

GALVESTON COUNTY



Office of County Auditor

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February 12, 2018

Honorable Mark A. Henry, County Judge, and
Members of the Commissioners Court

Honorable Mark A. Henry and Members of the Court:

Attached for your consideration is the internal audit report of Justice of the Peace, Precinct 2 (Galveston and Santa Fe locations). The audit covered the period December 1, 2016 through November 30, 2017. Also attached is the response letter from Honorable Jim Schweitzer, dated February 2, 2018.

Sincerely,

A handwritten signature in blue ink, appearing to read "Rice CPA".

Randall Rice CPA
County Auditor

cc: Honorable Judge Jim Schweitzer

Attachment: Justice of the Peace, Precinct 2 Audit Report
Response Letter, Judge Jim Schweitzer

Jim Schweitzer
Justice of the Peace, Pct. 2
1922 Sealy
Galveston, Texas 77550
409-766-2250

February 2, 2018

Mr. Randall Rice
County Auditor
722 Moody Ave, 4th Floor
Galveston, Texas 77550

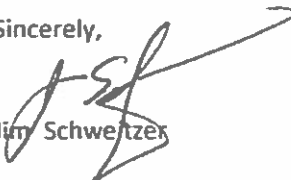
Re: Audit-January 5, 2018

Dear Mr. Rice,

Thank you for the time and effort in performing the January 5, 2018 audit. As usual your staff was professional in working with my offices and spending the necessary time to complete the audit.

If you or Commissioner's Court has any questions, please do not hesitate to contact me.

Sincerely,



Jim Schweitzer



Justice of the Peace, Precinct 2 Audit

January 5, 2018

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 3-4)

- Compensating controls have been implemented in different areas of the court's operations to ensure a proper separation of duties.
- The court should implement a policy which requires all adjustments, reversals and voids be approved by the Chief Deputy Court Clerk, Senior Court Clerk or the judge, depending on the circumstance, as required by the Galveston County Cash Handling Policy (effective 9/1/2017).
- No exceptions were noted in testing the validity of jail time credit and community service.
- No exceptions were noted in testing the composition of the deposits made to the bank.
- Cases transferred to Odyssey must reflect the outstanding court costs, fines and fees for the case as reflected in Net Data.

Safeguarding of Assets (page 5)

- All collections were accounted for during the surprise cash counts.
- Physical security over assets (collections) is adequate.
- Court policy is to deposit collections daily.
- Bond account bank reconciliations are submitted to the Auditor's Office monthly.

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

- Odyssey is not consistently assessing all of the statutorily required court costs and fees to the misdemeanor offenses. Internal Audit is working with Information Technology and County Legal to assess and correct the issue.
- No exceptions were noted in the testing of Administrative or No-Charge Dismissals.
- No errors were detected in testing the Allocation Rule.
- No material discrepancies were noted in testing the time payment fees.
- The court is in compliance with CCP §103.0031 Collection Contracts.

Statistical Analysis (page 8-9)

- Almost half (47.7%) of the cases filed were traffic misdemeanors. Non-traffic misdemeanors made up 31.9% of the cases and evictions made up 11.7%.
- Bank deposits fluctuated from \$51,075 (December 2016) to \$72,747 (May 2017) and back down to \$49,905 (November 2017). Total collections for the audit period were \$715,589.

Introduction

The Internal Audit Division conducted an internal audit of the Justice of the Peace, Precinct 2, in accordance with Local Government Code §115. The internal audit covered the period December 1, 2016 through November 30, 2017. The audit was performed from December 4, 2017 through January 5, 2018.

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 2. The internal audit included, but was not limited to, the books, accounts, reports, dockets and records of the Justice of the Peace, Precinct 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 Galveston County Justice of the Peace, Precinct 2 as defined by the AICPA professional standards. However, our internal audit was performed with objectivity and due professional care.

Christina Fogg, 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 have been implemented in different areas of the court's operations.

Adjustments, Reversals and Voids

All clerks have the ability to process adjustments, reversals and voids in Odyssey. The County Cash Handling Policy (effective 9/1/2017) Section 3.0 Cash Handling states required procedures for cash collection points include approval of any voided receipts by the area supervisor. This criteria includes reversals and voids. A sample of adjustments, reversals and voids was tested for compliance with the cash handling policy.

Finding: Court policy allows all clerks to record adjustments, reversals and voids in Odyssey without prior approval.

Recommendation JP2-18-01: To improve reliability and integrity of the information in Odyssey and to ensure compliance with the County Cash Handling Policy, the court should implement a policy which requires all adjustments, reversals and voids be approved by the Chief Deputy Court Clerk, Senior Court Clerk or the judge, depending on the circumstance.

Jail Time Credit

CCP §45.048 Discharged From Jail states a defendant placed in jail shall be discharged by showing the defendant is too poor to pay the fine and costs or has remained in jail a sufficient length of time to satisfy the charges. Per court policy, the defendant must provide proof of time served. All jail time credit awarded must be approved by the judge. Proper support documentation for jail time credit must be scanned into Odyssey as proof of its validity. A sample of cases was tested for compliance with CCP §45.048 and court policy. No exceptions were noted.

Reliability and Integrity of Information (cont.)

Community Service Credit

CCP §45.049 Community Service in Satisfaction of Fine or Costs states a justice or judge may require a defendant who fails to pay a previously assessed fine or costs, or who is determined by the court to have insufficient resources or income to pay a fine or costs, to discharge all or part of the fine or costs by performing community service. All community service credit must be approved by the judge. Proper support documentation for community service credit must be scanned into Odyssey as proof of its validity. A sample of cases was tested for compliance with CCP §45.049 and court policy. No exceptions were noted.

Bank Deposit Images

The composition of the deposits made to the bank must match the composition of the collections as recorded in Odyssey. Copies of the bank deposit images are provided by the Treasurer's Office. A sample of bank deposit images were compared to the collections as recorded in Odyssey. No exceptions were noted.

Court Costs, Fines and Fees - Net Data Cases

When a defendant pays outstanding charges for cases with a file date prior to the Odyssey conversion, the outstanding charges for the case must be transferred to Odyssey. The outstanding court costs, fines and fees for the cases must be recorded accurately and completely in Odyssey as reflected in Net Data.

Finding: Some of the cases transferred to Odyssey by the court clerks did not agree with the outstanding charges reflected in Net Data. Information Technology has created a script that, when prompted by a clerk, will automatically transfer the case information from Net Data to Odyssey. This script should eliminate clerical errors in the transferring of cases.

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 or safe until they are deposited in the bank.

As part of the audit, the auditor conducted a surprise cash count at the Galveston office on December 4, 2017 and at the Santa Fe office on December 8, 2017. All collections were accounted for at the time of the surprise cash counts. 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. JP2 has a policy to deposit collections 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 reconciliation process identifies any discrepancies in the bond account and assists in preventing the misuse of funds.

JP2 performs a bond account bank reconciliation each month and submits a copy to the Auditor's Office.

Compliance with Statutes, Policies and Procedures

The following areas were tested to provide reasonable assurance the court is in compliance with statutes, policies and procedures.

Court Costs, Fines and Fees

The Texas Judicial Branch publishes a 'Justice Court Convictions Court Cost Chart' each calendar year. The chart shows the fees to be assessed for misdemeanor offenses, including specific costs not assessed upon conviction, but assessed under appropriate circumstances. The chart also provides the statute that supports the amount of court costs, fines and fees reflected on the chart. A sample of cases was tested for compliance with the applicable statutes regarding court costs, fines and fees collected by the office. It was determined Odyssey was not consistently assessing all of the statutorily required court costs and fees to the misdemeanor offenses. Internal Audit is working with Information Technology and County Legal to assess and correct the issue.

Administrative Dismissals

Certain charges may be dismissed with an administrative fee, set by statute, when the defendant provides proof the underlying violation was resolved within the statutory time limit. When the proof is presented and the administrative fee has been paid, the clerk may dismiss the case without the consent of the judge or the assistant district attorney. A sample of administrative dismissals was tested for compliance with applicable statutes. No exceptions were noted.

CCP §32.02 Dismissal by State's Attorney

CCP §32.02 Dismissal By State's Attorney states "The attorney representing the State may, by permission of the court, dismiss a criminal action at any time upon filing a written statement with the papers in the case setting out his reasons for such dismissal, which shall be incorporated in the judgment of dismissal. No case shall be dismissed without the consent of the presiding judge."

Court policy requires support documentation for no-charge dismissals, signed by the judge or the assistant district attorney, to be scanned into Odyssey as proof of its validity.

A sample of no-charge dismissals was tested for compliance with CCP §32.02 and court policy. No discrepancies were noted.

Compliance with Statutes, Policies and Procedures (cont.)

Allocation Rule

A defendant may be awarded jail time credit (JTC) or community service in lieu of paying the court costs, fees and fine. If the amount of JTC or community service 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" as the practice of applying JTC or community service to the fine first and then to court costs and fees. If the monies received do not cover all of the court costs, then the monies must be allocated to court costs on a pro-rata basis. A sample of cases was tested for compliance with the "Allocation Rule". No errors were detected.

Time Payment Fee

LGC §133.103 states "(a) A person convicted of an offense shall pay, in addition to all other costs, a fee of \$25 if the person: (1) has been convicted of a felony or misdemeanor; and (2) pays any part of a fine, court costs or restitution on or after the 31st day after the date on which a judgement is entered assessing the fine, court costs, or restitution."

The Court Costs and Fees Handbook for Justice Courts Chapter V (A)(1)(a) Allocation Rule states "The time payment fee is treated like other court costs and fees when allocating and prorating. When the full amount owed by a defendant is not received, the time payment fee takes precedence over fines and shares pro rata with other costs and fees". A sample of cases were tested for compliance with LGC §133.103 and the "Allocation Rule". No material discrepancies were noted.

CCP §103.0031 Collection Contracts

CCP §103.0031 states the commissioners court of a county may enter into a contract with a private attorney or a public or private vendor for the provision of collection services for debts and accounts receivable such as unpaid fines, fees, court costs, forfeited bonds, and restitution. A commissioners court that enters into a contract with a private attorney or private vendor under this article may authorize the addition of a collection fee in the amount of 30 percent of the outstanding balance that is more than 60 days past due and has been referred to the attorney or vendor for collection.

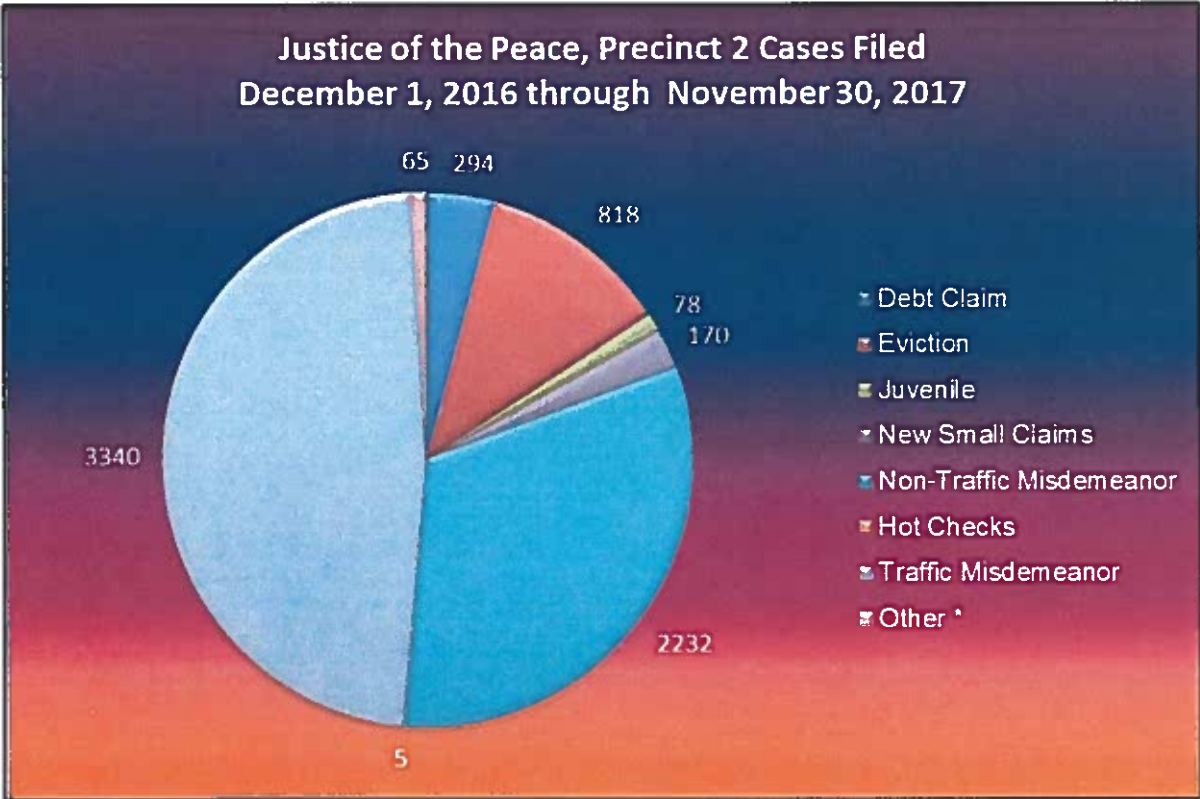
A sample of cases was tested for compliance with CCP §103.0031. No discrepancies were noted.

Statistical Analysis

A statistical analysis was performed on the cases filed through JP2 during the audit period. The data for the analysis was obtained from the Odyssey Case Index Report. The date range used for the report was October 1, 2017 through November 30, 2017. Almost half (47.7%) of the cases were traffic misdemeanors. Non-traffic misdemeanors made up 31.9% and evictions made up 11.7%. The following reflects the number and types of cases filed during the audit period:

Debt Claim	294
Eviction	818
Hot Checks	5
Juvenile	78
New Small Claims	170
Non-Traffic Misdemeanor	2,232
Traffic Misdemeanor	3,340
Other *	65
Total Cases Filed	7,002

Other*
 Magistrate Duty – 6
 Occupational License – 41
 Repair & Remedy – 3
 Tow Hearings – 7
 Truancy – 8



Statistical Analysis (cont.)

A statistical analysis was also performed on the bank deposits made by JP2 during the audit period. The data used in the analysis was obtained from ONESolution, the county's financial reporting system. The date range used for the report was December 1, 2016 through November 30, 2017. The following reflects the bank deposits made by JP2 during the audit period:

JP2 - Bank Deposits	
Dec-16	\$ 51,075
Jan-17	\$ 60,061
Feb-17	\$ 79,888
Mar-17	\$ 81,323
Apr-17	\$ 57,495
May-17	\$ 72,747
Jun-17	\$ 52,730
Jul-17	\$ 53,527
Aug-17	\$ 49,997
Sep-17	\$ 53,067
Oct-17	\$ 53,774
Nov-17	\$ 49,905
Total	\$ 715,589

