



**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

December 10, 2013

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 5. The audit covered the period September 1, 2012 through August 31, 2013. Also attached is the response letter from Honorable Judge Darrell Apffel, dated November 13, 2013.

Sincerely,

A handwritten signature in cursive script, appearing to read "RRice".

Randall Rice CPA  
County Auditor

cc: Honorable Judge Darrell Apffel

Attachment: Justice of the Peace, Precinct 5 Audit Report  
Response Letter, Judge Darrell Apffel



# Justice of the Peace, Precinct 5 Audit

October 23, 2013

Galveston County  
Internal Audit  
Division

Randall Rice CPA  
CITP CISA CIO CBM DABFA CGMA  
County Auditor

Executive Summary .....	1
Introduction .....	2
Details .....	3-8

# 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. Though the Court lacks proper separation of duties due to the size of Court staff, there are sufficient compensating controls for daily operations.

## 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 5-6)

- The Court should assess and collect the time payment fee on or after the 31<sup>st</sup> day after the judgment date. *(This is a finding from a previous audit).*
- When voiding a receipt, the clerks should include an explanation for the void and two clerk signatures on the receipt. *(This is a finding from a previous audit).*
- The judge should implement the auditor's recommendations. If not implemented, the indemnification policy may not be exercised in the event of loss of funds.

## General Information (pages 7-8)

- The County's portion of the Justice of the Peace, Precinct 5's total annual cash collections decreased from FY2009 to FY2011 from \$411,515 to \$307,337. Collections increased from FY2011 to FY2013 from \$307,337 to \$364,005. The data for FY 2013 is as of August 31, 2013.
- The total annual case filings for Justice of the Peace, Precinct 5 decreased from 5,136 in FY2009 to 3,988 in FY2013. The data for FY 2013 is as of August 31, 2013.

# Introduction

The Internal Audit Division conducted an internal audit of the Justice of the Peace, Precinct 5, as required by Local Government Code §115.0035. The internal audit covered the period September 1, 2012 through August 31, 2013. The audit was performed from September 6, 2013 through October 23, 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 5. The internal audit included, but was not limited to, the books, accounts, reports, dockets, and records of the Justice of the Peace, Precinct 5.

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 5 as defined by the AICPA professional standards. However, our internal audit was performed with objectivity and due professional care.

Travis Leopulos, 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.

Nothing came to our attention during this audit to cause us to doubt the overall reliability and integrity of the information.

## 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 as listed below.

## Dismissals

Dismissed cases with no charge recorded in Net Data require either the Judge's or Assistant District Attorney's (ADA) signature.

The auditor reviewed the dismissals recorded in Net Data to verify validity of the recording. It was found that dismissals were valid and authorized by the Judge. The Judge reviews the "Net Data Dismissed Cases" report monthly and signs the report as confirmation of the validity of the recorded dismissals.

## Collections

The Court accepts payments in the form of checks (cashier's check, money order and business check) and credit card. Checks are deposited to the bank by one of the clerks daily.

The auditor reviewed the accuracy of the composition of the collections recorded in Net Data. No material findings were found.

## 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.

# 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 September 25, 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

## 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."

The auditor tested the proration and found the Court to be in compliance.

## Jail Time Credit Allocation

According to Attorney General Opinion GA-147, 2004 interpretation and Justice Courts-Court Costs and Fees Handbook prepared by the State Office of Court Administration (OCA), "Under the allocation rule, the jail time credit is applied to the fine first."

The Auditor tested the allocation of jail time credit and determined the Court to be in compliance with the allocation rule.

## Time Payment Fee Assessment

According to Local Government Code §133.103 the Court should assess a time payment fee of \$25 if the person pays any part of a fine, court costs, or restitution on or after the 31<sup>st</sup> day after the date on which a judgment is entered.

**Finding:** The Court incorrectly collected a \$25 time payment fee for payments received before the 31<sup>st</sup> day. *(This was a finding from the previous audit.)*

**Recommendation JP5-11-01:** The Court should review the statute and be aware of the 31-day time period when collecting time payment fees.

## Voided Transactions

The Court's procedure for voiding a receipt allows the clerk who received 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.

**Finding:** The Clerks were inconsistent in following the Court's procedure for voiding transactions. The voided transaction receipts lacked either an explanation for the void or two clerk signatures. *(This is a finding from a previous audit.)*

**Recommendation JP5-09-03d:** Internal controls can be strengthened by requiring the Clerks to comply with the Court's procedure.

# **Compliance with Statutes, Policies, and Procedures (Continued)**

## **Policy HR028-Indemnification of Elected and Appointed Officers**

Section 157.903 of the Texas Local Government Code provides that Commissioners' Court may, by order, provide for the indemnification of an elected or appointed county officer against personal liability for the loss of County funds, or loss of or damage to personal property, incurred by the officer in the performance of their official duties if the loss was not the result of the officer's negligence or criminal action. The County Auditor will investigate the circumstances of the loss including prior internal control audits, control procedures and actions taken of and by the requesting county officer.

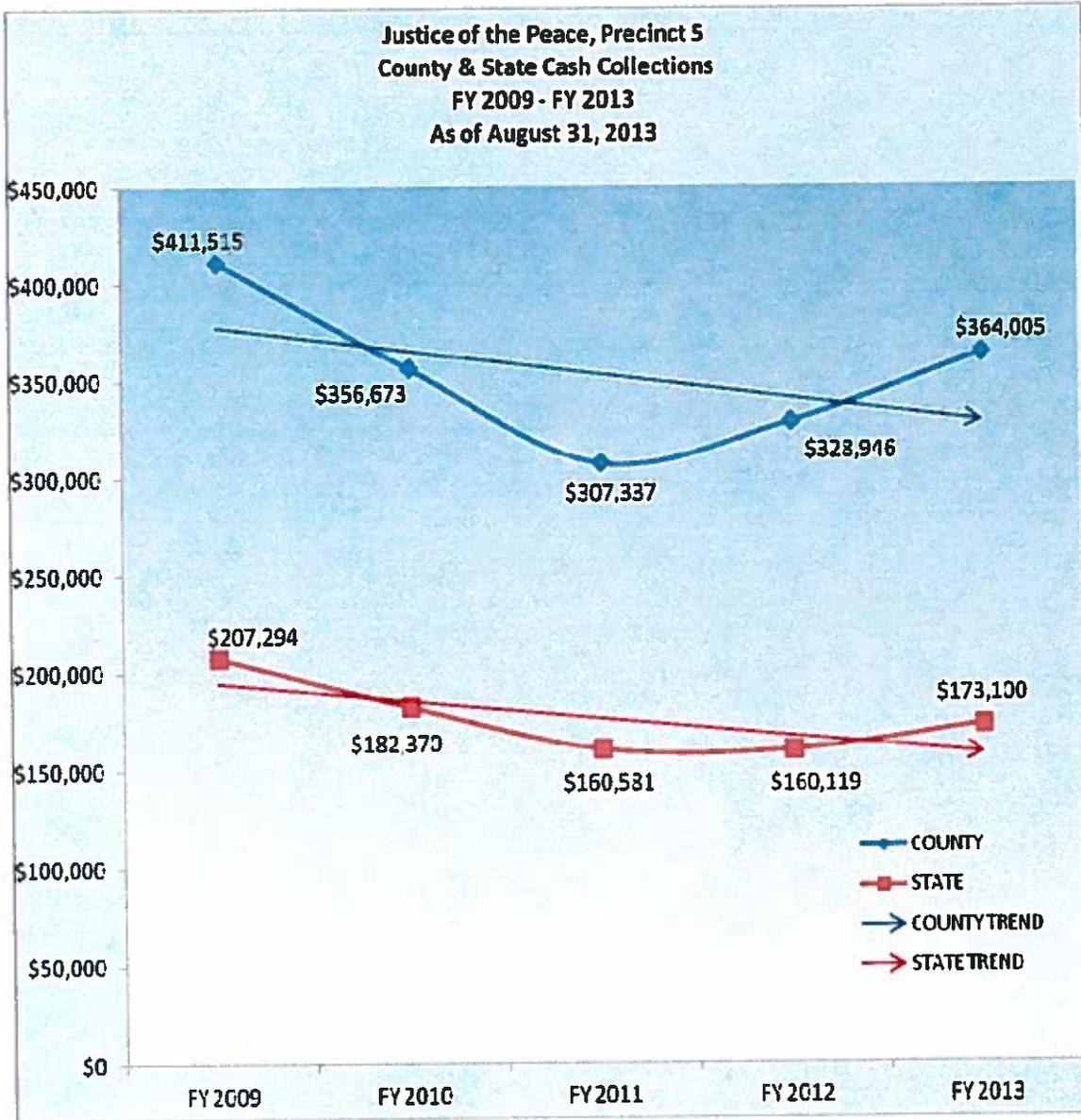
The Judge's response letter dated December 11, 2012 to the FY2012 audit report stated the Court had implemented and utilized the recommendations suggested.

**Finding:** There were two repeat recommendations from previous audits that have not been implemented.

**Recommendation JP5-13-01:** The Judge should implement the auditor's recommendations to increase the Court's internal controls. If not implemented, the indemnification of the elected official may not be exercised in the event of loss of funds.

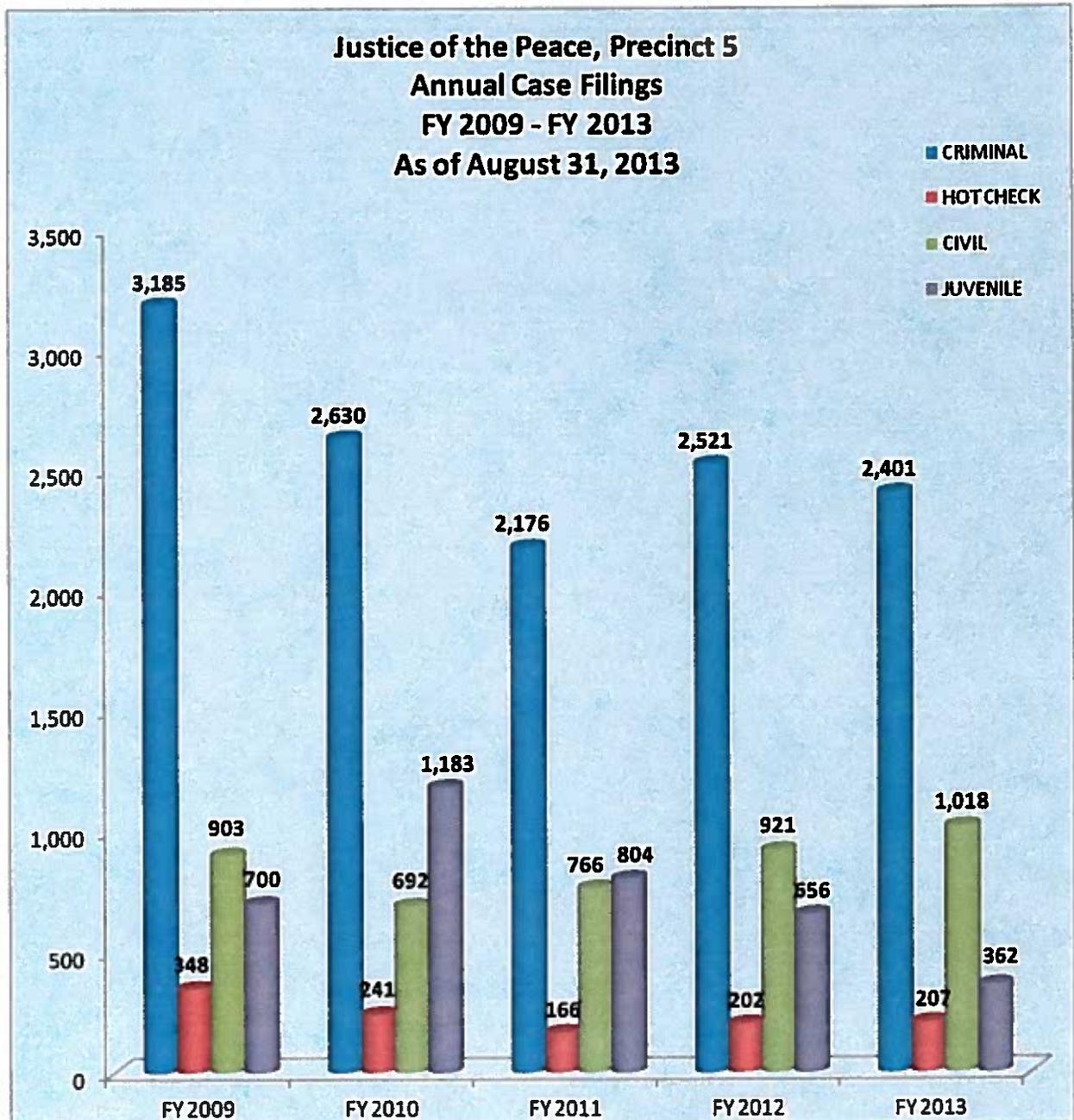
# General Information

The County's portion of the Justice of the Peace, Precinct 5's total annual cash collections decreased from FY2009 to FY2011 from \$411,515 to \$307,337, and increased to \$364,005 in FY 2013. The data for FY 2013 is only as of August 31, 2013. 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 5 decreased from 5,136 in FY2009 to 3,988 in FY2013. The data for FY 2013 is only as of August 31, 2013. Criminal case filings, the most predominant case type, decreased from 3,185 in FY2009 to 2,401 in FY2013. The chart below illustrates the criminal, civil, hot check and juvenile case filings of this Court for the last five years.



**From:** [Apffel, Darrell](#)  
**To:** [Leopolos, Travis](#)  
**Cc:** [Bulanek, Kristin](#); [Sandles, Kevin](#); [Fortenberry, Rhonda](#); [Jackson, Theresa](#)  
**Subject:** RE: Re: Justice of the Peace, Precinct 5 FY 2013 Audit  
**Date:** Wednesday, November 13, 2013 10:53:37 AM

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Thank you all for meeting with me this morning to go over the Audit findings.

Please know we strive to be the best we can be and thank you for your service in assisting us to do that.

We understand the time pay fee and will correct that effective today.

We understand the voided receipt issues and will correct that immediately as well.

Thank you ,

Darrell Apffel

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**From:** Leopolos, Travis  
**Sent:** Thursday, November 07, 2013 9:26 AM  
**To:** Apffel, Darrell  
**Cc:** Bulanek, Kristin  
**Subject:** Re: Justice of the Peace, Precinct 5 FY 2013 Audit

Honorable Darrell A. Apffel:

Attached is a draft internal audit report on Justice of the Peace, Precinct 5 Audit that covered the period September 1, 2012 through August 31, 2013. The report is being presented for your review before final distribution. Please submit any response or address any internal controls which you intend to adopt and which will satisfy the reported weaknesses. Please include the effective date for the adopted internal controls.

We would like to have your response within two weeks. We will schedule an exit conference within one week of the receipt of the report or your response to this draft. We are willing to discuss any material included in this draft with you or your staff. Please contact Kristin Bulanek at extension 5408 to arrange a meeting.

Sincerely,

*Travis Leopolos*

Travis Leopolos  
Internal Auditor  
722 Moody Avenue 4th Floor  
409-770-5313  
[Travis.Leopolos@co.galveston.tx.us](mailto:Travis.Leopolos@co.galveston.tx.us)

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*Travis Leopolos*

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