

# Justice of the Peace, Precinct 6 Audit

November 16, 2012

Galveston County  
Internal Audit  
Division

Cliff Billingsley, CPA  
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. 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.
- Checks that are outstanding for more than 3 years should be escheated.

## Compliance with Statutes, Policies, and Procedures (page 5-6)

- The Court should comply with the statutes and Court policies by implementing the following recommendations:
  - The Court should enter the correct judgment date into Net Data.

## General Information (pages 7-8)

- The County's portion of the Justice of the Peace, Precinct 6's total annual cash collections were decreasing from FY2008 to FY2010 from \$542,753 to \$303,356 as a result of Hurricane Ike in FY2008. Collections increased in FY2011 to \$353,891 as a result of implementing private collections in FY2010. Collections decreased in FY2012 to \$305,374.
- The total annual case filings for Justice of the Peace, Precinct 6 have decreased over the last five years from 6,698 in FY2008 to 2,565 in FY2012.

# Introduction

The Internal Audit Division conducted an internal audit of the Justice of the Peace, Precinct 6, 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 October 9, 2012 through November 16, 2012.

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 6. The internal audit included, but was not limited to, the books, accounts, reports, dockets, and records of the Justice of the Peace, Precinct 6.

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 6, 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.

## 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 with no charge to verify validity of the recording. It was found that dismissals were valid and authorized by the Judge.

## 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.

## Collections

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

The auditor reviewed the accuracy of the composition of the collections recorded in Net Data by comparing the payment type totals recorded in Net Data with the payment type totals receipted by the bank. No material findings were found.

# 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 October 15, 2012. 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 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 Court submits properly prepared and adequately supported bank reconciliations to the Auditor's office in a timely manner.

**Finding:** The Court has seven outstanding checks in the Bank Reconciliation that are three years old or older.

**Recommendation JP6-13-01:** Outstanding checks less than \$100.00 should be escheated to the County Treasurer. Outstanding checks greater than \$100.00 should be escheated to the State of Texas. Checks should be escheated once they are three years old.

# Compliance with Statutes, Policies, and Procedures

## 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 jail time credit allocation and did not find any material misstatements.

## 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.

## Voids

Per office policy, the payment transactions that are recorded erroneously can be voided and corrected by the clerk who makes the error. It also requires a signature of the clerk who verifies the voids and a written explanation for the void on the voided receipt.

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

## Deposits

As of September 1, 2011, LGC § 113.022 allows a maximum of five business days to deposit cash, checks or money orders received by County departments. CCP § 103.004 allows a maximum of five business days to deposit cash, checks or money orders received by County departments for "recognizances, bail bonds, fines, forfeitures, judgments, and jury fees."

The auditor tested the timeliness of deposits and found the Court to be in compliance with the above statutes.

# Compliance with Statutes, Policies, and Procedures cont.

## Time Payment Fee

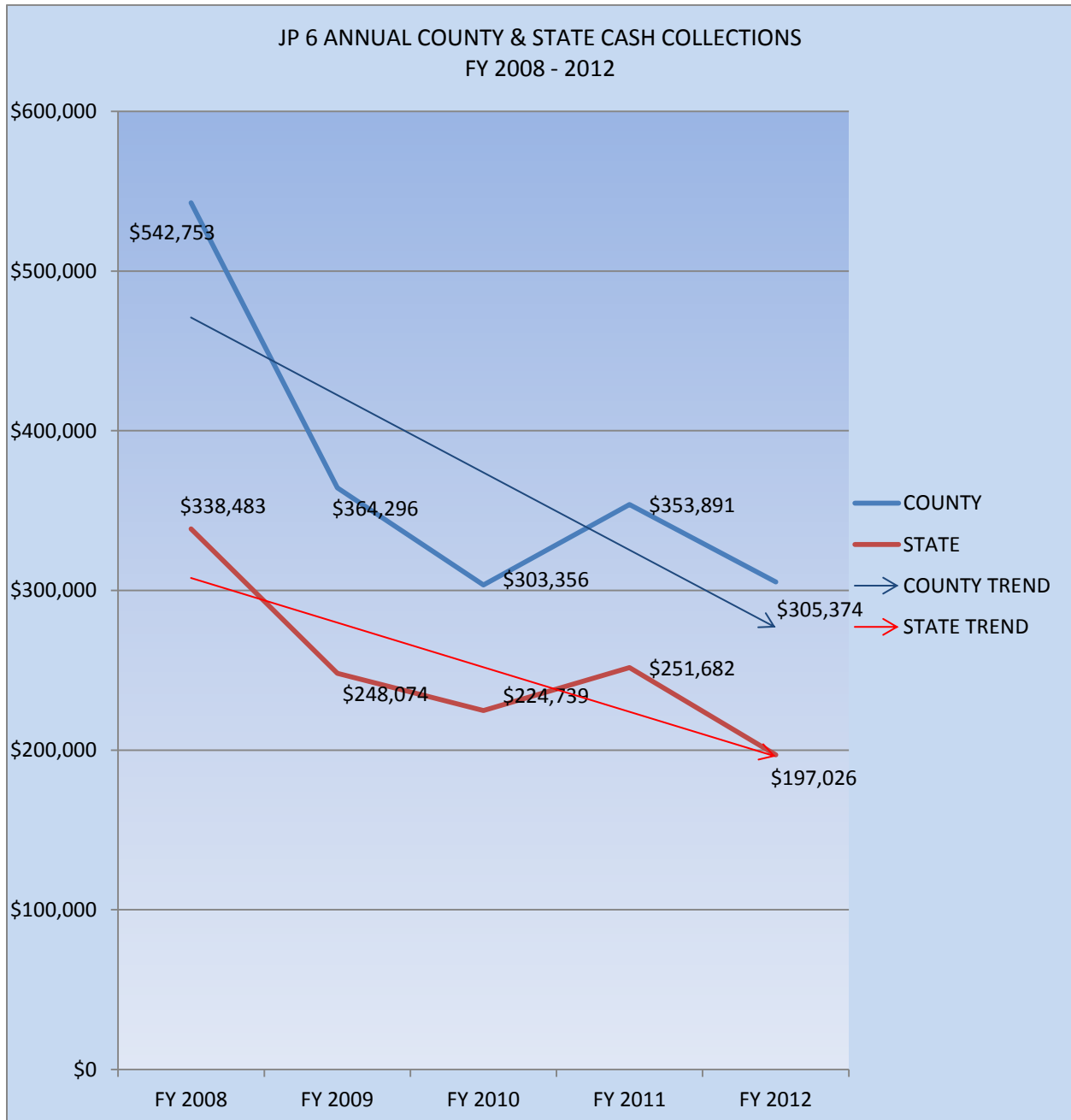
Local Government Code (LGC) § 133.103 states the time payment fee of \$25.00 should be assessed on or after the 31<sup>st</sup> day from the judgment date.

**Finding:** The clerks are not consistent in entering the correct judgment date in Net Data.

**Recommendation JP6-13-02:** Reliable information is accurate, timely, complete, and useful. The Court should enter the correct judgment date in Net Data.

# General Information

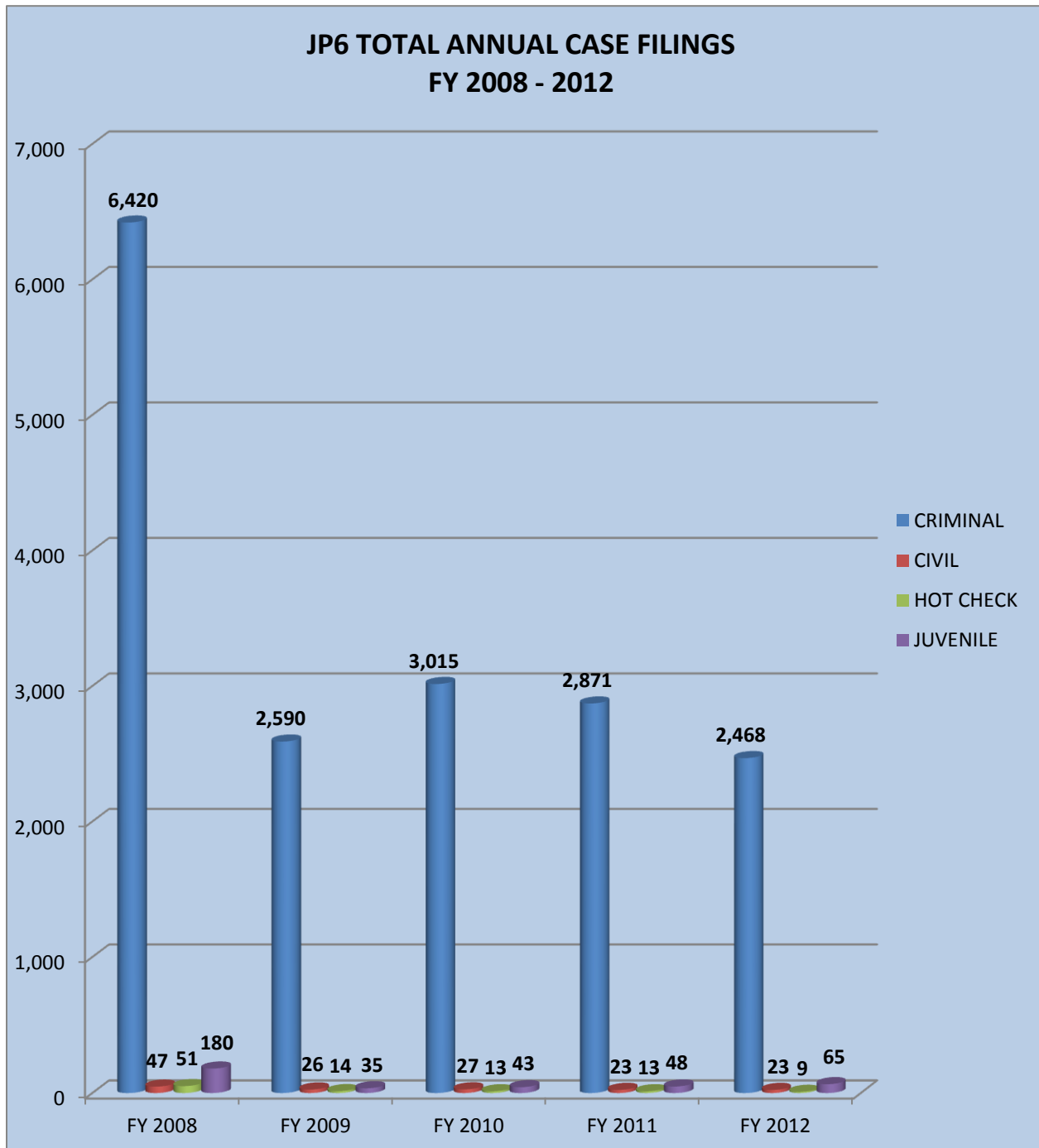
The County's portion of the Justice of the Peace, Precinct 6's total annual cash collections were decreasing from FY2008 to FY2010 from \$542,753 to \$303,356 as a result of Hurricane Ike in FY2008. Collections increased in FY2011 to \$353,891 as a result of implementing private collections in FY2010. Collections decreased in FY2012 to \$305,374. The chart below illustrates the total annual County and State collections of this Court over the past five years.





## General Information cont.

The total annual case filings for Justice of the Peace, Precinct 6 have decreased over the last five years from 6,698 in FY2008 to 2,565 in FY2012. Criminal case filings, the most predominant case type, have decreased from 6,420 in FY2008 to 2,468 in FY2012. The chart below illustrates the criminal, civil, hot check and juvenile case filings of this Court for the last five years.





COUNTY OF GALVESTON  
**PATRICIA A. VONDRA**  
JUSTICE OF THE PEACE PRECINCT 6  
PO BOX 1435  
CRYSTAL BEACH, TX. 77650

December 12, 2012

Mr. Cliff Billingsley  
County Auditor  
P. O. Box 1418  
Galveston, TX 77553

Dear Mr. Billingsley:

Reference your memo regarding your audit covering the period October 1, 2011 through September 30, 2012.

Management of Collections

Outstanding checks over 3 years old will either be escheated to the Treasurer or to the State of Texas.

Time Payment Fees

I contacted Travis Leopulos to ascertain which cases he had found errors on. He gave me the case numbers and the cases were reviewed with the following results:

CO50438 – defendant was due to pay by 5-5-05. Payment was not received until 11/30/11 and the \$25.00 had been added to the fine.

M0016099A – defendant was due to pay 11/8/04. Payment was not received until 8/9/12 and \$25.00 had been added to the fine.

M0027953B – defendant was due to pay 4/28/03. Payment was not received until 1/30/12- way over 31 days.

M0036708E – defendant was due to pay 5/5/05. Payment was received 11/30/11 – way over 31 days.

I believe incorrect coding of the judgment date is causing the problem. The judgment was recorded as the date of payment instead of the date the paper work for time pay was completed. Clerks have been instructed to correct this problem.

Sincerely,

Judge Patricia Vondra