

Justice of the Peace, Precinct 7 Audit

July 29, 2013

Galveston
County
Internal Audit
Division

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Executive Summary.....	1
Introduction.....	2
Details.....	3-9

Executive Summary

Reliability and Integrity of Information (page 3-4)

- Nothing came to our attention during the audit to cause us to doubt the overall reliability and integrity of the information. There are sufficient internal controls for daily operations to ensure proper separation of duties. However, internal controls over mail in payments can be improved if two clerks are involved in the opening of mail.

Safeguarding of Assets (page 5)

- 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. The Judge reviews the bank reconciliation and signs for approval prior to submission.

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

- The Court should comply with the statutes and Court policies by implementing the following recommendations:
 - The Court should assess and collect the time payment fee on or after the 31st day after the judgment date. (*This is a finding in a prior audit.*)
 - When voiding a receipt, include an explanation for the void and two clerk signatures on the receipt.

General Information (pages 8-9)

- The County's portion of the Justice of the Peace, Precinct 7's total annual collections has increased from \$309,719 in 2008 to \$476,343 in 2012, primarily due to an increase in case filings.
- The total number of cases filed for Justice of the Peace, Precinct 7 has increased from 5,866 in 2008 to 6,228 in 2012.

Introduction

The Internal Audit Division conducted an internal audit of the Justice of the Peace, Precinct 7, as required by Local Government Code §115.0035. The internal audit covered the period May 1, 2012 through April 30, 2013. The audit was performed from May 31, 2013 through July 29, 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 7. The internal audit included, but was not limited to, the books, accounts, reports, dockets, and records of the Justice of the Peace, Precinct 7.

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

Jordan Guss, 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

The Court's policy for dismissals requires the Judge's or the Assistant District Attorney's signature on the case jackets, authorizing the cases for dismissal. As a control to mitigate the possibility of invalid dismissals being entered, the Judge should review the "Net Data Dismissed Cases" report monthly and sign the report.

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.

Jail Time Credits

Per office policy, jail time credits (JTC) recorded in Net Data require the Judge's approval to grant jail time credits and proof of the defendant serving jail time. As a control to mitigate the possibility of invalid JTC being entered, the Judge should review "Net Data Jail Time Collections" report monthly and sign the report.

The auditor reviewed the jail time credits recorded in Net Data to verify the validity of the recording and found that credits were valid. The Judge reviews the "Net Data Jail Time Collections" report monthly and signs the report as confirmation of the validity of the recorded jail time credits.

Reliability and Integrity of Information (continued)

Payments Received By Mail

Defendants have the option of mailing in payments for fines and fees. If a receipt is requested or a balance remains due, the Court staff will mail a receipt back to the payor.

Finding: Payments received in the mail are not being opened in the presence of two clerks.

Recommendation JP7-13-01: One clerk should open the mail while the other clerk enters the payments into Net Data. Money orders and checks should be immediately endorsed. The Court can request additional endorsement stamps from the County Treasurer.

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. 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 safeguard their money in the office until deposited. Each clerk has a separate drawer that is kept locked and 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 for timeliness and determined deposits are being made 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. In addition, the Judge is reviewing the bond reconciliations prior to submission.

Compliance with Statutes, Policies, and Procedures

As part of the audit, the auditor evaluated the adequacy and effectiveness of the internal controls in responding to the risks within the Court's operations and governance regarding the compliance with laws, regulations and contracts.

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 allocations of the jail time credits and found the Court complies with the allocation rule.

Voids

To void a receipt, the Court's procedure requires the clerk who receives 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. Some of the voided transaction receipts lacked either an explanation for the void or two clerk signatures.

Recommendation JP7-13-02: Internal controls can be strengthened by requiring the clerks to comply with the Court's procedure.

Partial Payment Proration

According to Attorney General Opinion GA-147, 2004, Article 45.041 of the Code of Criminal Procedure (CCP) authorizes a Justice of the Peace to order a convicted defendant to pay costs and fines due either as a lump sum or in installments, but it does not preempt the application of the long-standing costs first allocation rule. 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.

Compliance with Statutes, Policies, and Procedures (continued)

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.

Time Payment Fee

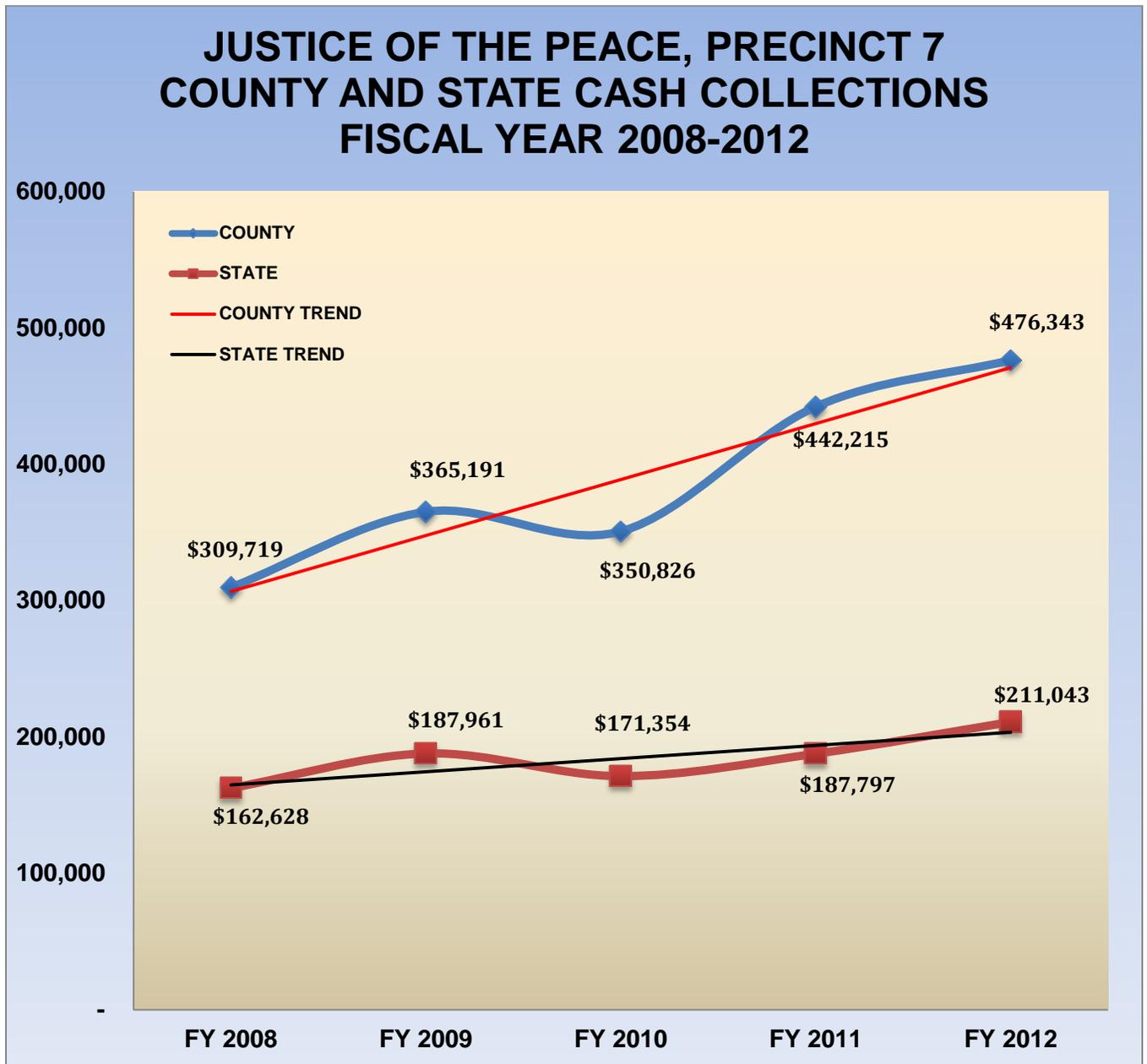
Local Government Code (LGC) § 133.103 states the time payment fee of \$25.00 should be assessed on or after the 31st day from the judgment date.

Finding: Payments are applied to the time payment fee prior to the 31st day after the judgment date. *(This is a finding from a previous audit.)*

Recommendation JP7-12-01: To comply with the statute, the Court should assess and collect the time payment fee on or after the 31st day after the judgment date.

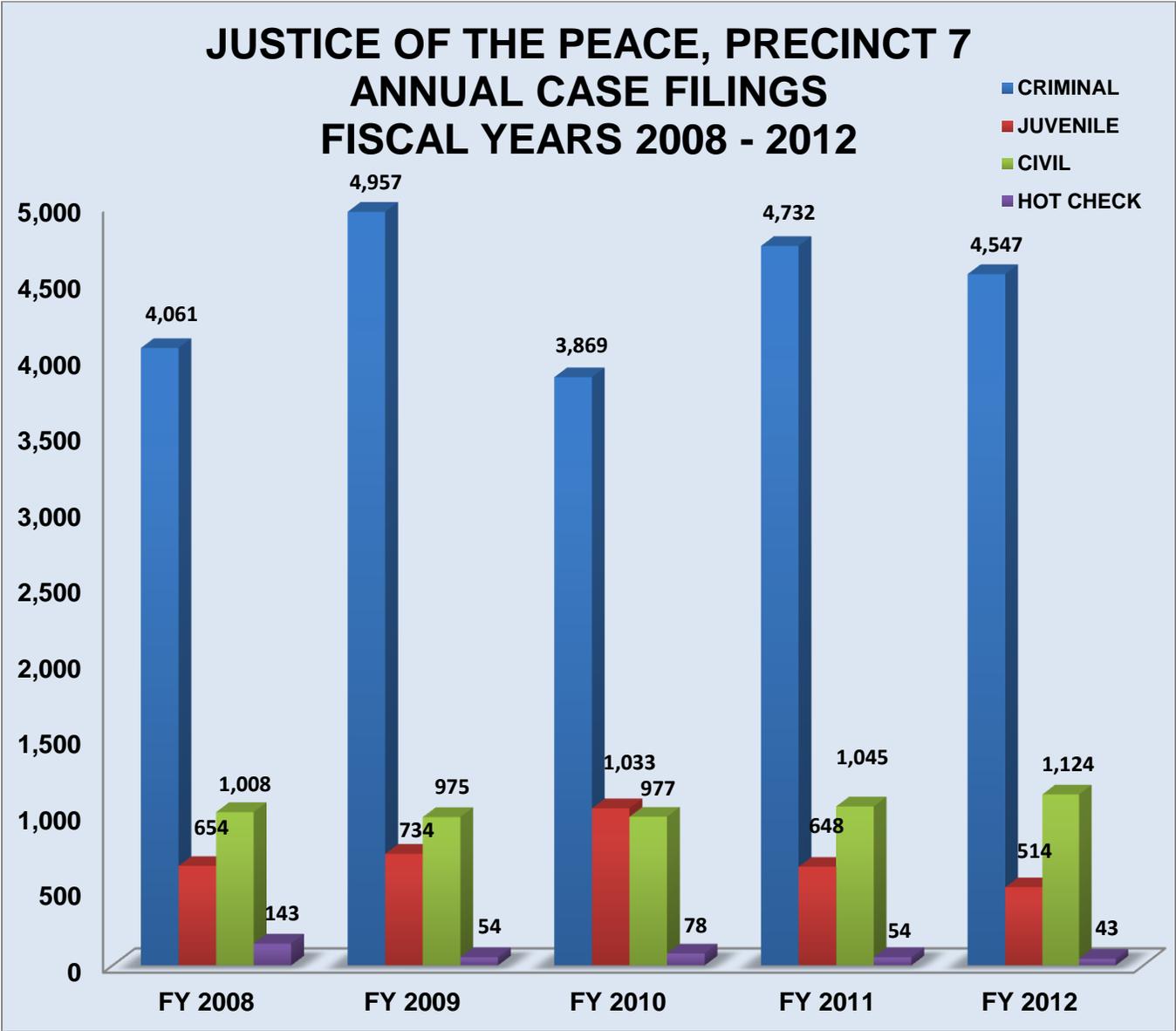
General Information

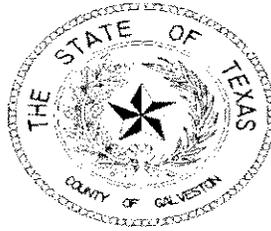
The County's portion of the Justice of the Peace, Precinct 7's total annual collections increased from 2008 to 2012 from \$309,719 to \$467,343 as a result of increased case filings. The chart below illustrates the total annual County and State collections of this Court over the past five years.



General Information (continued)

The total annual case filings for Justice of the Peace, Precinct 7 have increased over the last five years from 5,866 in 2008 to 6,228 in 2012. Criminal case filings, the most predominant case type, have increased from 4,061 in 2008 to 4,547 in 2012. The chart below illustrates the criminal, civil, juvenile, and hot check case filings for this Court over the past five years.





TONI C. RANDALL
Justice of the Peace
Galveston County, Pct. 7
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To whomever it may concern:

I have received and reviewed the audit report submitted in August. I agree with the recommendations and will begin implementing the suggested areas of change.

I would like to thank you and your staff for your time and direction in helping improve the effectiveness and efficiency of this court.

Sincerely,

A handwritten signature in black ink, appearing to be "T.C. Randall".

Judge Toni C. Randall
Justice of the Peace, Precinct 7