



THE COUNTY OF GALVESTON
COUNTY AUDITOR'S OFFICE
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November 24, 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 4. The audit covered the period January 01, 2015 through August 31, 2015. Also attached is the response letter from Honorable Kathleen McCumber, dated October 28, 2015.

Sincerely,

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

Randall Rice CPA
County Auditor

cc: Honorable Kathleen McCumber

Attachment: Justice of the Peace, Precinct 4 Audit Report
Response Letter, Judge Kathleen McCumber



Justice of the Peace, Precinct 4 Audit

September 30, 2015

Galveston
County
Internal Audit
Division

Randall Rice CPA
CTP 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 the following recommendations:
 - Proof of jail time should be filed in the case jacket when Jail Time Credit is granted.
- All no-charge dismissals tested were valid and authorized by the judge or ADA.

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 5-6)

- The court should comply with the statutes and court policies by implementing the following recommendations:
 - All voided receipts should contain the signatures of two clerks.
 - Jail Time Credit should be applied to fines before court costs and fees.
 - 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 from the total amount outstanding after the judgment date.

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 January 1, 2015 through August 31, 2015. The audit was performed from September 10, 2015 through September 30, 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 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.

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. Adequate controls have been established 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 discrepancies were noted in the review of no-charge dismissals.

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.

Finding: Proof of time served was not consistently retained in the case jackets.

Recommendation JP4-15-01: Retain proof of time served in the case jacket when Jail Time Credit is awarded.

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 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, 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 in Net Data, each clerk signs (or initials) the receipt, then retains it in the case jacket as support.

Finding: While voided receipts were in compliance in regard to explanations, the filed voided receipts lacked dual signatures.

Recommendation JP4-15-02: All voided receipts should have two signatures of approval.

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. When a defendant makes partial payments towards his charges the courts must follow the "Allocation Rule".

Attorney General Opinion GA-147 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 31st day after judgment in 10% of the cases tested.

Recommendation JP4-15-03: To comply with LGC § 133.103, the court should not collect the time payment fee until on or after the 31st day of the judgment date.

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

Recommendation JP4-15-04: The clerks should utilize the pro rate feature in Net Data when collecting partial payments.

Compliance with Statutes, Policies, and Procedures (continued)

Jail Time Credit Allocation

A defendant may be awarded JTC in lieu of paying the court costs, fees and fine. If the amount of JTC awarded is not enough to satisfy all charges, the court must follow the "Allocation Rule". Attorney General Opinion GA-147 and the 'Justice Courts - Court Costs and Fees Handbook' defines the "Allocation Rule" for JTC as the practice of applying JTC to the fine first and then to court costs and fees. 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.

Finding: The court did not consistently allocate JTC to the fine first and then to court costs and fees.

Recommendation JP4-15-05: JTC should be applied to the fine first and then to court costs and fees.

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 JP4-15-06: 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 unpaid court costs, fines and fees of adjudicated cases occurring on or after June 18, 2003. The collection fee is applied to any balance more than 60 days past due.

Finding: The court is not consistently assessing PC 30 fees.

Recommendation JP4-15-07: PC 30 fees should be assessed to any balance more than 60 days past due.



KATHLEEN M. MCCUMBER

JUSTICE OF THE PEACE
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October 28, 2015

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

RE: Justice of the Peace, Precinct, FY 2015 Audit

Mr. Rice:

I have received and reviewed the internal audit report of Justice of the Peace, Precinct 4 for the period of January 1, 2015 through August 31, 2015.

I appreciate your recommendations and clerks have been notice to make effort to implement them.

There is no need for an exit interview at this time.

Sincerely,

A handwritten signature in cursive script that reads "Kathleen M. McCumber".

Kathleen McCumber
Justice of the Peace, Precinct 4