

GALVESTON COUNTY



Office of County Auditor

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April 22, 2019

Honorable Mark A. Henry, County Judge, and
Members of the Commissioners Court
722 Moody Avenue
Galveston, Texas 77550

Honorable Mark A. Henry and Members of the Court:

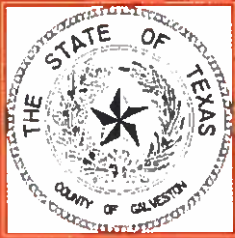
Attached to be received and filed is the internal audit report of the Juvenile Justice Department Audit that covered the period February 1, 2018 through January 31, 2019. Also attached is the response letter from Glen Watson, Director of Juvenile Justice, dated April 15, 2019.

Sincerely,

Randall Rice CPA
County Auditor

cc: Glen Watson, Director of Juvenile Justice

Attachment: Juvenile Justice Department Audit Report
Response Letter, Glen Watson



Juvenile Justice Department Audit

March 11, 2019

Galveston
County
Internal Audit
Division

Randall Rice CPA
CITP CISA OIO EBM DABFA CGMA
County Auditor

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Executive Summary

Reliability and Integrity of Information (page 3-4)

- Juvenile Justice has adequate compensating controls in place to minimize the risks associated with the office collection operations.
- The office should implement a policy to review all refunds before issuing a refund request.
- The office should implement a policy that addresses the timeliness of the refund process.

Safeguarding of Assets (page 5)

- Physical security over assets (collections) is adequate.
- Collections are deposited daily, minimizing exposure to loss.
- All collections were accounted for at the time of the surprise cash count.

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

- No material exceptions were noted in the testing of voided receipts.
- All status updates for the write-off of fees must be approved by the Juvenile Resource Supervisor, Casework Services Supervisor or the Deputy Director-Casework Services.
- The court costs, fees and/or restitution recorded in JCMS must agree with the court order.
- Juvenile Justice is in compliance with office policy in regards to restitution collections.

Introduction

The Internal Audit Division conducted an internal audit of the Juvenile Justice Department, in accordance with Local Government Code (LGC) §115. The internal audit covered the period February 1, 2018 through January 31, 2019. The audit was performed from February 4, 2019 through March 11, 2019.

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

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

Lillian Arredondo, Internal Auditor, 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. The County Cash Handling Policy (effective 9/1/2017) Section 4.0 Procedures for Cash Collection states cash collections points must maintain a clear separation of duties. An individual should not have responsibility for more than one of the cash handling components: collecting, depositing, disbursement and reconciling.

The Juvenile Records Technician at the Galveston office collects the payments and issues manual receipts to the payee. Due to limited staff at the Galveston office, a separation of duties is difficult to achieve. As a mitigating control, office policy is for cashier's checks and money orders received to be immediately restrictively endorsed (cash is not accepted as a form of payment). The collections are secured in a lockable cash box until the transfer of collections is performed. The Juvenile Records Technician or the Casework Services Supervisor deliver the collections daily to the Administrative Secretary at the Texas City office for receipt into Juvenile Case Management System (JCMS) and deposit.

The Administrative Secretary at the Texas City office collects the payments, records the transactions in JCMS and issues a computer generated receipt to the payee. Collections received after normal business hours are issued a manual receipt by the Administrative Clerk or Juvenile Records Technician to the payee. The collection is immediately taken to the Administrative Secretary to record in JCMS. The cashier's checks and money orders (cash is not accepted as a form of payment) are secured in the Administrative Secretary's locked filing cabinet until ready for deposit. The Administrative Secretary remotely deposits the collections daily, then prepares the ONESolution cash receipt. The cash receipt, bank deposit confirmation and the JCMS Receipts Transaction report are then submitted to the Office Manager to reconcile the daily collections and manual receipts with the deposit. The Financial Analyst reconciles the deposit warrants with the receipt transaction report monthly.

Juvenile Justice has adequate compensating controls in place to minimize the risks associated with the office collection operations.

Reliability and Integrity of Information (cont.)

Overpayment Refunds

When a juvenile is released from probation or their probation term is modified, the Juvenile Resource Technicians review the financial information to ensure all court ordered fees were paid and there is not an overage on the case. An overage typically occurs when a juvenile is granted early release from deferred probation and fees were paid in advance. In the event an overage has occurred, a refund is issued to the payee through the Galveston County Accounts Payable Department. Refunds issued during the audit period were tested for accuracy and validity.

Finding: As a result of incorrect information recorded in JCMS, refunds were processed in error.

Recommendation JJ-19-01: To ensure the reliability and integrity of refunds, the office should implement a policy to review all refunds before issuing a refund request.

Finding: Refunds are not being processed in a timely manner. On average, the refund process has taken 4 months, some as long as 10 months.

Recommendation JJ-19-02: The office should implement a policy that addresses the timeliness of the refund process.

Safeguarding of Assets

Safeguarding of assets has three basic aspects: 1) physical security of assets, 2) minimal exposure to loss and 3) proper management of the assets.

Physical Security

Physical security encompasses any method to physically secure the collections from loss. Monies collected should be kept in a locked drawer or safe until they are deposited.

Controls are in place to ensure the staff uses lockable cabinets to secure the collections in the office until deposited.

Minimal 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 office has a policy to deposit collections daily and immediately and restrictively endorse collections.

As part of the audit, the auditor conducted a surprise cash count on February 4, 2019 at the Texas City location. All collections were accounted for at the time of the surprise cash count. The Juvenile Justice Department only accepts cashier's checks or money orders. All collections are secured in a locked filing cabinet until ready for deposit.

The financial assets are adequately safeguarded.

Compliance with Statutes, Policies and Procedures

Adequate internal controls have been implemented in order to ensure compliance with applicable statutes, policies and procedures.

Voided Receipts

Receipts issued by Juvenile Justice can be voided in JCMS. When a receipt is voided, an explanation for the void is recorded in JCMS. A copy of the voided receipt is printed, signed by the staff member and taken to the Deputy Director-Casework Services to verify and sign the voided receipt. In the event the Deputy Director-Casework Services is not available, the Office Manager verifies all voids. The signed voided receipt is retained in the juvenile's case file. A copy of the receipt is included in the support documents to the daily deposits which are filed in the Administrative Secretary's office. A sample of voided receipts were tested for compliance with office policy. No material exceptions were noted.

Waivers and Write-offs

TAC §341.202(b)(1)(A)(iii) states the chief administrative officer (the person hired by the juvenile board who is responsible for oversight of the day-to-day operations) or his designee must approve in writing the fees assessed for each child including any waiver of deferred prosecution fees. In regards to *waived* fees, office policy requires the Probation Officer to submit a waiver form to the presiding judge for approval. For *write-offs*, the Probation Officer submits a Status Update form to the either the Juvenile Resource Supervisor, Casework Services Supervisor or the Deputy Director-Casework Services for their signature of approval. Upon approval, the Juvenile Records Technician will deduct the remaining fees in JCMS. A sample of waivers and write-offs were tested for accuracy and compliance with TAC §341.202(b)(1)(A)(iii) and office policy.

Finding: Status Updates with an authorized signature of approval were not consistently provided prior to writing off fees in JCMS.

Recommendation JJ-19-03: To ensure compliance with office policy, all status updates must be approved by the Juvenile Resource Supervisor, Casework Services Supervisor or the Deputy Director-Casework Services.

Court Ordered Fees

The court order dictates the amount of court costs, fees and/or restitution owed by the juvenile. The details of the court costs and fees to be collected are recorded in JCMS, their electronic record keeping system, by the Juvenile Records Technicians. A sample of cases were tested to verify the court ordered fees were recorded correctly in JCMS.

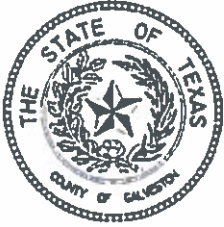
Finding: Court ordered fees were not consistently recorded accurately in JCMS.

Recommendation JJ-19-04: To ensure compliance with the court order, the court costs, fees and/or restitution recorded in JCMS must agree with the court order.

Compliance with Statutes, Policies and Procedures (cont.)

Restitution

Family Code (FC) §54.041(b) states the juvenile court may order the child or a parent to make full or partial restitution to the victim of an offense. Office policy requires restitution payments to be made payable to the person cited on the court order. Payments must be "stand alone" and cannot be combined with other types of payment, such as court costs or fees. Payments must be in the form of cashier's check or money orders. Restitution collections are recorded as "pass through" payments in JCMS. During the daily closeout process, the payment details are logged on a restitution log and certified mailed to the victim. A sample of restitution payments were tested against office policy. No material discrepancies were noted.



JUVENILE JUSTICE DEPARTMENT
County of Galveston
(PROBATION and DETENTION SERVICES)

April 15, 2019

Randall Rice, CPA
Galveston County Auditor
722 Moody, 4th Floor
Galveston, Texas 77550

Dear Mr. Rice,

I have reviewed the draft of the internal audit report for the Juvenile Justice Department for the period February 1, 2018 through January 31, 2019. To the best of my knowledge, the audit report appears to be a fair and accurate assessment of the financial processes that were reviewed. We have begun addressing the processes that resulted in the findings included in the draft report. I would like to commend your staff, Lillian Arredondo, on the efficiency of this audit and the limited impact that it had on my staff's ability to proceed with their day to day priorities.

Sincerely,

A handwritten signature in blue ink, appearing to read "Glen R. Watson".

Glen R. Watson, LMSW
Director of Juvenile Justice