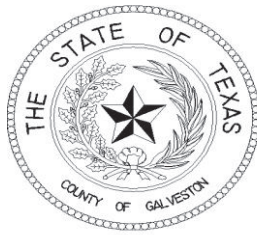


GALVESTON COUNTY



Office of County Auditor

Randall Rice CPA CISA CIO, County Auditor
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722 Moody Ave 4th Floor, Galveston, TX 77550

September 18, 2023

Honorable Mark A. Henry, County Judge, and
Members of the Commissioners Court
722 Moody Ave, Suite 200
Galveston, TX 77550

Honorable Mark A. Henry and Members of the Court:

Attached to be received and filed is the internal audit report of Justice of the Peace, Precinct 4. The audit covered the period July 1, 2022 through June 30, 2023. Also attached is the response letter from Honorable Kathleen McCumber, dated August 30, 2023.

Sincerely,

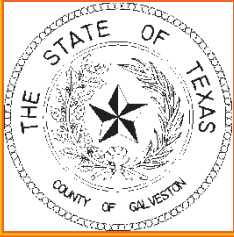
Randall Rice CPA

Digitally signed by Rice, Randall
Date: 2023.09.07 15:22:02 -05'00'

Randall Rice CPA
County Auditor

cc: Honorable Kathleen McCumber

Attachment: Justice of the Peace, Precinct 4 Audit Report
Response Letter, Judge Kathleen McCumber



Justice of the Peace, Precinct 4 Audit

August 3, 2023

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 (pages 3)

- Compensating controls have been implemented in different areas of the court's operations to ensure a proper separation of duties.
- No discrepancies were noted in the testing of adjustments, reversals and voids.
- No material exceptions were noted in the recording of citations issued by the Galveston County Sheriff's Office in Odyssey.

Safeguarding of Assets (page 4)

- All collections were accounted for during the surprise cash count.
- Physical security over assets (collections) is adequate.
- The court deposits collections daily.
- Bond account bank reconciliations are reviewed quarterly by the Auditor's Office.

Compliance with Statutes, Policies and Procedures (pages 5-8)

- The office is in compliance with applicable statutes when assessing court costs, fines and fees.
- No material discrepancies were noted in the testing of Administrative Dismissals.
- No discrepancies were noted in the testing of No-Charge Dismissals.
- No discrepancies were noted in the court's compliance with the "Allocation Rule".
- No material discrepancies were noted in the court's assessment of Time Payment fees.
- PC30 collection fee calculation must include the entire outstanding balance of any fines, fees and court costs.
- No discrepancies were noted in the testing of credits awarded for compliance with CCP §45.048, CCP §45.049(a), CCP §45.0491 and court policy.
- No material discrepancies were noted in the testing for compliance with CCP §45.051 and court policy.

Statistical Analysis (pages 9-10)

- The largest number of case types filed have continually been criminal cases (Traffic and Non-Traffic Misdemeanors), increasing from 1,898 in FY2018 to 2,298 in FY2022. The second-highest number of case types filed was for civil, which increased from 768 in FY2018 to 849 in FY2022.
- Total revenue collected decreased from \$642,327 in FY2018 to \$538,402 in FY2022.

Introduction

The Internal Audit Division conducted an internal audit of the Justice of the Peace, Precinct 4, in accordance with Local Government Code (LGC) §115. The internal audit covered the period July 1, 2022 through June 30, 2023. The audit was performed from July 6, 2023 through August 2, 2023.

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 4. The internal audit included, but was not limited to, the books, accounts, reports, dockets and records of the Justice of the Peace, Precinct 4.

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

Celeste McGilberry, 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. A proper separation of duties is sometimes difficult to establish due to the size of staff and budgetary constraints; however, compensating controls 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 their own till in Odyssey. An explanation for the transaction is recorded in the 'comment' section of the case. Court policy limits the recording of reversals and voids in Odyssey to the Chief Deputy Court Clerk or the Senior Court Clerk. In the event one of those employees needs to reverse or void a transaction, the other must record the transaction. The County Cash Handling Policy (effective 9/1/2017) Section 3.0 Cash Handling "required procedures for cash collection points include approval of any voided receipts by the area supervisor". A sample of adjustments, reversals and voids was tested for compliance with court policy and the County Cash Handling Policy. No discrepancies were noted.

Completeness and Accuracy

Information from citations issued by the Galveston County Sheriff's Office is recorded in their Record Management System (RMS). The citations are turned into the related Justice Court and subsequently entered into Odyssey by the clerks. Internal Audit tested a sample of citations recorded in RMS to verify the information was completely and accurately recorded in Odyssey. No material discrepancies were noted.

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 League City office on July 6, 2023. 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. Justice of the Peace, Precinct 4 has a policy to deposit collections daily. Deposits are reviewed quarterly by the Auditor's Office.

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. Justice of the Peace, Precinct 4 performs a bond account bank reconciliation each month and submits a copy to the Auditor's Office. Bond account bank reconciliations are reviewed quarterly by 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 year there is a legislative update. 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. No material discrepancies were noted.

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 material discrepancies were noted.

Dismissal By State's Attorney

Code of Criminal Procedures (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

Attorney General Opinion GA-147 and the 'Justice Courts - Court Costs and Fees Handbook' define the "Allocation Rule" as the practice of allocating monies received from a defendant first to pay court costs and then to pay a fine. If the monies received do not cover all of the costs, then the monies must be allocated to court costs on a pro rata basis. Accordingly, any credit awarded (Jail Time Credit, Community Service, Waivers) must be applied to the fine amount first, then to court costs and fees. A sample of cases was tested for compliance with the "Allocation Rule". No discrepancies were noted.

Time Payment Fee

If a person is convicted of a felony or misdemeanor and pays any part of the court costs, fine or restitution on or after the 31st day after the judgment day, the court must assess an additional cost of a time payment fee. LGC §133.103 (effective through 12/31/2019) 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 judgment is entered assessing the fine, court costs, or restitution." CCP §102.030 (effective on 1/1/2020) states "(a) A person convicted of an offense shall pay a reimbursement fee of \$15 if the person: (1) has been convicted of a felony or misdemeanor; and (2) pays any part of a fine, court costs, or restitution, or another reimbursement fee, on or after the 31st day after the date on which a judgment is entered assessing the fine, court costs, restitution, or other reimbursement fee." A sample of cases was tested for compliance with LGC §133.103 and CCP §102.030. No material discrepancies were noted.

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 commissioner's court that enters into a contract with a private attorney or private vendor under this article may authorize the addition of a collection fee (PC30 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.

Finding: PC30 fees are not consistently being assessed accurately in Odyssey. *(This is a prior audit finding.)*

Recommendation JP4-23-01: To ensure compliance with CCP §103.0031, PC30 collection fee calculation must include the entire outstanding balance of any fines, fees and court costs.

Compliance with Statutes, Policies and Procedures (cont.)

Credits

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.

Community Service Credit

CCP §45.049(a) 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.

Indigent and Waiver Credits

CCP §45.0491 Waiver of Payment of Fines and Costs for Indigent Defendants and Children states a justice court may waive payment of all or part of a fine imposed on a defendant if the court determines that:

- (1) the defendant is indigent or does not have sufficient resources or income to pay all or part of the fine or was, at the time the offense was committed, a child as defined by Article 45.058(h); and
- (2) discharging the fine under Article 45.049 or as otherwise authorized by this chapter would impose an undue hardship on the defendant.

Court policy dictates all credit awarded must be approved by the Judge and adequate support documentation for credits must be scanned into Odyssey as proof of its validity.

A sample of cases was tested for compliance with CCP §45.048, CCP §45.049(a), CCP §45.0491 and court policy. No discrepancies were noted.

Compliance with Statutes, Policies and Procedures (cont.)

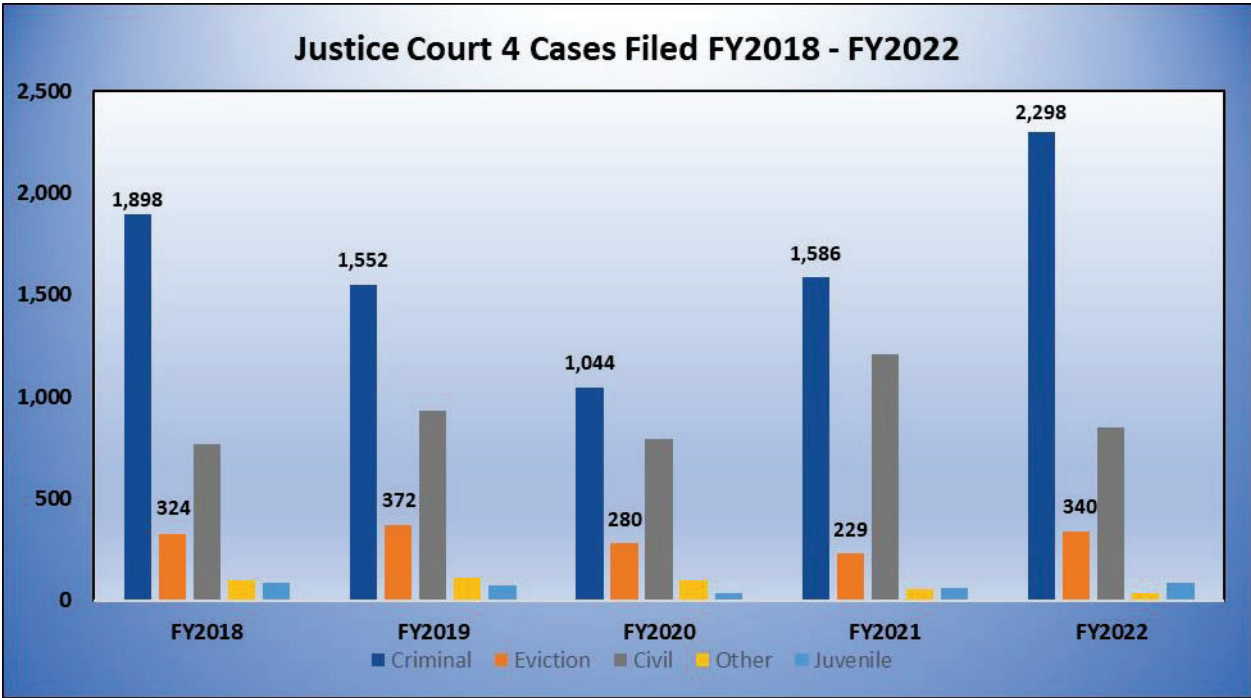
Deferred Disposition (Adjudication)

CCP §45.051 Suspension of Sentence and Deferral of Final disposition states on a plea of guilty or nolo contendere on a misdemeanor case the, judge may defer further proceedings without entering an adjudication of guilt and place the defendant on probation not to exceed 180 days. In issuing the order of deferral, the judge may impose a fine on the defendant in an amount not to exceed the amount of the fine that could be imposed on the defendant as punishment for the offense. The fine may be collected at any time before the probation ends. The judge may elect not to impose the fine for good cause shown by a defendant. If the judge orders the collection of a fine under this subsection, the judge shall require the amount of the fine be credited toward the payment of the amount of any fine imposed by the judge as punishment for the offense. Court policy dictates all support documentation to deferred cases, including the Order for Deferred Disposition (Adjudication) signed by the judge, are scanned into Odyssey and the physical copy is retained in the case jacket. No discrepancies were noted.

Statistical Analysis

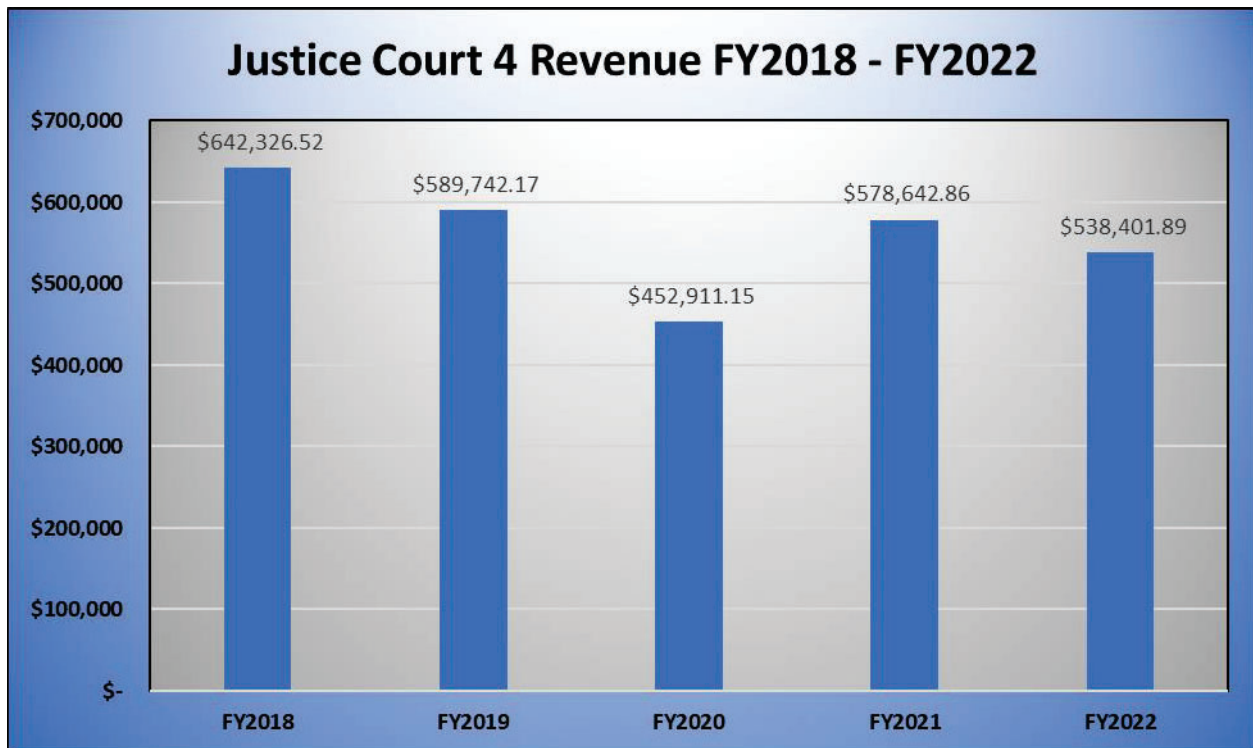
A five-year statistical analysis was performed on the cases filed through Justice of the Peace, Precinct 4 from FY2018 through FY2022. The data for the analysis was obtained from the Odyssey Case Filing Statistics Report. The date range used for the report was October 1, 2018 through September 30, 2022. The largest number of case types filed have continually been criminal cases (Traffic and Non-Traffic Misdemeanors), increasing from 1,898 in FY2018 to 2,298 in FY2022. The second-highest number of case types filed was for civil, which increased from 768 in FY2018 to 849 in FY2022. The decrease in the number of cases filed in FY2020 was due to the COVID-19 pandemic. The following reflects the number of cases filed during the five-fiscal year analysis:

	Criminal	Eviction	Civil	Other	Juvenile	FY Totals
FY2018	1,898	324	768	98	86	3,174
FY2019	1,552	372	929	111	71	3,035
FY2020	1,044	280	790	96	38	2,248
FY2021	1,586	229	1,209	56	60	3,140
FY2022	2,298	340	849	37	87	3,611
Total	8,378	1,545	4,545	398	342	



Statistical Analysis (cont.)

A five-year statistical analysis was performed on the revenue collected by Justice of the Peace, Precinct 4 from FY2018 through FY2022. The data used in the analysis was obtained from OneSolution, the county's financial reporting system. The date range used for the report was October 1, 2018 through September 30, 2022. The annual bank deposit total decreased 16% from \$642,327 in FY2018 to \$538,402 in FY2022. The decrease in revenue during FY2020 was due to the COVID-19 pandemic. The following chart reflects revenue collected by Justice of the Peace, Precinct 4 during the five-year fiscal year analysis:





KATHLEEN M. MCCUMBER

JUSTICE OF THE PEACE
GALVESTON COUNTY, PRECINCT 4
174 Calder Dr., #101
League City, Tx 77573
(281) 316-8716
Fax (281) 316-8704
jp4criminalclerk@co.galveston.tx.us
jp4civilclerk@co.galveston.tx.us

August 30, 2023

Office of County Auditor
Randall Rice CPA
P.O. Box 1418
Galveston, Texas 77553

Re: Justice of the Peace, Pct. 4 FY2022 Internal Audit Report

Dear Mr. Rice,

Thank you and your professional and friendly staff for making this a seamless process. It has been our pleasure to work with your team.

On August 16, 2023, we received the draft of your internal audit report for our court. We have reviewed the report in detail. Your findings show that our PC30 fees are not consistently being assessed accurately in Odyssey. Our plan is to reach out to all of the new clerks to ensure that they understand the financials and make the proper adjustments as needed. We have had several new clerks since the last audit and it is possible that they are not aware of this process.

If you have any other suggestions please feel free to reach out to us.

Sincerely,

A handwritten signature in blue ink that reads "Kathleen M. McCumber".

Kathleen M. McCumber
Justice of the Peace, Pct. 4