



**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

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First Assistant, Director of Auditing

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First Assistant, Director of Accounting

**Latoya Jordan**  
First Assistant, I.T. Systems

April 1, 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 4. The audit covered the period November 1, 2012 through October 31, 2013. Also attached is the response letter from Honorable Michael W. Nelson, dated March 17, 2014.

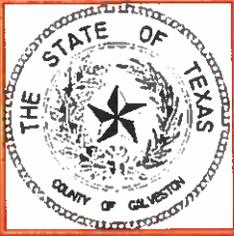
Sincerely,

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

Randall Rice CPA  
County Auditor

cc: Honorable Judge Michael W. Nelson

Attachment: Justice of the Peace, Precinct 4 Audit Report  
Response Letter, Judge Michael W. Nelson



# Justice of the Peace, Precinct 4 Audit

**December 27, 2013**

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. However, controls over recordkeeping and reporting can be improved by implementing proper separation of duties relative to the NetData System.
- To strengthen the internal control over dismissals the Judge or Assistant District Attorney should note and sign the case jacket.

## Safeguarding of Assets (page 4)

- Physical security over assets (collections) is adequate.
- The Court deposits collections to the bank daily.
- 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 (pages 5)

- The Court should begin submitting a purchase request by the 15<sup>th</sup> of the following month for the PC30 fees collected. (*This is a finding from a previous audit*).

## General Information (pages 6-7)

- The County's portion of the Justice of the Peace, Precinct 4's total annual cash collections increased from FY2009 to FY2013 from \$382,537 to \$412,846.
- Total annual case filings for Justice of the Peace, Precinct 4 have decreased over the last five years from 5,360 in FY2009 to 4,135 in FY2013.

# 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 November 1, 2012 through October 31, 2013. The audit was performed from November 19, 2013 through December 27, 2013.

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 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 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 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 area 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.

## Dismissals

The Court's policy for dismissals requires signature of the Judge or an Assistant District Attorney (ADA) on the case jackets, authorizing the case 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:** Cases were dismissed without the Judge or the ADA's signing the case jacket to authorize the dismissal.

**Recommendation JP4-14-01:** To strengthen the internal control over dismissals the Judge or Assistant District Attorney should note and sign 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 November 19, 2013. 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 safeguard their money in the office until 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 to the bank in a 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 bond account bank reconciliation is being prepared properly and submitted in a timely manner.

# Compliance with Statutes, Policies, and Procedures

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

## Private Collection Contract (PC 30 Fees)

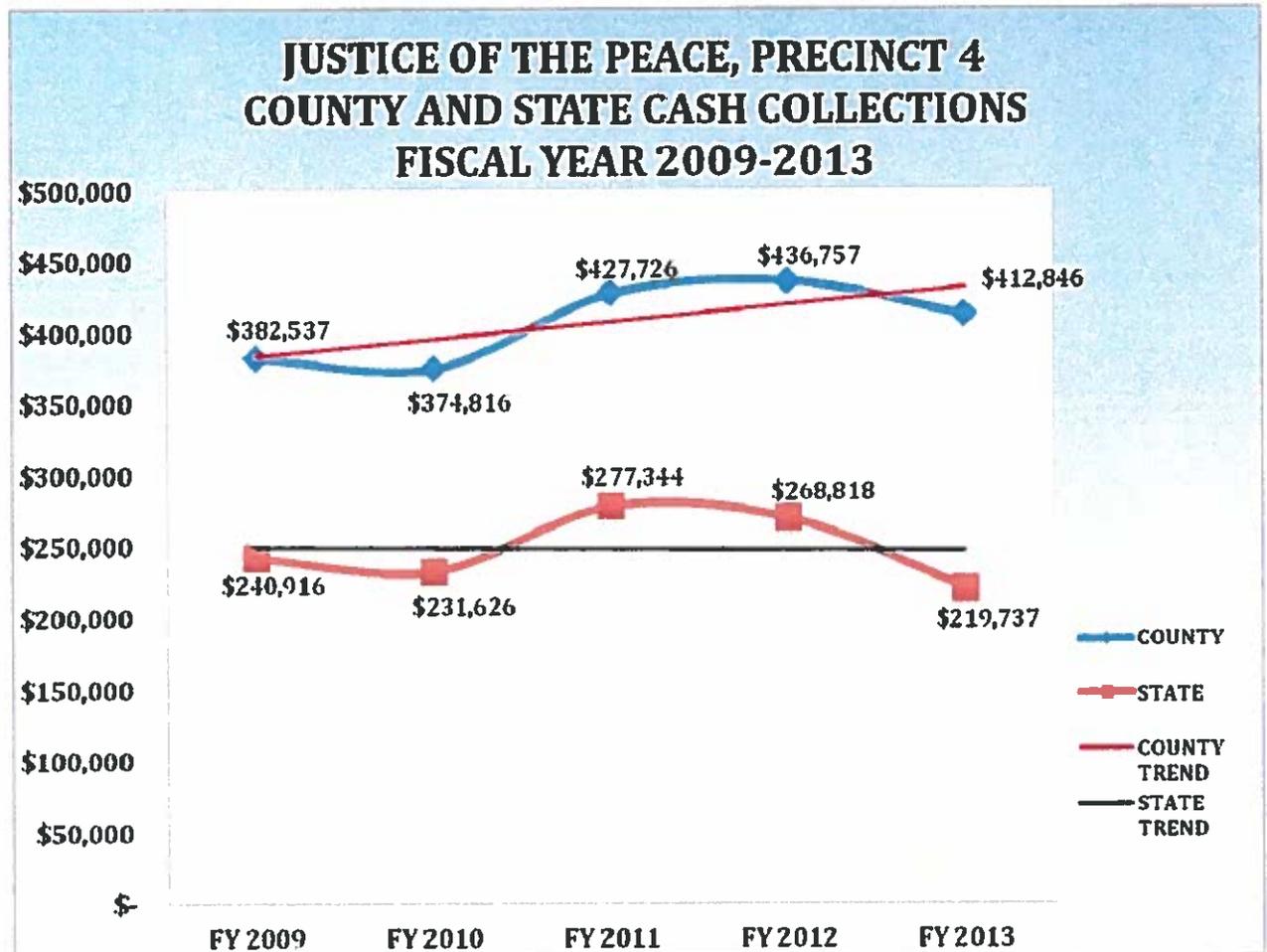
The County has agreed to pay the contracted collection agency 30% of the total unpaid fines and fees of adjudicated cases occurring on or after June 18, 2003. The County shall pay the agency by the 20<sup>th</sup> of each month all compensation earned by the firm for the previous month. The Court has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

**Finding:** The Court failed to submit purchase requests for the fees collected in a timely manner. (*This is a finding from a previous audit*).

**Recommendation JP4-13-02:** The clerks should submit a purchase request by the 15<sup>th</sup> of the following month for the PC30 fees collected.

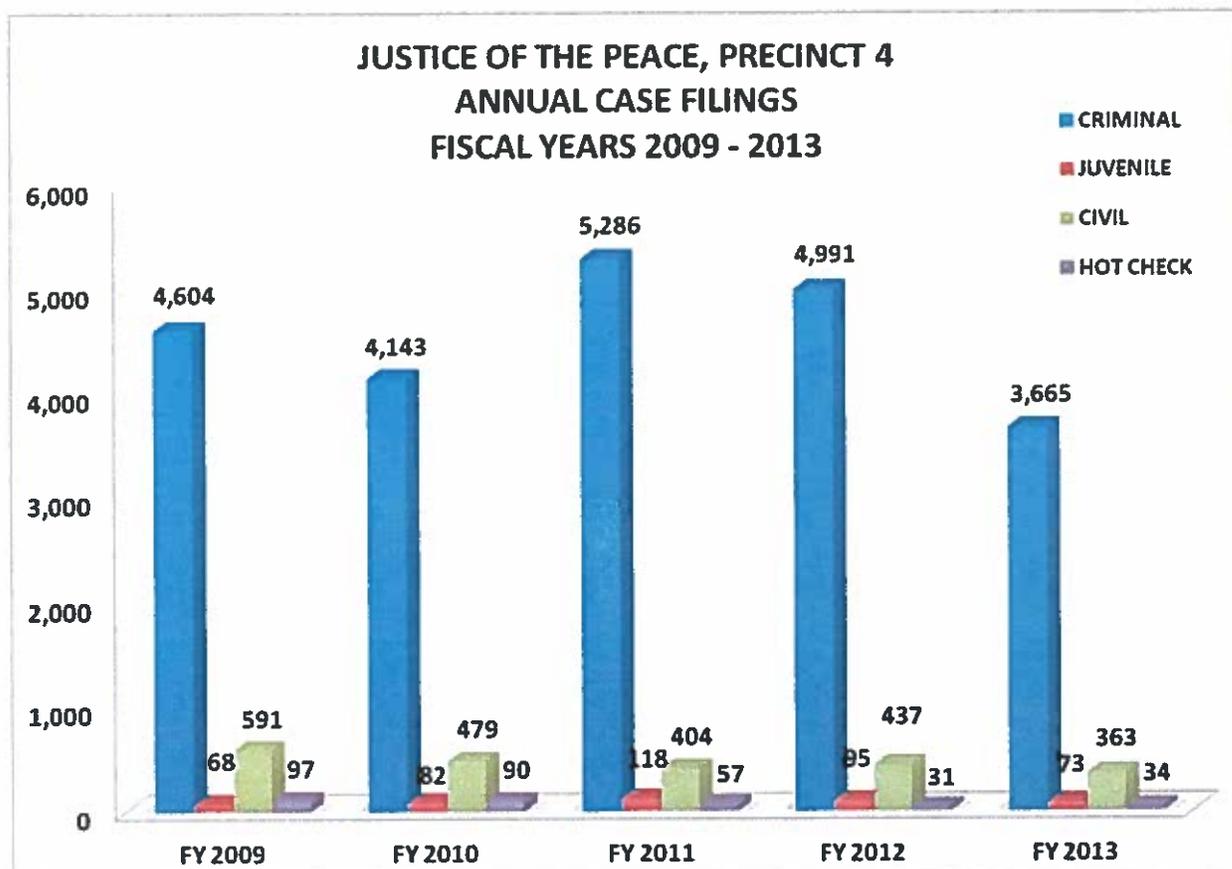
## General Information

The County's portion of the Justice of the Peace, Precinct 4's total annual cash collections increased from FY2009 to FY2013 from \$382,537 to \$412,846. However, the total cash collections between FY 2012 and FY 2013 decreased from \$436,757 to \$412,846 as a result of a decrease in case filings. The chart below illustrates the total annual County and State cash collections of this Court over the past five years.



## General Information (continued)

The total annual case filings for Justice of the Peace, Precinct 4 decreased from 5,360 in FY 2009 to 4,135 in FY2013. 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: 409-925-8290**

**March 17, 2014**

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

**Re: Internal Audit Report Justice of the Peace, Precinct 4 FY2014**

**Mr. Randall Rice,**

Thank you for the diligence and attention your staff demonstrated, as always, in handling the internal audit of my office. After reviewing the report and a discussion with my Chief Clerk I believe my staff and I will be able to correct the issues at hand.

**Dismissals**

The dismissals written on the file jacket in my own handwriting being initialed (implemented during audit conducted in 2011) has been reviewed and discussed with the clerks. Each clerk will, when entering said dismissals in Net Data, check that my initial appears on said file. If my initial does not appear on the file it will be brought to me and initialed.

**Collection Contract (PC 30 Fees)**

With regard to the submission of purchase requests for the PC30 fees collected, upon research it appears this has been done and the issue lies within the purchasing department.

In summary, again I state my belief in the importance of the audits performed in this Court. As ever, I and my staff express to you the willingness of my office to comply with the recommendations of your office.

Sincerely,

A handwritten signature in black ink, appearing to read "M. W. Nelson".

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