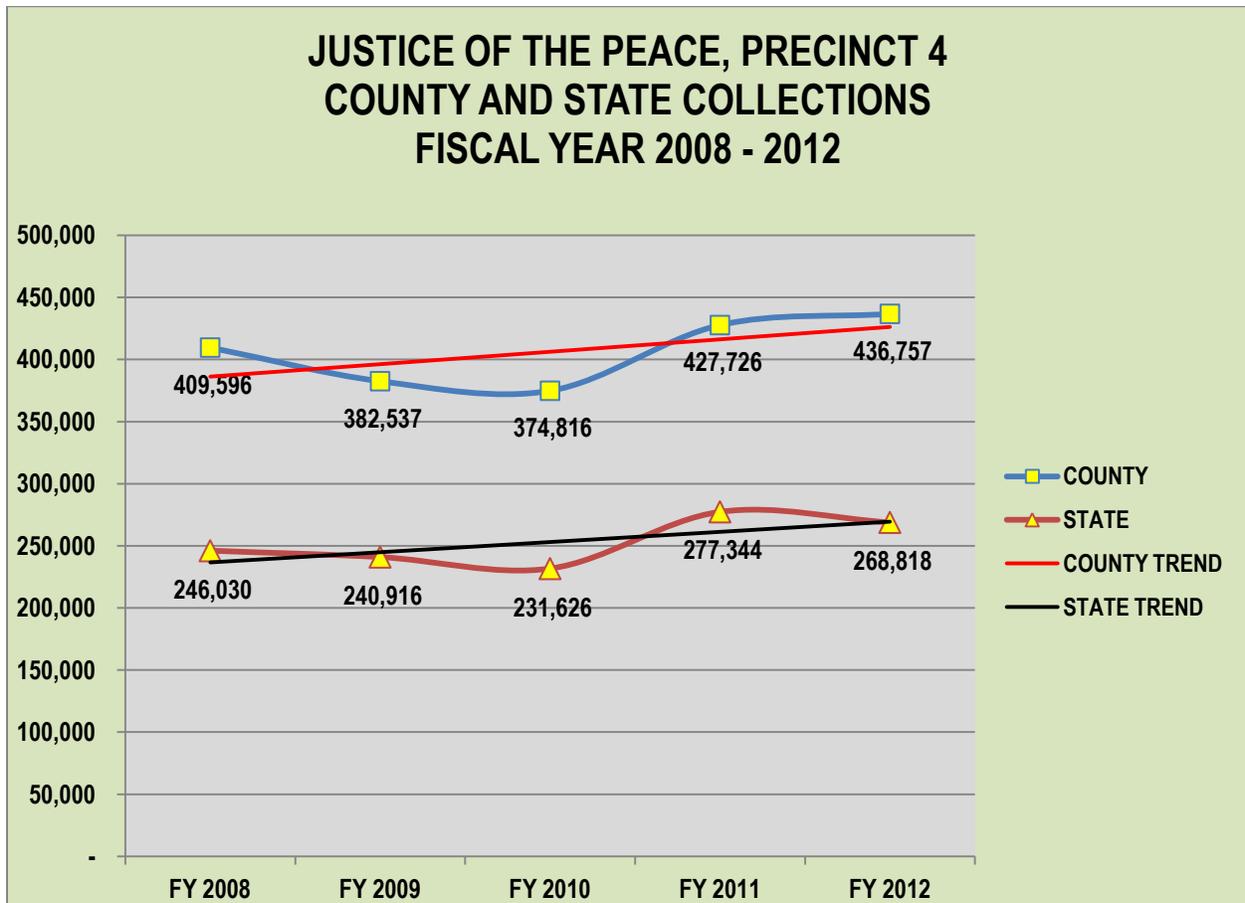
Attorney General Opinion GA-147, 2004 interprets Code of Criminal Procedure (CCP) §103.0031 as under the allocation rule, a county must allocate monies received from a defendant first to pay costs and then to pay a fine. If monies received do not cover all of the costs, then the monies must be allocated 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 JP4-13-03:** 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.

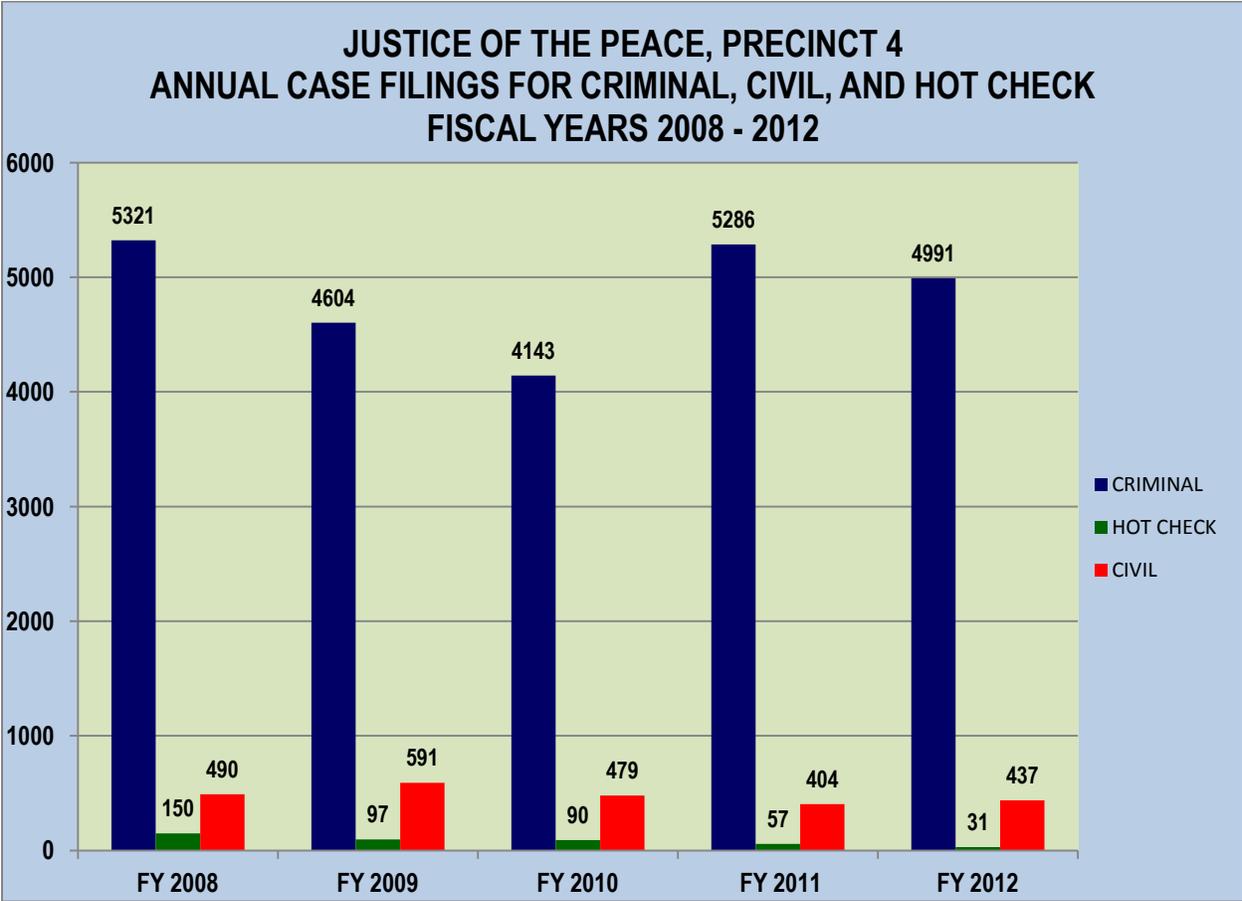
## General Information

The County's portion of the Justice of the Peace, Precinct 4's total annual cash collections were decreasing from FY2008 to FY2010 from \$409,596 to \$374,816 as a result of Hurricane Ike in FY2008. Collections began to increase in FY 2010 to FY2012 from \$374,816 to \$436,757. 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 Justice of the Peace, Precinct 4 have decreased over the last five years from 5,961 in FY2008 to 5,459 in FY2012. Criminal case filings, the most predominant case type, have decreased from 5,321 in FY2008 to 4,991 in FY2012. The chart below illustrates the criminal, civil, hot check and juvenile case filings of this Court for the last five years.





**JUDGE M. W. NELSON  
JUSTICE COURT FOUR  
GALVESTON COUNTY TEXAS**

**11730 Hwy 6/PO Drawer B  
Santa Fe, Texas 77510**

**Office Number: 409-770-5484  
Fax Number: 409-765-3108**

April 15, 2013

Jeff Modzelewski, CPA  
County Auditor's Office  
P. O. Box 1418  
Galveston, Texas 77553

Re: Internal Audit Report Justice of the Peace, Precinct 4 FY2013

Dear Jeff Modzelewski,

I would like to express my appreciation for the diligence and attention your staff demonstrated in handling the internal audit of my office. After reviewing the report and discussion with my Chief Clerk, staff, and speaking with Kristen Bulanek and Tony Pompa in the exit conference the following internal control recommendations have been implemented.

**Dismissals**

All dismissed cases caused by a filing error, the Judge notes and signs. (Implemented 4-11-13)  
I would like to have it noted that prior to this recommendation being implemented my court submitted a reviewed and signed Monthly Dismissal Report, which I believed to be a sufficient handling of cases filed in error.

**Physical Security**

The change funds of each clerk are counted and verified, as well as the clerk's collection during close-out. (Implemented during audit conducted in 2011)  
The importance of this internal control has been reiterated and the clerk handling the daily close-out will perform this control more diligently.

**Collection Contract (PC 30 Fees)**

The recommendation to utilize the collection contract has not been implemented. However, please be aware I am not opposed to submitting cases to collections upon the Collection Agency's review and improvement of the methods employed. Also, I would like to bring to your attention that within this Audit Report you will see the annual cash collections of this court have increased above the

amounts collected while using the Collection Agency. You will find these figures in the report on page 1. I credit the implementation of courtesy notices sent to defendants, OMNI submissions, and Constable J. Fullen, Precinct 4's handling of warrants issued to them from my court.

In reference to the submission of purchase requests for the PC30 fees collected from submissions during the time the agency was used a procedure has been implemented to assure it is processed at the time of monthly close-out.

**Partial Payment Proration**

The importance and requirement of the utilization of the Net Data pro rate feature has been reiterated with all clerks. (Implemented upon implementation of Net Data in 2004)

In closing, I would like to again state my belief in the importance of the audits performed in this Court. As well as, the willingness of myself and my staff to comply with the recommendations of the Auditor's Office.

Sincerely,

A handwritten signature in black ink, appearing to read "M. W. Nelson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Judge M. W. Nelson  
Justice of the Peace  
Precinct 4  
Galveston County Texas