



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

Ron Chapa CPA
First Assistant, Director of Auditing

Jeff Modzelewski CPA
First Assistant, Director of Accounting

November 10, 2014

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 7. The audit covered the period June 1, 2013 through May 31, 2014. Also attached is the response letter from Honorable Toni Randall, dated October 8, 2014.

Sincerely,

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

Randall Rice CPA
County Auditor

cc: Honorable Judge Toni Randall

Attachment: Justice of the Peace, Precinct 7 Audit Report
Response Letter, Judge Toni Randall



Toni C. RANDALL
Justice of the Peace
Galveston County, Pct. 7
4500 10th Street
P. O. Drawer 8327
Bacliff, Texas 77518

October 8, 2014

To whomever it may concern:

I have received and reviewed the audit report submitted in September. 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 cursive script, appearing to be "Toni C. Randall".

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



Justice of the Peace, Precinct 7 Audit

September 3, 2014

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 this audit to cause us to doubt the overall reliability and integrity of the information.

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.

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

- The court was inconsistent in following the Court's policy for voiding receipts. Some of the voided receipts lacked an explanation for the void while others were missing the required signatures of the clerks. *(This is a finding in a previous audit.)*
- In 10% of the cases tested the time payment fee was collected in error. The cases were disposed within 31 days of the judgment date. *(This is a finding from a previous audit.)*
- In 17% of the cases tested the court did not follow the "Allocation Rule".
- The Court did not allocate partial jail time credit to the fine first and then to court costs and fees.
- The Court failed to submit purchase requests to pay Linebarger for private collections in a timely manner. The purchase request for private collections for June 2013 was overlooked and remains outstanding.
- The Court authorized administrative dismissals when the defendant did not meet the statutory time limit for providing proof.

General Information (pages 7-8)

- County's portion of the Justice of the Peace, Precinct 7's total annual cash collections has been decreasing since FY2013.
- Justice of the Peace, Precinct 7's cases filed and payments collected have been decreasing since FY2013.

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 June 1, 2013 through May 31, 2014. The audit was performed from June 23, 2014 through August 25, 2014.

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 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 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.

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 recordkeeping 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.

No-Charge Dismissals

The Court's policy for no-charge dismissals requires the Judge's or the Assistant District Attorney's signature of authorization on the case jackets. As a control to mitigate the possibility of invalid dismissals being recorded, the Judge should review the "Net Data Dismissed Cases" report monthly and sign the report.

All no-charge dismissals tested were valid and authorized by the Judge or the ADA. 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 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.

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/safe until they are deposited.

As part of the audit, the auditor conducted a surprise cash count on July 31, 2014. 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 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. The Court has a policy to deposit collections daily.

The auditor tested deposits and found the Court deposits collections in the bank in a complete, accurate and 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 reconciliation process identifies any discrepancies in the bond account and assists in preventing the misuse of funds.

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

Except for the following, no instances were found in which the Court was not 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 on the physical receipt, each clerk signs (or initials) the receipt, then retains it in the case jacket as support.

Finding: The clerks were inconsistent in following the Court's policy for voiding receipts. Some of the voided receipts lacked an explanation for the void while others were missing the required signatures of the clerks.

Recommendation JP7-13-02: Internal controls can be strengthened by requiring the clerks to comply with the Court's policy for voided receipts. *(This is a finding from a previous audit.)*

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 proportionately.

Net Data has a feature which, when used, allocates partial payments automatically.

Finding: In 10% of the cases tested the TP was collected in error. The cases were disposed within 31 days of 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.

Finding: In 17% of the cases tested the clerk did not following the "Allocation Rule".

Recommendation JP7-14-01: The clerks should use the allocation feature in Net Data.

Compliance with Statutes, Policies, and Procedures (continued)

Jail Time Credit Allocation

A defendant may be awarded jail time credit 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 then court costs and fees.

Finding: The Court did not allocate partial jail time credit to the fine first and then to court costs and fees.

Recommendation JP7-14-02: Apply partial jail time credit to the fine first then the remainder to court costs and fees.

Private Collection Contract (PC 30 Fees)

The County has agreed to pay the contracted collection agency 30% of the amount collected for unpaid fines and fees of adjudicated cases occurring on or after June 18, 2003. County policy requires the Justice Precinct Courts to submit a purchase request by the 15th of each month. The County shall pay the agency by the 20th of each month all compensation earned by the firm for the previous month.

Finding: The Court failed to submit purchase requests in a timely manner. The PO for PC30 fees collected in June 2013 still remains outstanding.

Recommendation JP 7-14-03: All purchase order requests should be submitted by the 15th of the month following the collection of the PC30 fees.

Administrative Dismissals

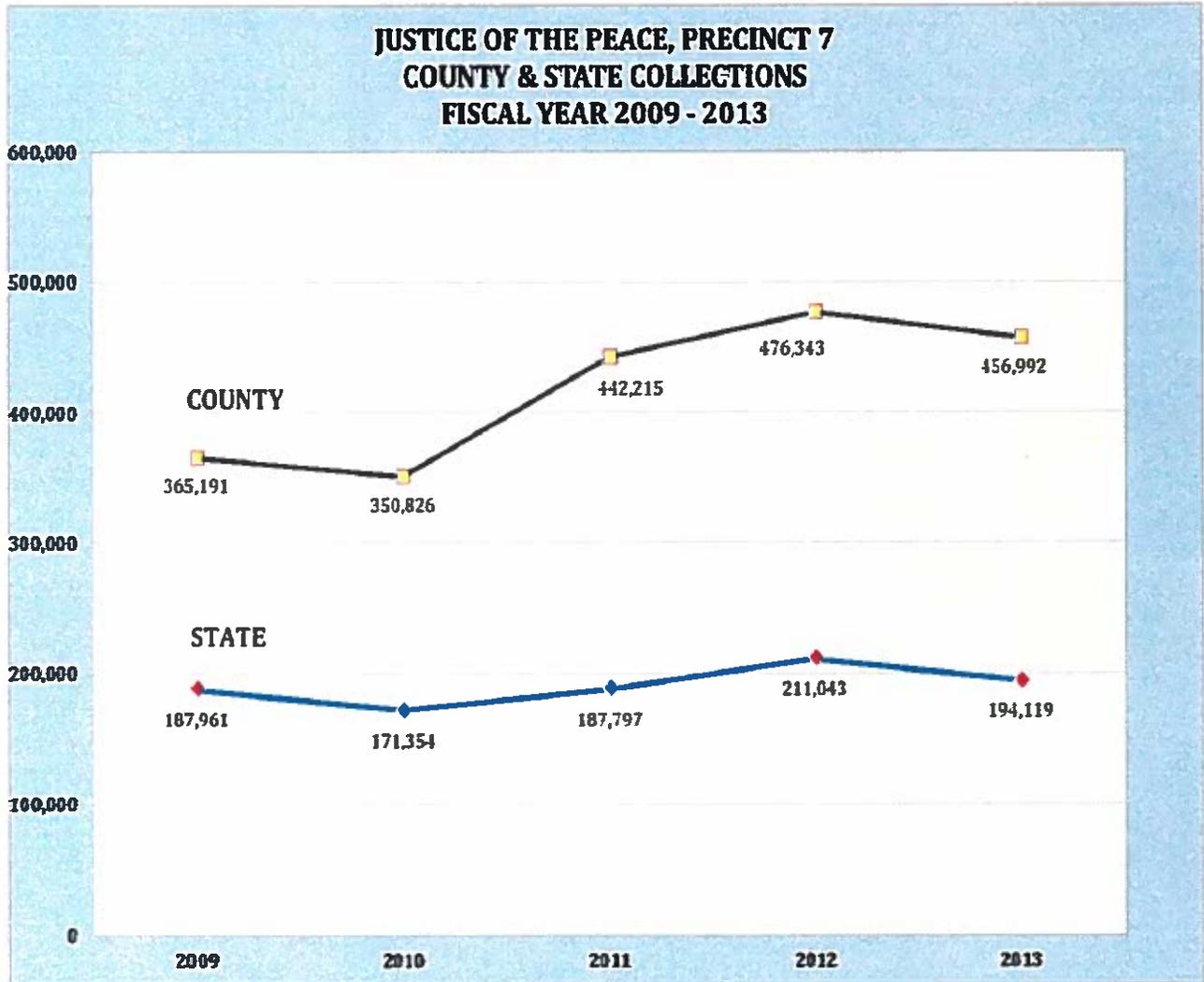
Certain violations can be dismissed with an administrative fee when the defendants show they rectified the underlying complaint within the statutory time limit. Once the proof is presented and the administrative fee has been paid, the JP Clerk may dismiss the case, without the consent of the Judge or the Chief Clerk.

Finding: The Court authorized administrative dismissals when the defendant did not meet the statutory time limit for providing proof.

Recommendation JP7-14-04: The Court should be aware of the statutory time limits when approving administrative dismissals.

General Information

The County's portion of the Justice of the Peace, Precinct 7's total annual cash collections has been decreasing since FY2013. The chart below illustrates the total annual County and State cash collections of this Court over the past five years.



General Information (continued)

Justice of the Peace, Precinct 7's cases filed and payments collected have also been decreasing since FY2013. The chart below illustrates the total annual cases filed and payments collected for this Court over the past five years.

