

GALVESTON COUNTY



Office of County Auditor

Randall Rice CPA CISA CIO, County Auditor
Kristin Bulanek CIA, First Assistant County Auditor

P.O. Box 1418, Galveston, Texas 77553

(409) 770-5304

722 Moody Ave 4th Floor, Galveston, TX 77550

January 29, 2018

Honorable Mark A. Henry, County Judge, 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 October 1, 2016 through November 30, 2017. Also attached is the response letter from Honorable Kathleen McCumber, dated January 3, 2018.

Sincerely,

A handwritten signature in blue ink that reads "Randall 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

November 30, 2017

Galveston County
Internal Audit
Division

Randall Rice CPA
CITP CISA CIO CBM DABFA CGMA
County Auditor

Executive Summary 1
Introduction 2
Details 3-9

Executive Summary

Reliability and Integrity of Information (page 3-4)

- Compensating controls have been implemented in different areas of the court's operations to ensure a proper separation of duties.
- No exceptions were noted in testing the validity of jail time credit.
- No exceptions were noted in testing the composition of the deposits made to the bank.
- To ensure reliability and integrity of the information, cases transferred to Odyssey must reflect the outstanding court costs, fines and fees for the case as reflected in Net Data.

Safeguarding of Assets (page 5)

- All collections were accounted for during the surprise cash counts.
- Physical security over assets (collections) is adequate.
- Court policy is to deposit collections daily.
- Bond account bank reconciliations are submitted to the Auditor's Office monthly.

Compliance with Statutes, Policies and Procedures (pages 6-7)

- Odyssey is not consistently assessing all of the statutorily required court costs and fees to the misdemeanor offenses. Internal Audit is working with Information Technology to assess and correct the issue.
- No exceptions were noted in the testing of Administrative or No-Charge Dismissals.
- Odyssey is not consistently including the time payment fee when allocating partial payments. Internal Audit is working with Information Technology to assess and correct the issue.

Statistical Analysis (page 8-9)

- 38.2% of the cases filed were traffic misdemeanors. Non-traffic misdemeanors made up 28.1% and debt claims were 13.5%.
- Bank deposits fluctuated from \$53,202 (November-2016) to \$104,684 (February-2017) and back down to \$64,840 (October 2017). Total collections for the audit period were \$832,449.

Introduction

The Internal Audit Division conducted an internal audit of the Justice of the Peace, Precinct 4, in accordance with Local Government Code §115. The internal audit covered the period November 1, 2016 through October 31, 2017. The audit was performed from November 6, 2017 through November 29, 2017.

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.

Christina Fogg, 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.

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 have been implemented in different areas of the court's operations.

Adjustments, Reversals and Voids

All clerks have the ability to process adjustments, reversals and voids in Odyssey. Court policy limits the recording of reversals and voids in Odyssey to the Chief Deputy Court Clerk or the Senior Court Clerk. In the event one of those employees needs to reverse or void a transaction, the other must record the transaction. An explanation for the transaction is recorded in the 'comments' section of Odyssey and the clerk who initiated the void will immediately re-receipt the transaction, when applicable. A sample of adjustments, reversals and voids was tested for compliance with court policy. No material exceptions were noted.

Jail Time Credit

CCP §45.048 Discharged From Jail states a defendant placed in jail shall be discharged by showing the defendant is too poor to pay the fine and costs or has remained in jail a sufficient length of time to satisfy the charges. Per court policy, the defendant must provide proof of time served. All jail time credit awarded must be approved by the judge. Proper support documentation for jail time credit must be scanned into Odyssey as proof of its validity. A sample of cases was tested for compliance with CCP §45.048 and court policy. No exceptions were noted.

Community Service Credit

CCP §45.049 Community Service in Satisfaction of Fine or Costs states a justice or judge may require a defendant who fails to pay a previously assessed fine or costs, or who is determined by the court to have insufficient resources or income to pay a fine or costs, to discharge all or part of the fine or costs by performing community service. All community service credit must be approved by the judge. Proper support documentation for community service credit must be scanned into Odyssey as proof of its validity. A sample of cases was tested for compliance with CCP §45.049 and court policy. No exceptions were noted.

Reliability and Integrity of Information (cont.)

Court Costs, Fines and Fees - Net Data Cases

When a defendant pays outstanding charges for cases with a file date prior to the Odyssey conversion, the outstanding charges for the case must be transferred to Odyssey. The outstanding court costs, fines and fees for the cases must be recorded accurately and completely in Odyssey as reflected in Net Data.

Finding: Some of the cases transferred to Odyssey did not agree with the outstanding charges reflected in Net Data.

Recommendation JP4-18-01: To ensure reliability and integrity of the information, cases transferred to Odyssey must reflect the outstanding court costs, fines and fees for the case as originally recorded in Net Data.

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 or safe until they are deposited in the bank.

As part of the audit, the auditor conducted a surprise cash count at the office on November 6, 2017. All collections were accounted for at the time of the surprise cash counts. 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. JP4 has a policy to deposit collections daily.

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.

JP4 performs a bond account bank reconciliation each month and submits a copy to the Auditor's Office.

Compliance with Statutes, Policies and Procedures

The following areas were tested to provide reasonable assurance the court is in compliance with statutes, policies and procedures.

Court Costs, Fines and Fees

The Texas Judicial Branch publishes a 'Justice Court Convictions Court Cost Chart' each calendar year. The chart shows the fees to be assessed for misdemeanor offenses, including specific costs not assessed upon conviction, but assessed under appropriate circumstances. The chart also provides the statute that supports the amount of court costs, fines and fees reflected on the chart. A sample of cases was tested for compliance with the applicable statutes regarding court costs, fines and fees collected by the office. It was determined Odyssey was not consistently assessing all of the statutorily required court costs and fees to the misdemeanor offenses. Internal Audit is working with Information Technology to assess and correct the issue.

Administrative Dismissals

Certain charges may be dismissed with an administrative fee, set by statute, when the defendant provides proof the underlying violation was resolved within the statutory time limit. When the proof is presented and the administrative fee has been paid, the clerk may dismiss the case without the consent of the judge or the assistant district attorney. A sample of administrative dismissals was tested for compliance with applicable statutes. No exceptions were noted.

Allocation Rule

A defendant may be awarded jail time credit (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' define 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. A sample of cases was tested for compliance with the "Allocation Rule". No discrepancies were noted.

Compliance with Statutes, Policies and Procedures (cont)

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 judgment is entered assessing the fine, court costs, or restitution.”

The Court Costs and Fees Handbook for Justice Courts Chapter V (A)(1)(a) Allocation Rule states “The time payment fee is treated like other court costs and fees when allocating and prorating. When the full amount owed by a defendant is not received, the time payment fee takes precedence over fines and shares pro rata with other costs and fees”. A sample of cases were tested for compliance with LGC §133.103 and the “Allocation Rule”. It was determined Odyssey was not consistently including the time payment fee when allocating partial payments. Internal Audit is working with Information Technology to correct the problem.

CCP §32.02 Dismissal by State’s Attorney

CCP §32.02 Dismissal By State’s Attorney states “The attorney representing the State may, by permission of the court, dismiss a criminal action at any time upon filing a written statement with the papers in the case setting out his reasons for such dismissal, which shall be incorporated in the judgment of dismissal. No case shall be dismissed without the consent of the presiding judge.”

Court policy requires support documentation for no-charge dismissals, signed by the judge or the assistant district attorney, to be scanned into Odyssey as proof of its validity.

A sample of no-charge dismissals was tested for compliance with CCP §32.02 and court policy. No discrepancies were noted.

CCP §103.0031 Collection Contracts

CCP §103.0031 states the commissioners court of a county may enter into a contract with a private attorney or a public or private vendor for the provision of collection services for debts and accounts receivable such as unpaid fines, fees, court costs, forfeited bonds, and restitution. A commissioners court that enters into a contract with a private attorney or private vendor under this article may authorize the addition of a collection fee in the amount of 30 percent of the outstanding balance that is more than 60 days past due and has been referred to the attorney or vendor for collection.

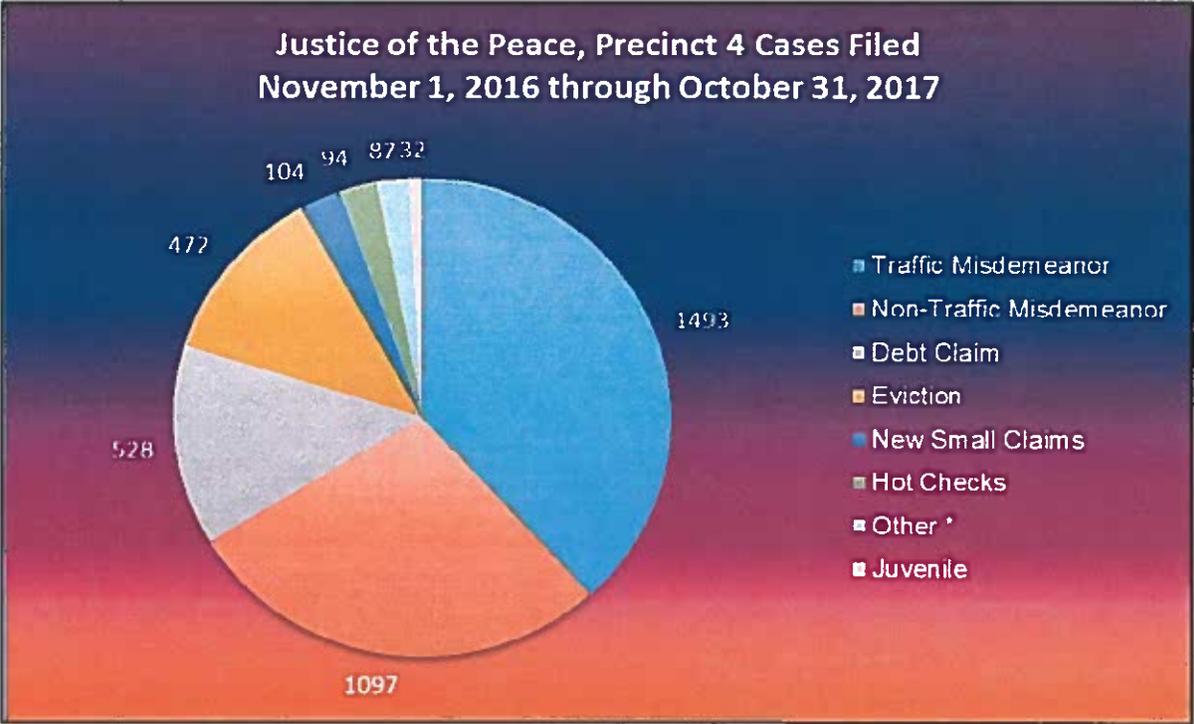
A sample of cases was tested for compliance with CCP §103.0031. No discrepancies were noted.

Statistical Analysis

A statistical analysis was performed on the cases filed through JP4 during the audit period. The data for the analysis was obtained from the Odyssey Case Index Report. The date range used for the report was November 1, 2016 through October 31, 2017. More than a third (38.2%) of the cases filed were traffic misdemeanors. Non-traffic misdemeanors made up 28.1% and debt claims made up 13.5%. The following reflects the number and types of cases filed during the audit period:

Traffic Misdemeanor	1493	38.2%
Non-Traffic Misdemeanor	1097	28.1%
Debt Claim	528	13.5%
Eviction	472	12.1%
New Small Claims	104	2.7%
Hot Checks	94	2.4%
Other *	87	2.2%
Juvenile	32	0.8%
	3907	100.0%

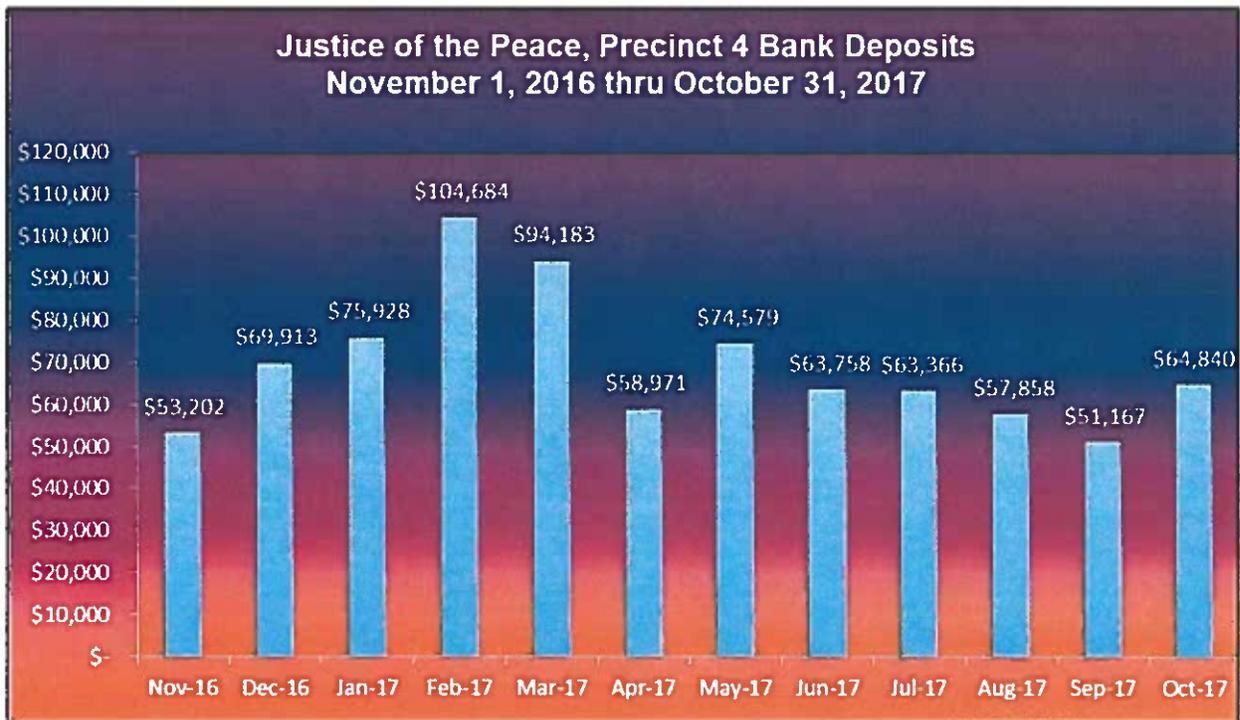
Other *	
<i>Magistrate Duty</i>	3
<i>Repair & Remedy</i>	1
<i>Occupational License</i>	70
<i>JP License Revocation</i>	1
<i>Truancy</i>	7
<i>Tow Hearings</i>	5
	87



Statistical Analysis (cont.)

A statistical analysis was also performed on the bank deposits made by JP4 during the audit period. The data used in the analysis was obtained from OneSolution, the county's financial reporting system. The date range used for the report was November 1, 2016 through October 31, 2017. The following reflects the bank deposits made by JP4 during the audit period:

JP4 - Bank Deposits	
Nov-16	\$ 53,202
Dec-16	\$ 69,913
Jan-17	\$ 75,928
Feb-17	\$ 104,684
Mar-17	\$ 94,183
Apr-17	\$ 58,971
May-17	\$ 74,579
Jun-17	\$ 63,758
Jul-17	\$ 63,366
Aug-17	\$ 57,858
Sep-17	\$ 51,167
Oct-17	\$ 64,840
Total	\$ 832,449





KATHLEEN M. MCCUMBER

JUSTICE OF THE PEACE
GALVESTON COUNTY, PRECINCT 4
174 Calder Road, Room 111
League City, Tx 77573
(281) 316-8716 or (281) 316-8718
Fax (281) 316-8704

January 3, 2018

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

Mr. Rice:

I have received and reviewed the internal audit report of Justice of the Peace, Precinct 4 that covered the period of November 1, 2016 through October 31, 2017.

This audit indicated that there is a problem with cases moved from Netdata to Odyssey. I have been told that Information Technology is working on software that will transfer fees automatically from Netdata to Odyssey. Hopefully, this will correct any entry errors that occur when cases are transferred manually.

I appreciate the information gathered through this audit.

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

Sincerely,

A handwritten signature in blue ink, appearing to read "Kathleen M. McCumber".

Kathleen M. McCumber
Justice of the Peace
Precinct 4, Galveston County