

GALVESTON COUNTY



Office of County Auditor

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March 11, 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:

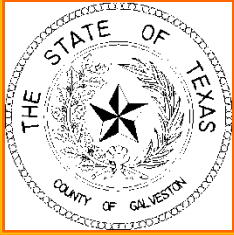
Attached to be received and filed is the internal audit report of the Galveston County Collections Improvement Program. The audit covered the period December 1, 2017 through November 31, 2018. Also attached is the response letter from Barbara Pinegar, dated February 20, 2019 and the response letter from Judge Gregory Rikard dated February 20, 2019.

Sincerely,

Randall Rice CPA
County Auditor

cc: Barbara Pinegar, Assistant Director of Personal Bonds & Collections
Gregory Rikard, Justice of the Peace, Precinct 1
Kathleen McCumber, Justice of the Peace, Precinct 4

Attachment: Galveston County Collections Improvement Program Internal Audit Report
Response Letter, Barbara Pinegar
Response Letter, Judge Gregory L. Rikard



Collection Improvement Program Internal Audit FY2019

January 23, 2019

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

Components for Local Program Operations

The collection improvement program can be further improved by implementing the following recommendations:

- Justice of the Peace, Precinct 1 should consistently send all cases with payment plans to the Collections Office so payment plans can be monitored using the iPlow software.
- Justice of the Peace, Precinct 4 should document the date the defendant's contact information was verified on all payment plans, in accordance with 1 TAC §175.3(a)(4).
- All monthly reports shall be submitted to the OCA by the 20th day of the following month as required by TAC §175.4 (c).

Introduction

The Internal Audit Division conducted an internal audit of the Galveston County Collection Improvement Program, in accordance with Local Government Code §115. The internal audit covered the period December 1, 2017 through November 31, 2018. The audit was performed from December 4, 2018 through January 23, 2019.

The primary objective of the internal audit is to provide reasonable assurance concerning compliance with laws, regulations, contracts, policies, plans and procedures. The statutory requirements for the implementation and maintenance of the collection improvement program (CIP) are prescribed in 1 TAC §175.3 and CCP §103.0033. The CIP has twelve components relating to the way a local program must be implemented and staffed as well as the way staff must communicate with defendants and the documentation of those communications. The purpose of this audit is to evaluate the processes the Collections Office currently has in place to ensure compliance with each component.

The scope of the internal audit encompassed the financial administrative procedures related to the collection improvement program. The internal audit included, but was not limited to, the books, accounts, reports and records of the collection improvement program.

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 will not be 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 collection improvement program 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.

Components for Local Program Operations

Dedicated Program Staff

1 TAC §175.3(a)(1) requires each local program to designate at least one employee whose job description contains an essential job function of collection activities. There are currently 8 employees in the Collections Office, whose essential job function relates to collection activities.

Payment Plan Compliance Monitoring

According to 1 TAC §175.3(a)(2), program staff must monitor defendants' compliance with the terms of their payment plans and document the ongoing monitoring. Currently, staff monitors payment plans by using iPlow, the collections improvement software, that tracks missed payments, performs automated voice notifications and generates delinquency letters for past due accounts. District and County Court Cases with signed payment plans are imported into iPlow from Odyssey daily. Justice of the Peace Court cases with signed payment plans are sent to the Collections Office to be entered into iPlow by program staff. Copies of signed payment plans are stored in Odyssey.

Finding: Justice of the Peace, Precinct 1 is not consistently sending cases with payment plans to the Collections Office.

Recommendation CIP-19-01: Justice of the Peace, Precinct 1 should consistently send all cases with payment plans to the Collections Office so payment plans can be monitored using the iPlow software.

Application or Contact Information

1 TAC §175.3(a)(3) states for payment plans set by a judge or standard payment plans, the defendant must provide contact information and program staff must sign and date the documented information. For all other cases, the defendant must provide a signed and dated application for a payment plan that includes both contact information and payment ability information. The contact information and payment ability, if applicable, must be obtained within one month of the assessment date. All courts are in compliance with collecting application or contact information.

Components for Local Program Operations (cont.)

Verification of Contact Information

1 TAC §175.3(a)(4) requires program staff to verify both the home and primary telephone number, within five days of receiving the data. For District and County Courts, contact information is verified in the Collections Office at the time the defendant signs the payment plan. Justice of the Peace court staff is responsible for verifying defendant contact information when the defendant signs the agreement. The staff member who verified the contact information and the date the information was verified must be documented on the payment plan.

Finding: Justice of the Peace, Precinct 4 is not consistently recording the contact verification date on payment plans.

Recommendation CIP-19-02: The date the defendant's contact information was verified should be documented on all payment plans, in accordance with 1 TAC §175.3(a)(4).

Defendant Interviews

1 TAC §175.3(a)(5) states that within 14 days of receiving an application, a judge-imposed payment plan or a standard plan agreement, program staff must interview the defendant to review the terms of the defendant's payment plan and, if applicable, the defendant's payment ability information. For all courts, defendant interviews are performed when the defendant comes in to sign the payment plan. The interviewer and date of the interview must be documented on the agreement. Program staff are in compliance with defendant interviews in accordance with statute.

Court Review of the Defendant's Ability to Pay Information

Under 1 TAC §175.3(a)(6), local program staff must provide the court the defendant's ability to pay information for the court to review and consider if non-monetary compliance options or waiver or partial waiver of costs, fees or fines are appropriate when the defendant meets one of the criteria found in 1 TAC §175.3(a)(6)(a)(i-iii). If a defendant does not meet one of the criteria but provides staff with information indicating that payment of assessed costs would cause an undue hardship on the defendant, program staff may also present this information for the court to review. Along with the defendant's payment ability, program staff should also collect and provide to the court information regarding no-monetary compliance options that may enable the defendant to discharge all or part of the defendant's costs, fees or fines. The judge retains discretion in determining if any or all of the costs, fees or fines will be waived or reduced. All courts are in compliance with providing a court review of the defendant's ability to pay information, if requested by the defendant.

Components for Local Program Operations (cont.)

Payment Plans

According to 1 TAC §175.3(a)(7), a judge may adopt standard payment plans that include a payment range and time range based on amounts owed that can be made available to defendants when they are referred to the local program. For standard payment plans, the defendant must agree in writing they understand the terms of the payment plan and have the ability to pay. If a defendant is unable to meet the standard plan, program staff must review the defendant's ability to pay information and establish appropriate payment terms based on the defendant's ability to pay information. All courts are in compliance with setting payment terms in accordance with statute.

Telephone Contact for Past-Due Payments

1 TAC §175.3(a)(8) requires program staff to contact the defendant by phone within one month of a missed payment. The telephone call must provide the defendant with instructions about what to do if the defendant is unable to make payments and provide information for what the defendant can do to request a hearing with a judge to review payment ability. iPlow performs automated phone calls that include the required information the day after a defendant defaults on a payment, ensuring compliance with this component. No material discrepancies were detected.

Written Notice for Past-Due Payments

1 TAC §175.3(a)(9) requires program staff to send a written delinquency notice to a defendant who has not contacted the program within one month of a missed payment. Written notices may be made by mail, e-mail, text message or other electronic means and must contain instructions about what to do if the defendant is unable to make payments and information about how the defendant may request a hearing for a judge to review the defendant's payment ability. To ensure compliance with this component, written notices are generated from a delinquency list in iPlow and printed on bright orange postcards that include the required verbiage. No material discrepancies were detected.

Final Contact Attempt

1 TAC §175.3(a)(10) states program staff must send a final written notice by regular or certified mail to the defendant within one month of the written delinquency notice described in 1 TAC §175.3(a)(9) prior to the defendant being reported as non-compliant. This delinquency notice must also contain the information required in 1 TAC §175.3(a)(9). Currently, if a defendant has not made contact within one week after the delinquency notice is sent, a second notice is mailed to the defendant, ensuring compliance with the final contact attempt. No discrepancies were noted.

Components for Local Program Operations (cont.)

Delinquent Cases

1 TAC §175.3(a)(11) requires each local program to have a component designed to improve collection of balances more than 60 days past due. Justice of the Peace Courts and County Courts currently use a third party collection agency that is contracted by the county to fulfill this requirement. In addition, the Justice of the Peace Courts and County Courts delinquent cases are reported to OmniBase Services of Texas to help improve collection balances and ensure compliance with this component. The District Courts do not use a third party collection agency nor do they report delinquent cases to OmniBase Services of Texas. However, the District Courts plan to implement both policies during FY2019.

Proper Reporting

1 TAC §175.3(a)(12) states the program must report its collection activity data to the Office of Court Administration (OCA) monthly in a format approved by OCA, as described in 1 TAC §175.4.

1 TAC §175.4(c) states each local program must provide the information regarding the previous month's local program activities by the 20th day of the following month. The Collections Office sends monthly reports to the OCA for District Courts, County Courts and Justice of the Peace Courts.

Finding: The Justice of the Peace Courts monthly reports for February, April and September 2018 were not submitted to the OCA in a timely manner.

Recommendation CIP-19-03: All monthly reports shall be submitted to the OCA by the 20th day of the following month as required by TAC §175.4 (c).



County of Galveston

Barbara Pinegar
Asst. Director

Personal Bond and Collections Department
600 59th Street - Suite 1500
Galveston, Texas 77551

Phone: (409) 770-5437
Fax: (409) 765-2685

February 20, 2019

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

Re: Collection Improvement Program Internal Audit FY2019

Mr. Rice,

In response to the internal audit report on the Collection Improvement Program, we have implemented the following directive based upon the audit staff recommendation:

Monthly Reports

All monthly reports shall be submitted to the OCA by the 20th day of the following month as required by TAC §175.4 (c).

Justice of the Peace, Precinct 1

Should consistently send all cases with payment plans to the Collections Office so payment plans can be monitored using the iPlow software.

This inconsistency was under previous leadership. Judge Rikard has implemented a new protocol for his staff to ensure the efficiency of receipt by this Collections Office as well as accurate monitoring using iPlow.

Justice of the Peace, Precinct 4

Should document the date the defendant's contact information was verified on all payment plans, in accordance with 1 §TAC 175.3(a)(4).

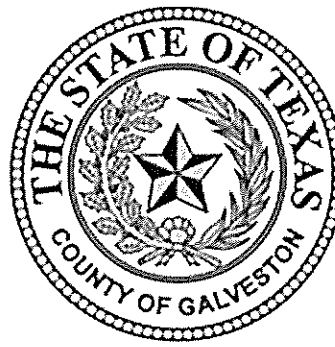
At the request of the JP4 office, acknowledgement by this Collections Office of inaccuracies or incomplete verification of a defendant's contact information will immediately be brought to the attention of their direct supervisor, Lois Gandy for further investigation and/or instruction to that appropriate staff member. Please feel free to contact me with any questions or concerns relating to these matters.

Respectfully,

A handwritten signature in blue ink that reads "Barbara Pinegar".

Barbara Pinegar
Asst. Director
Personal Bond & Collections

Bacliff Office
4500 10th Street
P.O. Box 8327
Bacliff, TX 77518



Texas City Office
2516 Texas Ave., 135
Texas City TX, 77590

Gregory L. Rikard
Justice of the Peace
Galveston County, Pct. 1

February 20, 2019

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

Re: Collection Improvement Program Audit FY2019

Mr. Rice:

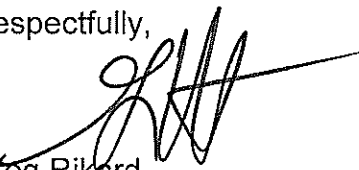
It was discovered during the internal audit that Justice of the Peace, Precinct 1 was not consistently sending all cases with payment plans to the Collections office, so it could be monitored by the software iPlow.

The following changes have been implemented to ensure all cases with payment plans are submitted to the collections office so they may be entered into iPlow for compliance monitoring:

Any clerk receiving a payment plan, shall immediately scan into Odyssey and then scan and email the payment plan to the collections office staff. (A read and delivered receipt will also be selected when sending the email.) The payment plan will then be placed in a review box that is checked periodically throughout the day by the Chief clerk or her designee. Once the payment plan is reviewed and verified it is in Odyssey and has been sent to collections, the payment plan will be placed into the case file. The clerk completing the verification will initial the top right hand corner of the payment plan.

Please feel free to contact me if you have any further questions.

Respectfully,


Greg Rikard
Justice of the Peace
Precinct 1