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March 23, 2020

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 3. The audit covered the period January 1, 2019 through December 31, 2019. Also attached is the response letter from Honorable Billy A. Williams, dated March 16, 2020.
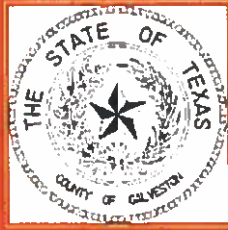
Sincerely,

## Randall Rice CPA

Digitally signed by Randall Rice CPA
DN: cn=Randall Rice CPA, o=Galveston County,
ou=County Auditor,
email=randall.rice@co.galveston.tx.us, c=US
Date: 2020.03.17 10:09:00 -05'00'

Randall Rice CPA
County Auditor

cc: Honorable Judge Billy A. Williams

Attachment: Justice of the Peace, Precinct 3 Audit Report
Response Letter, Judge Billy A. Williams

# Justice of the Peace, Precinct 3 Audit

# January 30, 2020

Galveston County
Internal Audit
Division

Randall Rice CPA
CITP CISA CIO CBM DABFA CGMA
County Auditor

# Executive Summary

## Reliability and Integrity of Information (pages 3-4)

- Compensating controls have been implemented in different areas of the court's operations to ensure a proper separation of duties.

- Adequate support documentation to adjustments, reversals and voids must be scanned into Odyssey.

- Citations issued by the Galveston County Sheriff's Office were recorded completely and accurately in Odyssey.

- The court should implement a policy to review the Odyssey Transaction Listing report for credits granted on a monthly basis.

## 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)

- No material discrepancies were noted in the testing of Administrative or No-Charge Dismissals.

- The office is in compliance with applicable statutes when assessing court costs, fines and fees.

- No material discrepancies were noted in the testing of the "Allocation Rule", requiring credits to be applied to the fine first then the court costs and fees.

- No material discrepancies were noted in the testing of the Time Payment Fee.

- PC30 collection fee calculation must include the entire outstanding balance of any fines, fees and court costs.

## Statistical Analysis (pages 8-9)

- Almost half (48.3%) of the cases filed were non-traffic misdemeanors. Traffic misdemeanors made up 14.9% and evictions made up 17.8%.

- Bank deposits fluctuated between $23,455 in January 2019 and $57,739 in August 2019. Total collections for the audit period were $488,557.

# Introduction

The Internal Audit Division conducted an internal audit of the Justice of the Peace, Precinct 3 (JP3), in accordance with Local Government Code §115. The internal audit covered the period January 1, 2019 through December 31, 2019. The audit was performed from January 6, 2020 through January 30, 2020.

The primary objectives of the internal audit are to provide reasonable assurance concerning:

- Reliability and integrity of the information.
- Safeguarding of assets.
- Compliance with statutes, policies, and procedures.

The scope of the internal audit encompassed the financial records and administrative procedures related to the Justice of the Peace, Precinct 3. The internal audit included, but was not limited to, the books, accounts, reports, dockets and records of the Justice of the Peace, Precinct 3.

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

Jessica Robbins, Audit Technician, 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. A comment must be provided in Odyssey explaining the reason for the transaction. Court policy requires the judge's approval for reversals and voids. A copy of the transaction receipt, signed by the judge, must be scanned into Odyssey as proof of the judge's authorization. A sample of adjustments, reversals and voids was tested for compliance with court policy.

**Finding:** A copy of the reversal or voided receipt, signed by the Judge, is not consistently being scanned into Odyssey.

**Recommendation JP3-20-01:** To ensure reliability and integrity of the information and to be in compliance with court policy, adequate support documentation for adjustments, reversals and voids must be scanned into Odyssey.

## Completeness and Accuracy

Information from citations issued by the Galveston County Sheriff's Office (GCSO) 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 discrepancies were noted.

## 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. The judge verifies time served before granting jail time credit.

### Community Service

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 Credit/Waivers

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 or costs 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 costs or was, at the time the offense was committed, a child as defined by Article 45.058(h); and
   (2) discharging the fine or costs under Article 45.049 or as otherwise authorized by this chapter would impose an undue hardship on the defendant.

Court policy dictates all credits must be approved by the judge.

A sample of cases was tested for compliance with CCP §45.048, CCP §45.049(a), CCP §45.0491 and court policy.

**Finding:** The use of "Indigent Credit" was selected in error; this should have been "Jail Time Credit" for time served.

**Finding:** The use of "Jail Time Credit" was selected in error; this should have been "Community Service" for hours performed.

**Recommendation JP3-20-02:** To ensure the reliability and integrity of the information recorded in Odyssey, the court should implement a policy to review the Odyssey Transaction Listing report for credits granted on a monthly basis.

# 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 January 6, 2020, the La Marque office on January 7, 2020 and the Crystal Beach office on January 13, 2020. All collections were accounted for at the time of the surprise cash counts. Controls are in place to ensure the staff of each office uses a lockable safe to secure collections until ready to be deposited in the bank. The safe remains locked in each office 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. JP3 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. JP3 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.

## 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 court may dismiss the case. A sample of administrative dismissals was tested for compliance with applicable statutes. No material discrepancies were noted.

## 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 discrepancies were noted.

## 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 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 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 material discrepancies were noted.

## 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 judgment is entered assessing the fine, court costs, or restitution."

# Compliance with Statutes, Policies and Procedures (cont.)

### 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.

### 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.

**Finding:** PC30 fees are not consistently being assessed correctly in Odyssey.

**Recommendation JP3-20-03:** To ensure compliance with CCP §103.0031, the PC30 collection fee calculation must include the entire outstanding balance of any fines, fees and court costs.

# Statistical Analysis

A statistical analysis was performed on the cases filed through JP3 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 January 1, 2019 through December 31, 2019. Almost half (48.3%) of the cases filed were non-traffic misdemeanors. Traffic misdemeanors made up 14.9% and evictions made up 17.8%. The following reflects the number and types of cases filed during the audit period:

| | |
|---|---:|
| Non-Traffic Misdemeanor | 1,881 |
| Eviction | 692 |
| Traffic Misdemeanor | 578 |
| Debt Claim | 423 |
| New Small Claims | 135 |
| Other * | 79 |
| Juvenile | 77 |
| Hot Checks | 26 |
| Total Cases Filed | 3,891 |

Other*
Magistrate Duty – 28
Occupational License – 44
Truancy – 7


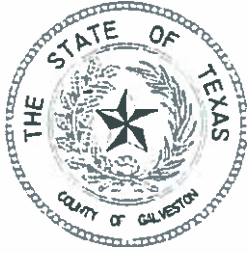
Justice of the Peace, Precinct 3 Cases Filed
January 1, 2019 through December 31, 2019
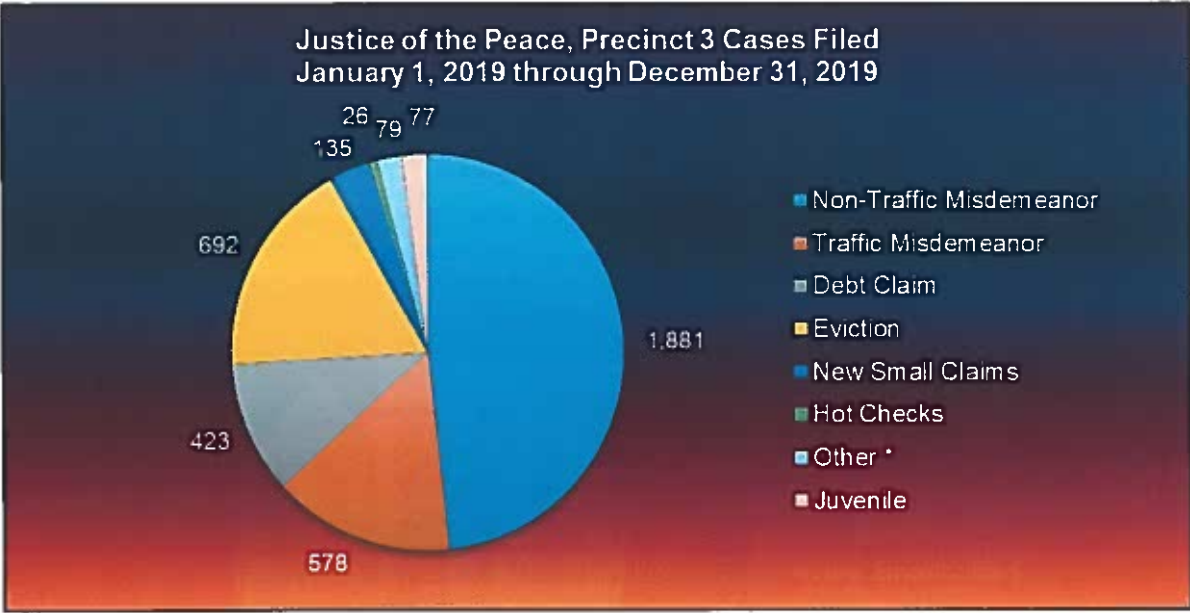
A statistical analysis was also performed on the bank deposits made by JP3 during the audit period. The data used in the analysis was obtained from OneSolution, the county's financial reporting system. The date range used for the report was January 1, 2019 through December 31, 2019. Bank deposits fluctuated between $23,455 in January 2019 and $57,739 in August 2019. Total collections for the audit period were $488,557. The following reflects the bank deposits made by JP3 during the audit period:

| 2019 Bank Deposits | |
|---|---|
| Jan-19 | $23,455 |
| Feb-19 | $28,448 |
| Mar-19 | $31,077 |
| Apr-19 | $41,800 |
| May-19 | $36,796 |
| Jun-19 | $46,086 |
| Jul-19 | $52,971 |
| Aug-19 | $57,739 |
| Sep-19 | $54,427 |
| Oct-19 | $47,140 |
| Nov-19 | $28,632 |
| Dec-19 | $39,986 |
| Total | $488,557 |



Justice of the Peace, Precinct 3 Bank Deposits
January 1, 2019 thru December 31, 2019
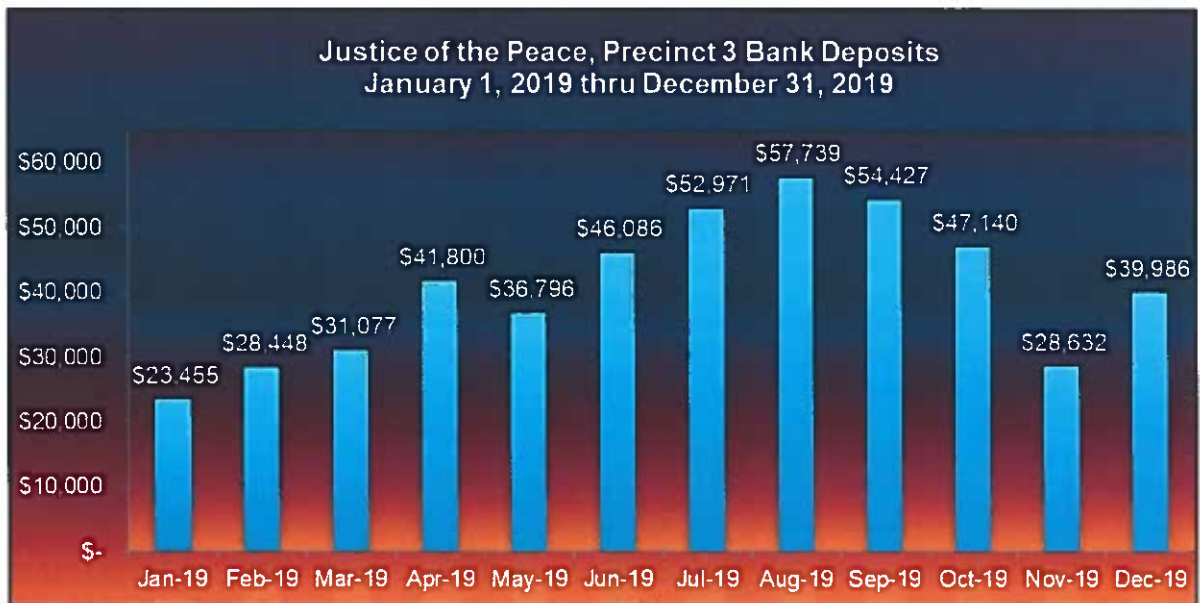
**JUDGE BILLY A. WILLIAMS, JR.**
JUSTICE OF THE PEACE
PRECINCT 3, GALVESTON COUNTY
600 59th Street, 1st Floor
Galveston, Texas 77551
(409) 770-5455 / (409) 770-6295 Facsimile

March 16, 2020

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

     Re:    Final Audit Report for Justice of the Peace, Precinct 3

Dear Mr. Rice:

My office is pleased that your office performed the audit. It provided us with a road map as to what we are doing efficiently and the things we need to clean up. We are willing and ready to work with your office to continue to provide great service to the citizens of Galveston County.

Respectfully,

Billy A. Williams, Jr.
Justice of the Peace, Pct. 3