



**THE COUNTY OF GALVESTON**  
COUNTY AUDITOR'S OFFICE  
P.O. Box 1418  
GALVESTON, TEXAS 77553

**County Auditor**  
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July 8, 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 8-2. The audit covered the period January 1, 2013 through December 31, 2013. Also attached is the response letter from Honorable James W. Woltz, dated June 19, 2014.

Sincerely,

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

Randall Rice CPA  
County Auditor

cc: Honorable Judge James W. Woltz

Attachment: Justice of the Peace, Precinct 8-2 Audit Report  
Response Letter, Judge James W. Woltz



# Justice of the Peace, Precinct 8-2 Audit

May 14, 2014

Galveston County  
Internal Audit  
Division

Randall Rice CPA  
CITP CISA CIO CBM DABFA CGMA  
County Auditor

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# Executive Summary

## Reliability and Integrity of Information (page 3)

Controls over recordkeeping and reporting can be improved by implementing the following recommendations:

- The Judge should review the Net Data 'Dismissed Cases' report monthly and sign the report as confirmation of the validity of the dismissed cases. (*This was a finding in a previous audit.*)
- The Judge should review the Net Data 'Jail Time Collections' report monthly and sign the report as confirmation of the validity of the recorded jail time credits. (*This was a finding in a previous audit.*)
- Another clerk (other than the one who entered the original transaction) should void the transaction in Net Data. An explanation for the void should be recorded in the 'Case Notes' section of Net Data and on the receipt. Both clerks should initial the copy of the voided receipt to be retained in the case jacket. (*This was a finding in a previous audit.*) Because the Court employs only one clerk, the Judge will authorize voids by signing/initialing the voided receipt.

## Safeguarding of Assets (page 4)

- Physical security over assets (collections) is adequate.
- The Court deposits collections to the bank daily.
- The Clerk should prepare the monthly bond bank reconciliations and submit monthly as required. (*This was a finding in a previous audit.*)

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

- The clerk should submit a purchase request for the outstanding PC 30 collections totaling \$931.35 and all subsequent purchase order requests should be submitted by the 15<sup>th</sup> of the month following the collection of the PC30 fees.
- The Court clerk should utilize the "Pro-Rate" feature in the Net Data System to pro rate court costs and fees when receiving the first payment that is less than total court cost and any other partial payments received thereafter.
- The Court should refer to the offense code list and select the correct offense code when recording hot check cases in Net Data.

## Executive Summary (continued)

### General Information (pages 7)

- The County's portion of the Justice of the Peace, Precinct 8-2's total annual cash collections decreased from FY2009 to FY2013 from \$130,109 to \$62,550 respectively.
- The County's portion of the Justice of the Peace, Precinct 8-2's cases filed and payments collected have been decreasing since 2009. The chart below illustrates the total annual cases filed and payments collected for this Court over the past five years.

## Introduction

The Internal Audit Division conducted an internal audit of the Justice of the Peace, Precinct 8-2, as required by Local Government Code §115.0035. The internal audit covered the period January 1, 2013 through December 31, 2013. The audit was performed from April 15, 2014 through May 15, 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 8-2. The internal audit included, but was not limited to, the books, accounts, reports, dockets, and records of the Justice of the Peace, Precinct 8-2.

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 8-2 as defined by the AICPA professional standards. However, our internal audit was performed with objectivity and due professional care.

Tony Pompa, 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.

Nothing came to our attention during this audit to cause us to doubt the overall reliability and integrity of the information. However, controls in the following areas can be improved.

## 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 asset.

The Court employs only one clerk to manage the office which makes separation of duties difficult. The Judge has agreed to review Net Data Reports and bank statements to validate transactions and collections.

## No Charge Dismissals

**Finding:** The Judge is not reviewing the Net Data 'Dismissed Cases' report. (*This was a finding in a previous audit.*)

**Recommendation JP8-2 12-03:** The Judge should review the monthly Net Data 'Dismissed Cases' report and sign the report as confirmation of the validity of the dismissed cases.

## Jail Time Credits

**Finding:** The Judge is not reviewing the Net Data 'Jail Time Collection' report for jail time credit awarded. (*This was a finding in a previous audit.*)

**Recommendation JP8-2 12-04:** The Judge should review the Net Data "Jail Time Collections" report monthly and sign the report as confirmation of the validity of the recorded jail time credits.

## Voided Transactions

**Finding:** The clerk processes voids without the approval of another clerk. (*This was a finding in a previous audit.*)

**Recommendation JP8-2 12-05:** Another clerk (other than the one who recorded the original transaction) should void the transaction in Net Data. Furthermore, an explanation for the void should be recorded in the 'Case Notes' section of Net Data. Both clerks should initial a copy of the voided receipt retained in the case jacket. Because the Court employs only one clerk, the Judge has agreed to review all voids and provide his signature of authorization on a copy of the voided receipt.

# 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 April 24, 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 desk drawer to safeguard their money in the office until deposited. The desk 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. County policy requires bond bank reconciliations to be submitted to the Auditor's Office by the 15<sup>th</sup> of each month.

**Finding:** The Court is not performing monthly bond bank reconciliations and submitting them by the 15<sup>th</sup>.

**Recommendation JP 8-2 14-01:** The Clerk should prepare the monthly bond bank reconciliations and submit them to the Auditor's Office by the 15<sup>th</sup> of the following month.

# Compliance with Statutes, Policies, and Procedures

Except for the following, no instances were found in which the Court was not complying with the applicable laws, contracts, policies and procedures.

## Private Collection Contract (PC 30 Fees)

The County has agreed to pay the contracted collection agency 30% of the total unpaid fines and fees of adjudicated cases occurring on or after June 18, 2003. The County shall pay the agency by the 20<sup>th</sup> of each month all compensation earned by the firm for the previous month.

**Finding:** The Court failed to submit purchase requests for the fees collected in a timely manner. PC 30 collections for July, August and September 2013 totaling \$931.35 are still outstanding.

**Recommendation JP 8-2 14-02:** The clerk should submit a purchase request for the outstanding PC 30 collections totaling \$931.35. All subsequent purchase order requests should be submitted by the 15<sup>th</sup> of the month following the collection of the PC30 fees.

## 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 Net Data System has a pro-rate feature which automatically pro-rates court costs and fees when prompted by the clerk. The pro-rate feature will not work on subsequent payments if the clerk fails to use the feature on the first payment.

**Finding:** The Court is inconsistent in prorating partial payments.

**Recommendation JP 8-2 14-03:** The Court clerk should utilize the "Pro-Rate" feature in the Net Data System to pro-rate court costs and fees when necessary.

## Fee Assessment

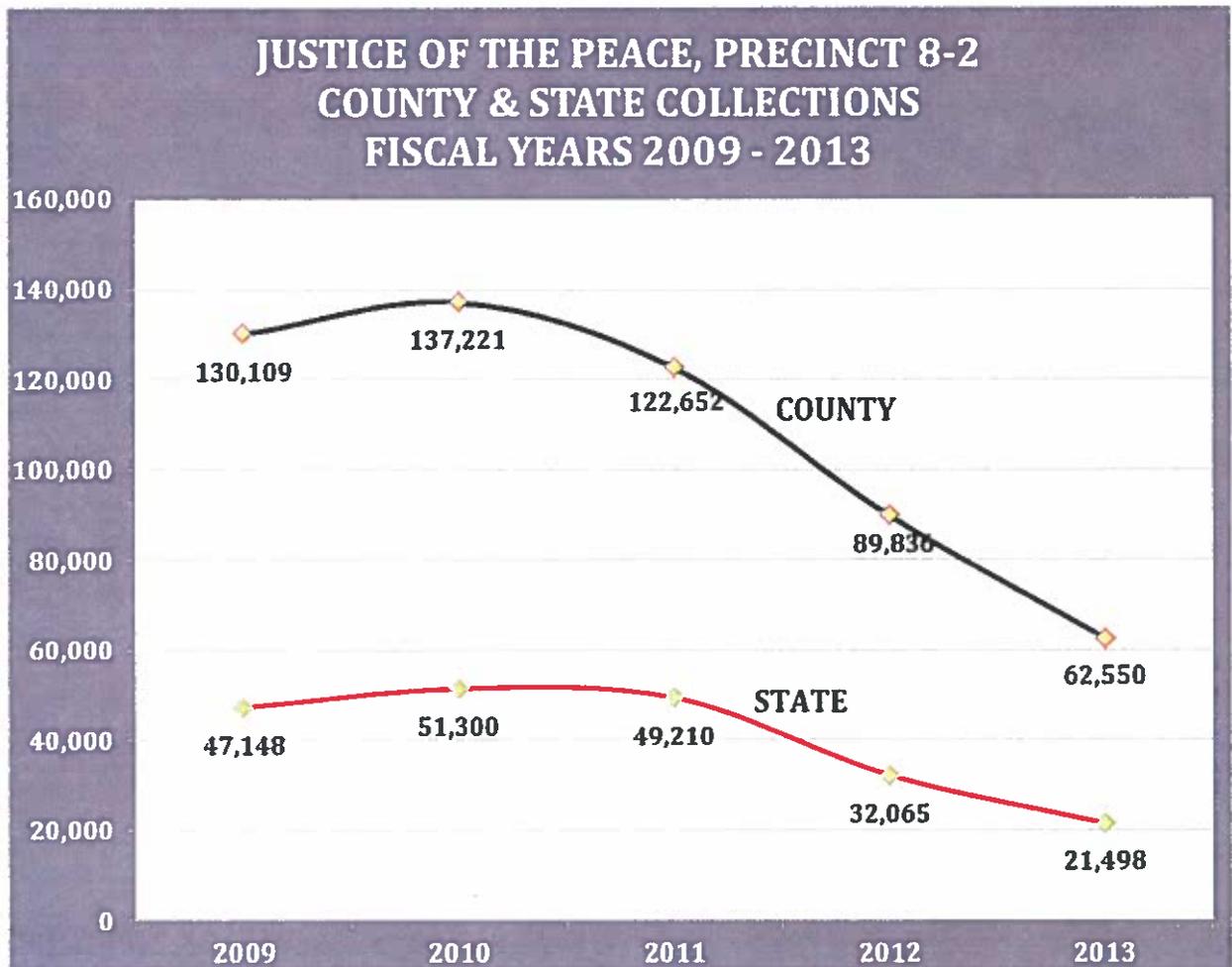
Hot check cases are assessed a fee which is determined by the amount of the hot check issued by the offender. Offense code U022 is used for checks totaling \$5.00 - \$250.00 and has a charge amount of \$364.00. Offense code U023 is used for checks totaling over \$251.00 and has a charge amount of \$464.00.

**Finding:** The Court is inconsistent in applying the correct offense code to hot check cases.

**Recommendation JP 8-2 14-04:** The Court should refer to the offense code list and select the correct offense code when recording hot check cases in Net Data.

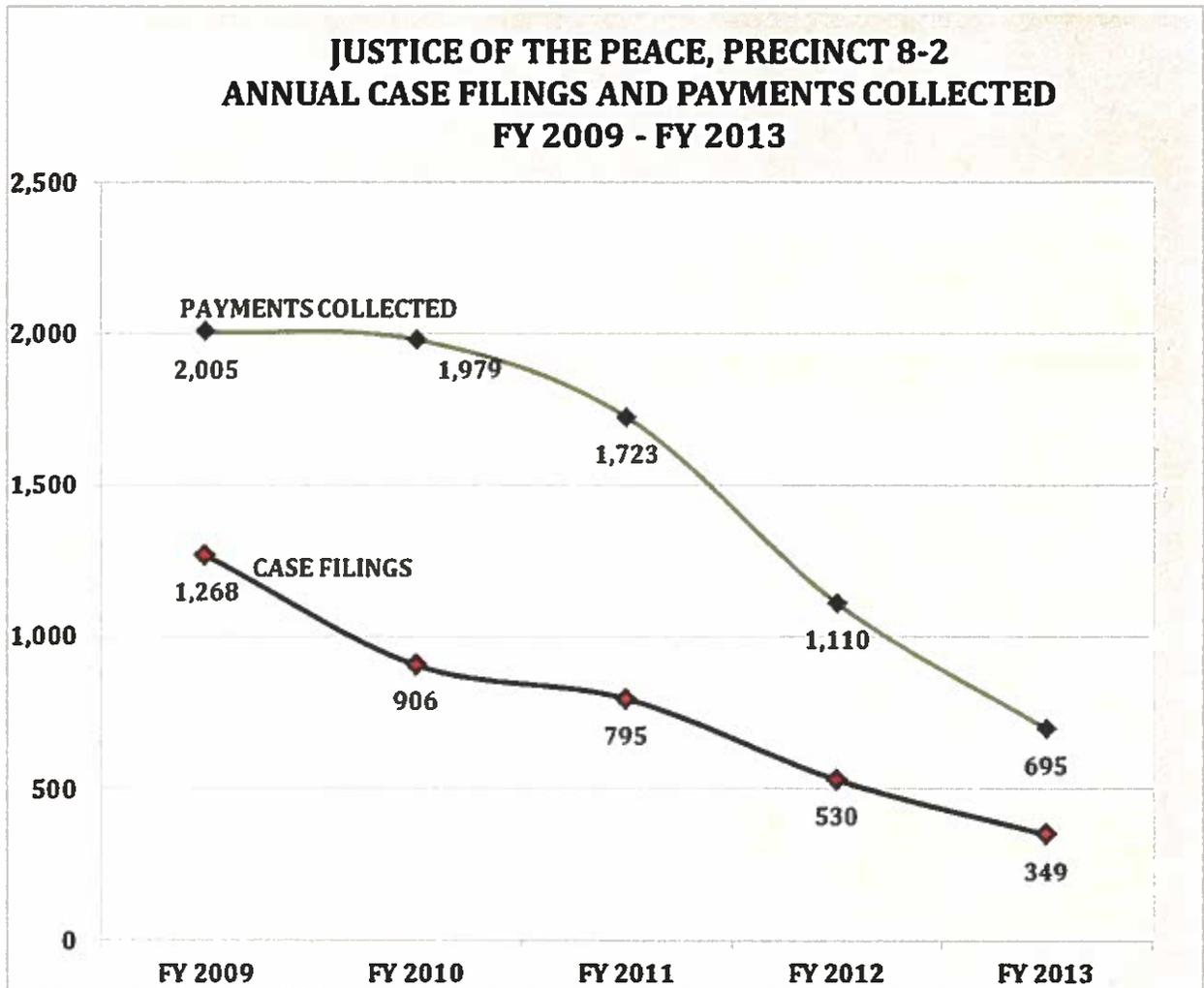
## General Information

The County's portion of the Justice of the Peace, Precinct 8-2's total annual cash collections decreased from FY2009 to FY2013 from \$130,109 to \$62,550. The chart below illustrates the total annual County and State cash collections of this Court over the past five years.



## General Information (continued)

The County's portion of the Justice of the Peace, Precinct 8-2's cases filed and payments collected have been decreasing since 2009. The chart below illustrates the total annual cases filed and payments collected for this Court over the past five years.



**Pompa, Tony**

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**Subject:** FW: JP8-2 Response to Internal Audit dated June 9, 2014

-----Original Message-----

From: [hizonor@netzero.net](mailto:hizonor@netzero.net) [<mailto:hizonor@netzero.net>] On Behalf Of [hizonor@netzero.com](mailto:hizonor@netzero.com)

Sent: Thursday, June 19, 2014 2:35 PM

To: McWhirter, Lori

Cc: Tester, Lori

Subject: JP8-2 Response to Internal Audit dated June 9, 2014

Dear Ms. McWhirter:

The following is my response to the FY 2014 Internal Audit of JP 8-2.

"SEPARATION OF DUTIES": I am now reviewing the Net Data Reports of "Dismissed Cases" and "Jail Time Collections", and individual voided transactions, and signing off on all of them.

"SAFEGUARDING ASSETS": My current Court Clerk understands the need to submit monthly bond account bank reconciliations approved by me.

"COMPLIANCE WITH STATUTES, POLICIES, AND PROCEDURES":

Private Collection Contract payments are being processed. The PC 30 collections for July, August, and September 2013 have now been submitted.

My current Court Clerk is aware of "partial payment proration" requirements, and the need to apply them consistently.

My current Court Clerk understands the need to use the correct offense codes when recording hot check cases in Net Data.

(For what it's worth, my current Court Clerk took over duties as my only clerk with about thirty days' notice last August 1, coming from a larger staff where she had much narrower duties and exposure. The previous Court Clerk who left last August 1 had about 1 1/2 years of total experience in the JP office all as a deputy clerk, and became my only clerk literally overnight in January, 2013. Both worked very hard to learn and comply with the substantial duties they faced, with little direct help from me as I have never been trained as a Court Clerk. I take full responsibility for all shortcomings you have addressed, and we will do our best to prevent them from reoccurring.)

If there is anyone else I should send this to, please let me know.

Judge James W. Woltz  
JP 8-2