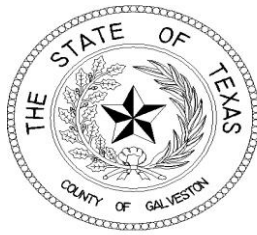


# GALVESTON COUNTY



## Office of County Auditor

Randall Rice CPA CISA CIO, County Auditor  
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P.O. Box 1418, Galveston, Texas 77553

(409) 770-5304

722 Moody Ave 4<sup>th</sup> Floor, Galveston, TX 77550

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June 1, 2020

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:

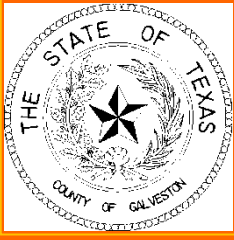
Attached to be received and filed is the internal audit report of the Juvenile Justice Department Audit that covered the period February 1, 2019 through January 31, 2020. Also attached is the response letter from Glen Watson, Director of Juvenile Justice, dated May 22, 2020.

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 20, 2020

Galveston  
County  
Internal Audit  
Division

Randall Rice CPA  
CITP CISA CIO CBM DABFA CGMA  
County Auditor

|                         |     |
|-------------------------|-----|
| Executive Summary ..... | 1   |
| Introduction .....      | 2   |
| Details.....            | 3-6 |

# Executive Summary

## Reliability and Integrity of Information (page 3)

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

## Safeguarding of Assets (page 4)

- 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 5-6)

- All refunds should be processed in a timely manner.
- No discrepancies were noted in the testing of voided receipts.
- The court costs, fees and/or restitution recorded in JCMS must agree with the court order.
- No material discrepancies were noted in the testing of waivers and write-offs.
- No discrepancies were noted in the testing of restitution.

# 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, 2019 through January 31, 2020. The audit was performed from February 18, 2020 through March 20, 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 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.

Jessica Kozma, 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. 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 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 safety box until the transfer of collections is performed. The Records Technician or the Casework Services Supervisor deliver the collections daily to the Administrative Assistant I at the Texas City Office to record (receipt) into Juvenile Case Management System (JCMS) and deposit.

The Administrative Assistant I 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 Records Technician to the payee. The collection is immediately taken to the Administrative Assistant I to record in JCMS. The cashier's checks and money orders (cash is not accepted as a form of payment) are secured in the office of the Administrative Assistant I in a locked filing cabinet until ready for deposit. The Administrative Assistant I 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 Administrative Assistant II to reconcile the daily collections and manual receipts with the deposit. The Financial Analyst reconciles the deposit warrants with the JCMS Receipt Transaction report monthly.

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

# 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 18, 2020 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.

## Overpayment Refunds

When a juvenile is released from probation or they are transferred to another facility (TJJD or other County) and probation fees were paid in advance, a refund must be issued. In the event an overage has occurred, a refund is issued through the Galveston County Accounts Payable Department. Office policy requires all refunds to be processed within 15 business days following the release of the juvenile or transfer of the juvenile to another facility. A sample of refunds were tested for accuracy and timeliness in accordance with office policy.

**Finding:** Refunds are not being processed in a timely manner.

**Recommendation JJ-20-01:** To ensure compliance with office policy, all refunds must be processed within 15 business days following the release of the juvenile or transfer of the juvenile to another facility.

## Voided Receipts

Receipts issued by Juvenile Justice Department can be voided in JCMS. When a receipt is voided, an explanation for the void is recorded in JCMS. Two copies of the voided receipt are printed and signed by the staff member and taken to the Deputy Director of Casework Services to verify and sign the voided receipts. In the event the Deputy Director of Casework Services is not available, the Administrative Assistant II verifies all voids. One copy of the signed voided receipt is retained in the juvenile's case file. The other 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 discrepancies were noted.

## 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 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-20-02:** 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.)

### Waivers and Write-offs

When a juvenile completes probation, is transferred to another facility, or reaches the age of 18 and still owes fees, the remaining fees, excluding restitution fees, are either waived or written-off in JCMS. 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 sends the Status Update request form to the Records Technicians to write-off the fees in JCMS. Then the Records Technicians sign the Status Update request form after they have made the changes in JCMS. A sample of waivers and write-offs were tested for accuracy, compliance with TAC §341.202(b)(1)(A)(iii) and office policy. No material discrepancies were noted.

### 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. As of October 23, 2019, office policy requires restitution payments to be made out directly to Galveston County, through a money order or cashier’s check. The restitution payments collected are recorded (receipted) in JCMS and deposited with the daily deposit. The victim is notified the payment has been received and the restitution payment process is logged on a restitution log. A sample of restitution payments were tested against office policy. No discrepancies were noted.





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

May 22, 2020

Randall Rice, CPA  
Galveston County Auditor  
722 Moody, 4<sup>th</sup> Floor  
Galveston, Texas 77550

Dear Mr. Rice,

I have reviewed the draft of the internal audit report for the Galveston County Juvenile Justice Department for the period February 1, 2019 through January 31, 2020. 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, Jessica Kozma, for her assistance in evaluating our internal financial controls and processes. Her professionalism and efficiency helped to minimize the impact the audit process had on our staff's ability to attend to the daily business of the Juvenile Justice Department.

Sincerely,

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

Glen R. Watson, LMSW  
Director of Juvenile Justice