AU16-001
Municipal Court Administration
Fee Billing and Collection

City Auditor's Office
Arlena Sones, CPA, CIA, CGAP
City Auditor

September 11, 2017

Executive Summary

In accordance with the 2016 Annual Audit Plan, we conducted an audit of the Municipal Court Administration Department of the City of Corpus Christi.

Audit Objective and Scope
The objective of this audit is to determine whether adequate controls are in place for the billing and collection of fees.

The scope was January 1, 2016 to September 30, 2016.

Audit Conclusion
Municipal Court Administration has established an adequate system of internal controls; however, there are areas that could be improved.

Management responses were not provided prior to the release of this report; however, they have since been provided. They are imbedded into the body of the report, and attached as a whole in Appendix B.

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Introduction

In accordance with the 2016 Annual Audit Plan, we conducted an audit of the Municipal Court Administration of the City of Corpus Christi (City).

Background
The Corpus Christi Municipal Court (the Court) is the court of record with criminal jurisdiction over Class C misdemeanors and violations of City ordinances committed within the city limits, limited criminal jurisdiction over offenses within the City's extraterritorial jurisdiction and on property owned by the City outside its city limits. The Court is comprised of two distinct departments, Municipal Court Judicial (Judicial) and Municipal Court Administration (MCA).

While the MCA supports the Judicial department of the Court; the MCA director reports to the City Manager. MCA has four divisions; however, its main mission as Clerk of the Court is to manage the administration of the Court. MCA is staffed with 63 FTEs. MCA's organization chart (Exhibit 1) is shown below with the area being audited color contrasted.

Exhibit 1 MCA Organization Chart
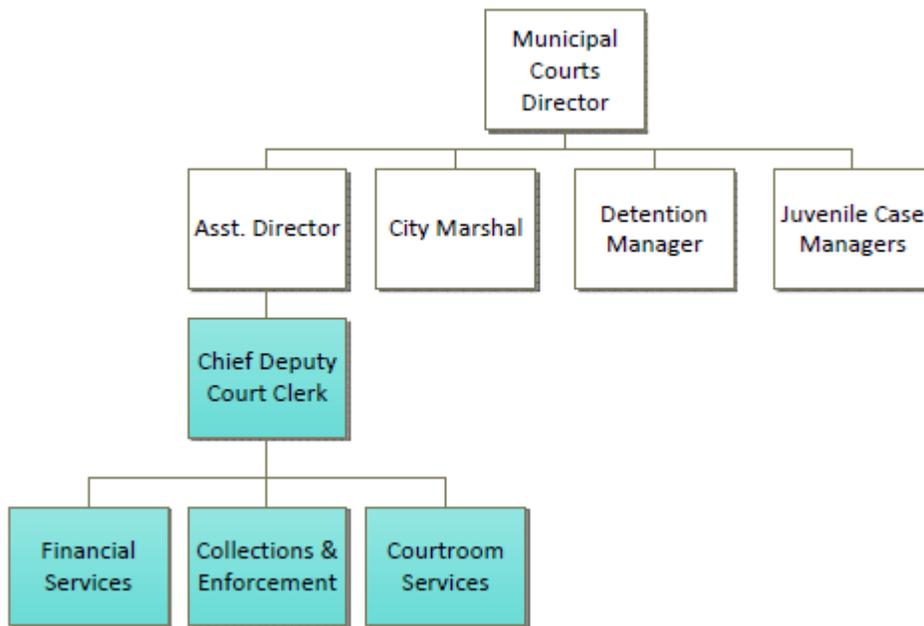
This audit will focus on controls related to the billing and collection functions of the MCA as the Clerk of the Court. This includes filing and reviewing cases, plea acceptance, collecting fees, processing indigent applications, payment plans, credit for community service and jail time, and records retention. Other areas provide support services such as the Customer Service Call Center.

Exhibit 2 shows four years of operational trending from the City Performance Report (CPR).

Exhibit 2 City Performance Report

Municipal Court Record	FY 15-16	FY 14-15	FY 13-14	FY 12-13
FTE Budgeted	63	63	63	57
Total Expenditures	$4.3 M	$4.4 M	$4.2 M	$3.7 M
# of Warrants Issued	9,127	2,099	518	3,003
# of Cases Docketed	216,122	236,489	124,829	122,072
# of Trials Scheduled	5,372		6,034	8,248
# of Violations Filed	54,792	53,251	69,048	66,636
# of Persons Processed into City Detention Center	18,611	16,815	15,901	15,334
# of Warrants Served	4,274	2,118	4,005	5,501
# of Juvenile Cases Assigned for Case Mgmt. Svcs	349	176	103	189

Source: Unaudited data from the City Performance Report

While the Court's main function is the adjudication of cases, it generates some revenue for the general fund and three other funds. Exhibit 3 shows financial trending of general fund revenue. The spike in FY 2014 may be attributed to the 14-month reporting period caused by the City's change of fiscal year-end date.

Exhibit 3 Municipal Court General Fund Revenue by Fiscal Year
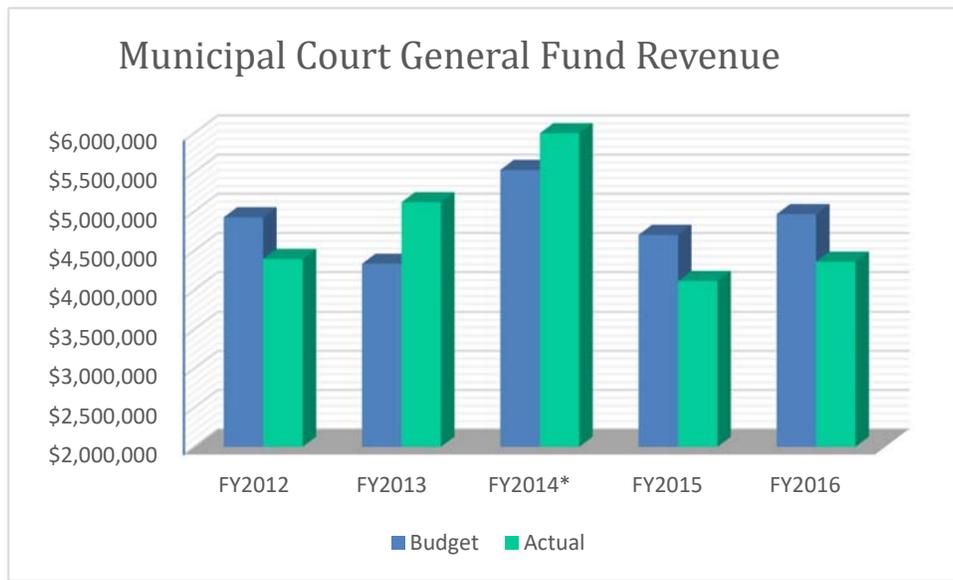
Source: FY2012-FY2016 CAFR; *FY2014 is a 14-month fiscal year

MCA utilizes the Incode Information System to manage court records and collect payments. Incode replaced the legacy system, CSI (Courtroom Sciences Inc.), in September 2014. The

City spent $1.3 million on the purchase of Incode. Incode does not directly interface with any other systems and no systems rely on its information. Controls for Incode are maintained by IT systems security and to a lesser extent MCA. We performed a limited review of general and application controls for the Incode system. This audit will not include a review of the data migration.

Audit Objective and Conclusions
The objective of this audit is to determine if MCA management has ensured adequate controls are in place for the billing and collection of fees. (Testwork included both information system and manual controls.)

MCA has established an adequate system of internal controls; however, there are areas in the Infor system controls and in manual processing that could be improved. From our observations and testing, we noted procedures need to be developed and documented for processing customer refunds, tracking manually issued citations, and monitoring Incode system access and activity. Lastly, Scofflaw, a legislative tool to aid in the collection of outstanding fines and court costs, is not being used.

Management and Auditor Responsibility
City management is responsible for establishing and maintaining a system of internal controls to ensure assets are safeguarded, financial (and non-financial) activity is accurately reported and reliable, and management and employees are in compliance with laws, regulations, and agreements with other entities.

This audit report provides independent, objective analysis, recommendations, and information concerning the activities reviewed. The report is a tool to help management discern and implement specific improvements. The report is not an appraisal or rating of management.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit steps were developed to provide sufficient evidence to answer the objectives of this audit. Our methodology can be found in Appendix A - Audit Scope and Methodology.

Staff Acknowledgement
Kimberly Houston, Senior Auditor
Jacey Reeves, Auditor
Sarah Arroyo, Assistant Auditor

Audit Results and Recommendations

A. Accountability over Charging Instruments

A.01 Traceability of Charging Instruments

Condition: There is no process in place to track and reconcile charging instruments (manual citations, electronic tickets, and arrest reports) to ensure the records are successfully delivered to MCA and recorded into Incode. Nor is there a contingency plan in place to recover documents should they be lost.

Manually Written Citations and Arrest Reports

We made inquiries with seven known departments that issue citations and learned five, CCPD, Utility Billing Office Code Enforcers, Animal Control, Code Enforcement, and Parks and Recreation plus Corpus Christi ISD all deliver manual citations and/or arrests reports to MCA for adjudication.

Although most City departments have internal processes for tracking assignment of citation books, there is no process in place to track citations once they are transferred into the custody of MCA or to confirm if they are keyed into Incode. The only tracking mechanism is a report manually prepared by Courtroom Services that counts and categorizes citations and arrest reports after they are recorded. Occasionally, customer calls into the Call Center help MCA become aware of citations not recorded into Incode; however, if a citation is truly missing, there is no process for recovering that item.

Electronic Tickets

The Brazos system is the software that manages data upload and downloads of electronic tickets (e-tickets) from handheld ticket writers to Incode. Each ticket writer is pre-loaded with a sequence of 500 citation numbers. When that number falls to 100, they are automatically re-loaded with 500 more. When e-tickets are uploaded into Incode for adjudication, there is not a process in place to ensure all e-tickets assigned to handheld devices successfully post. A citation upload error must occur during sync from Brazos to Incode to flag a citation that does not load into Incode.

Compliance with State Records Retention

During our review of manual citation inventory controls, we noted one City department does not retain voided citation records and two do not maintain copies of citations in accordance with records retention requirements.

Criteria: Municipal court jurisdiction is initiated when a complaint is filed with the court charging a person (defendant) with the commission of an offense. Articles 45.018 and 27.14(d) from the Texas Code of Criminal Procedure permits the court to use a citation filed with the court to serve as the complaint for a defendant to plea against. Incode, MCA's system of record, automatically generates complaints when citations are entered. Both the

citation and complaint serve as a charging instruments to give the court jurisdiction over a defendant.

Voided citations are subject to state record's retention laws and, contingent to record type and how they are maintained, must be kept between two to five years.

Effect: Absence of accountability over transferring custody of charging instruments can result in an increased risk of them not being delivered to MCA, either due to mistake or from being fraudulently diverted. If a charging instrument is not recorded into Incode, a complaint cannot be generated. When fully staffed, three to four Courtroom Services staff members key approximately 2,000 records into Incode each month. Considering the volume, manual counting is not only cumbersome, but is more likely to have higher rates of error.

Recommendation: City Management should ensure departments that issue manually written citations:
1) Coordinate with MCA and develop and document procedures for tracking citations issued and transferred to MCA. Those procedures should include regular review of charging instruments to identify missing, voided, or out-of-sequence records.
2) Timely communicate any exceptions discovered during reviews to MCA and resolve any discrepancies.
3) Certify that records for voided and issued citations are retained according to record's retention requirements.

Management Response:

> **Resolution:** City Management and Court Administration agree on the findings. Processes are being developed to track all citations and account for any citations numbers missing in the sequence.

> *2) Timely communicate any exceptions discovered during reviews to MCA and resolve any discrepancies.*

> **Resolution:** City Management and Court Administration agree on the findings. Processes are being developed to track all citations and account for any citations numbers missing in the sequence. An exception report will be developed to account for any missing citation numbers.

> *3) Certify that records for voided and issued citations are retained according to record's retention requirements.*

> **Resolution:** City Management and Court Administration agree on the findings. Processes are being developed ensure we are meeting all record retention requirements established by the State of Texas.

Recommendation: MCA Management should account for documents transferred into their custody by:

1) Developing and documenting procedures to track citations delivered to MCA against citations keyed into Incode. Procedures should include processes for identifying and notifying issuing departments should any documents go missing and contingency plans to recover them.
2) Exploring options to automate the reconciling of records added to Incode by discussing reporting features with the system vendor. If the vendor does not have options readily available, MCA should recommend the vendor consider such feature in future system upgrades.
3) Discussing options with IT for obtaining record counts directly from the system to alleviate manual processes.

Management Response: *Management verbally accepted this response.*

A.02 Manual Citation Numbers

Condition: Manual citations issued from ticket books contain pre-printed numbers for tracking purposes. See Exhibit 4. When manual citations are entered into Incode, the pre-printed citation number is not recorded. The Incode system automatically generates a new citation number (CT number) which is utilized by the Court in the adjudication process.

Exhibit 4 Sample Manual Citation

Cause: Incode does not have a dedicated field to enter manual citation numbers.

Effect: Since CT numbers do not match pre-printed citation numbers in ticket books, there is no way to verify if manually recorded citations are entered or duplicated in the system.

Also, customers cannot use the online system to pay their citation until they know the new CT number. Exhibit 5 shows a CT number as one of the options required to make online payments.

To find a CT number, court clerks must search through Incode using customer identifiers to locate the offense and CT number. In a high-volume call center staffed by one individual, spending time researching and retrieving citations is inefficient, contributes to long hold times, and increases the number of customer call backs. In periods of high call volume, additional staff must be pulled away from other duties to meet demands.

Exhibit 5 Online Citation Payment Screen
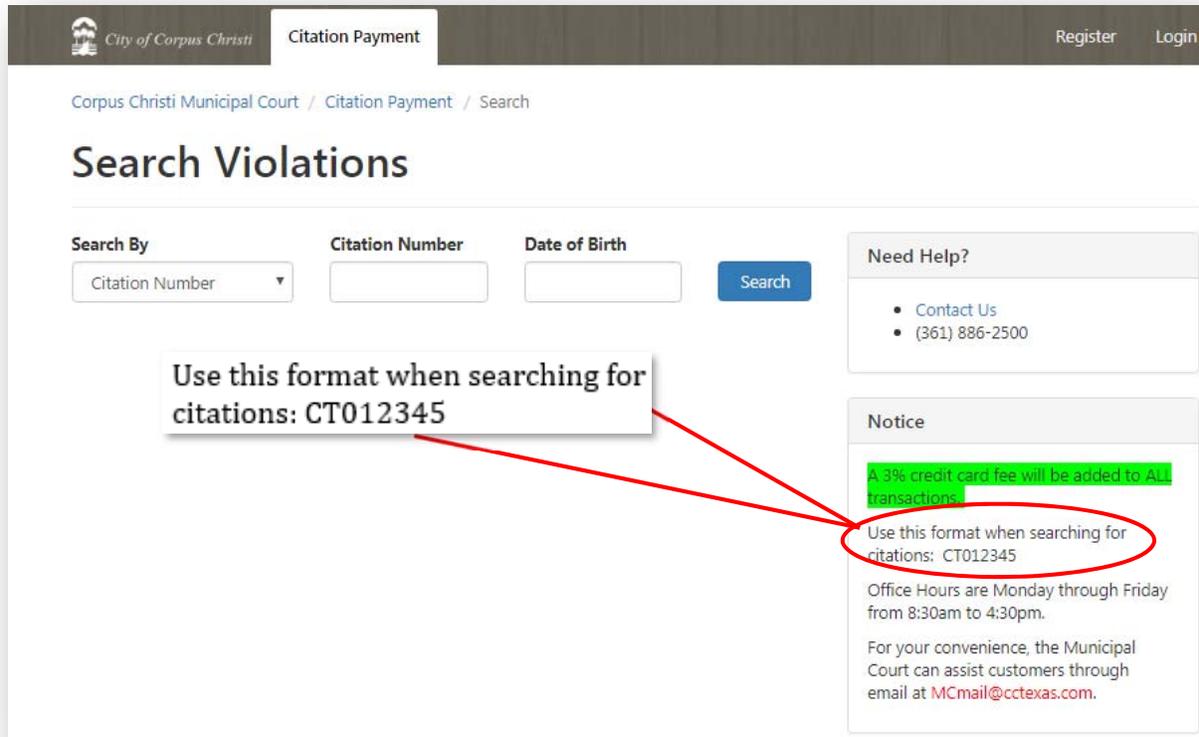
Recommendation: To increase efficiency and provide better customer service, MCA should explore options with Incode for recording pre-printed citation numbers from manual citations into a searchable field with report generating capabilities. Entering pre-printed numbers from charging instruments in Incode:
1) Ensures citations are recorded and identifiable in the system.
2) Helps locate missing citations.
3) Aids in the review of citation data entry.
4) Assists the Call Center in providing quicker responses while facilitating calls.

Management Response:

1) Ensures citations are recorded and identifiable in the system.

Resolution: Court Administration agrees on the findings. This Process is already in place; new citations have been ordered with new numbering sequences and a process has been developed to ensure citations are recorded and identifiable in the system.

2) Helps locate missing citations.

Resolution: Court Administration agrees on the findings. This Process is already in place and is in the process of being expanded to all issuing departments. Officers are required to sign-out their citation books which are then used to enter the information in the system. A report is then able to be created locating all issued citations and will provide issuing departments a list of missing citations.

3) Aids in the review of citation data entry.

Resolution: Court Administration agrees on the findings. The new citation numbering sequence allows data entry personnel to enter violations using the actual ticket number printed on the citations.

4) Assists the Call Center in providing quicker responses while facilitating calls.

Resolution: Court Administration agrees on the findings. The new citation numbering sequence allows Call Center and other Court personnel to assist customers in-person and over-the-phone. Now they can search the system not only by name and date of birth of the individual, but also by entering the ticket number.

B. Incode General and Application Controls

B.01 System Access, Segregation of Duties, and Access Levels
User Access Management
Review of Incode user access is not systematically performed. One of 76 active system users is a former City employee.

Segregation of Duties

We made inquiries with MCA management over controls to determine if adequate segregation of duties exists in the system. We learned user groups are the primary method used to ensure Incode users do not have incompatible duties in the system. Although user groups are comparable to job duties, they do not fully prevent users from performing functions outside of their assigned business processes.

Access Authority Controls

Four of the 76 Incode users have administrator access roles in Incode. Although the administrator role has unlimited access to Incode, there is no process in place to monitor the activity to ensure only valid transactions are being performed.

Criteria: The City has not adopted a set of information system standards; therefore, we provide guidance from the Government Accountability Office. The Federal Information System Controls Audit Manual (FISCAM) includes the following related to access controls and segregation of duties.

- AC-3.1 Authorized users have been identified.
- AC3.1.5 Authorized users have only the access needed to perform their duties
- AC-3.1.6 Access controls should be limited to ensure unauthorized access is not allowed.
- AC-4.1 Administrator access should be routinely reviewed by management.
- SD-1 Segregate incompatible duties and establish related policies.
- SD-2.2 Routinely review activity logs for incompatible actions and investigate abnormalities.

Cause: Management has not developed procedures for information system controls to grant and manage user access, permissions, and activity. Incode access is granted judgmentally to staff based on recommendations from the system vendor and management's assertions. Incompatible roles in the system is granted to maintain business continuity at MCA. Staff is rotated across divisions to meet the demands of the Courts and customers and occasionally perform incompatible duties. Therefore, management relies on transactional audit trails as a monitoring method should the need arise to review activity.

Effect: Without proper controls, unauthorized individuals could gain access to sensitive information; incompatible functions such as accepting payments or dismissing citations could be performed by one individual, and individuals with administrator roles could change system settings or data whether inadvertently or intentionally.

Recommendation: MCA management could strengthen internal controls by developing procedures for:
1) Adding and removing user access in Incode.
2) Incorporating user group definitions that highlight significant functions the user groups can perform and will assist in identifying incompatible duties in the system.

3) Segregating user access to prevent users from performing transactions that are incompatible. When segregating user access is not possible, management should implement measures to monitor user transactions where incompatible roles conflict.
4) Monitoring activity for users with administrative rights access.

Management Response:

1) Adding and removing user access in Incode.

Resolution: Municipal Court Administration agrees on the findings. Processes are being developed for adding and removing user access to Incode.

2) Incorporating user group definitions that highlight significant functions the user groups can perform and will assist in identifying incompatible duties in the system.

Resolution: Municipal Court Administration agrees on the findings. User groups do exist in Incode and processes are being developed for cross-training and or similar duties where different positions are required to perform similar tasks.

3) Segregating user access to prevent users from performing transactions that are incompatible. When segregating user access is not possible, management should implement measures to monitor user transactions where incompatible roles conflict.

Resolution: Municipal Court Administration agrees on the findings. Processes will be developed to monitor user transactions where incompatible roles conflict.

4) Monitoring activity for users with administrative rights access.

Resolution: Municipal Court Administration agrees on the findings. Processes will be developed to monitor activity for users with administrative rights and or a report created through the assistance of IT or the vendor.

B.02 System Generated Internal Control Reports
Condition: Incode lacks pre-programed reports to flag errors in data entry (ex. incorrect characters/symbols, or blank fields) or flag citations where the final payment is different from the judgment. Also, existing void log reports are not being utilized to review voids to ensure they are valid and authorized.

An example of a data entry error would be when a number is keyed into an alpha field, such as a last name. Exhibit 6 shows an e-ticket with a character error.

Criteria: FISCAM recommends the following control techniques to ensure system data is complete, accurate, and valid.
- BP-2.2.1 Use transaction logs to reasonably assure that all transactions are properly processed, and identify the transactions that are not.
- BP-2.2.2 Procedures are in place to identify and review incomplete transactions.
- BP-2.2.3 Develop procedures to timely monitor overrides (voids).

Exhibit 6 Sample E-Ticket with Character Error

Cause: The only data entry control that exists prevents citations from being recorded into Incode without an officer name and badge number.

Until audit inquiry, management was unaware system reports could be generated on voided transactions

Effect: Data entry errors and omissions, intentional or not, could remain undetected in Incode for an extended amount of time. During the audit, we observed a two-month delay in identifying data entry errors because only one staff member in Courtroom Services reviews the citations keyed into Incode. This is a time-consuming task, and an automated process built into data entry audits could expedite the review process and reduce further inaccuracies.

Underutilizing void reports could result in unauthorized voids or insufficient record support justifying the purpose of the void.

Without an error report that compares collected amounts to judgment amounts errors or intentional manipulation could remain undetected.

Recommendation: MCA Management should:
1) In the absence of error logs, explore alternative measures to ensure any errors in citation data entry and deviations between customer payments and judgments are identified and corrected.
2) Explore the use of Incode voided transaction reports as an internal control measure to ensure voids are performed or reviewed by authorized users, and contain proper content to justify the reason for the void.

Management Response:

1) In the absence of error logs, explore alternative measures to ensure any errors in citation data entry and deviations between customer payments and judgments are identified and corrected.

Resolution: Municipal Court Administration agrees on the findings. Audit review of citation entry was behind at the time of the audit but since then been corrected. Alternative measures will be explored ensuring errors in citation entry are located and corrected. One of those will be to move the eCitation process from IT to the Court.

Deviation between payments and judgements are difficult to review simply because the judgment documents a total and will differ when partial payments are made and or additional fees are added such as, time payment plan fee, warrant fee, or collection fee.

2) Explore the use of Incode voided transaction reports as an internal control measure to ensure voids are performed or reviewed by authorized users, and contain proper content to justify the reason for the void.

Resolution: Municipal Court Administration agrees on the findings. The Incode voided transaction report will be used as a control measure ensuring voids are consistently reviewed.

B.03 Court Costs and Fees Schedule
Condition: Three of 78 fees reviewed on the Incode Fees/Costs/Fines schedule whose use is unclear. Those fees are General Revenue, Operators & Chauffer License Fund, and Conversion – Miscellaneous CSI Revenue. Additionally, the City's returned check fee amount is recorded incorrectly.

Criteria: Court costs and fees are set by Texas state law or City ordinance. In 2004, ordinance 026031 increased the returned check fee to $30.

Cause: There are no policies or procedures in place for periodically reviewing and updating court costs and fees coded into Incode.

Effect: If court costs and fee amounts are coded incorrectly, customers will be charged incorrectly.

Recommendation: Policies and/or procedures should be developed and documented to review and update all court costs and fees coded into Incode. The new procedures should include a periodic review of fees for validity and accuracy of amounts. Obsolete fees should be deactivated from Incode. The current Fees/Costs/Fines report should be corrected to reflect active fees and current amounts.

Management Response:

> **Resolution:** Municipal Court Administration agrees on the findings. A policy and procedures is being developed to ensure that periodic reviews of fees are valid and accurate, and to deactivate those fees no longer in use.

B.04 Offenses Paired to Default Fee Tables
Condition: Three of the ten offenses were paired with the incorrect default fee table in Incode: Offenses for Improper Placement of Set Out Yard Waste, SOB: Secondary Signage Improperly Located, and Zoning: Yard or Open Space were paired with fee tables that included a $5 arrest fee.

Fee tables are groupings of multiple court costs and fees. These groupings are then paired with offenses in accordance with applicable laws. When a new citation is entered, the Incode system will automatically add court costs and fees based on the default fee table. For example, the offense of passing a school bus should be paired with the fee table that includes eight different court costs and fees totaling $112.10.

Criteria: Code of Criminal Procedure Article 102.011 requires a defendant convicted of a misdemeanor to pay a $5 arrest fee when a peace officer issues a written notice to appear in court. Since peace officers do not perform actions (i.e. write citations) related to these three offenses, the arrest fee should not be charged.

Cause: There are no documented procedures in place to ensure offenses are paired with the appropriate fee table.

Effect: If offenses are paired with court cost and fee tables incorrectly, defendants will be charged incorrectly.

Recommendation: Policies and/or procedures should be developed and documented to review and update default fee table groupings and pairings with offenses to ensure accuracy. The new procedures should include a periodic review of fee groupings. The three offences should be linked to the correct default fee table.

Management Response:

> **Resolution:** Municipal Court Administration agrees on the findings. A policy and procedures is being developed to ensure that all violations are matched to the appropriate State Court Costs, Fines and Fees; to include periodic reviews of all cost and fine tables. Violations that contained the $5 arrest fee have been corrected.

C. Texas Scofflaw Program

Condition: MCA is not taking advantage of the Texas Scofflaw Program. The Scofflaw Program prevents vehicle registration renewals if the owner has an outstanding traffic warrant with the City for failure to pay a fine.

Criteria: Texas Transportation Code Section 702.003 permits municipalities to contract with Texas Department of Motor Vehicles or the Tax Assessor Collector to enforce Scofflaw. This code also permits municipalities to charge vehicle owners a $20 fee to reimburse the courts for expenses related to operating the Scofflaw Program.

Cause: Although the contract was previously in place, MCA staff stated prior management never implemented the program, and the contract expired in December 2015. CCPD had a separate Scofflaw agreement in place to aid in the collections of red light camera violations; however, it was terminated when the City did not renew its contract with the red-light camera vendor.

Effect: In February 2017, MCA's robust marketing efforts for the annual Warrant Roundup resulted in clearing 1,837 warrants. This is a 450% increase over the 409 warrants cleared in 2016. These amazing results shut down MCA's online payment system and phone lines multiple times. All walk-in customers who sought to clear their warrants were assisted, but this required MCA staff and customers to remain at municipal courts as late as midnight.

Where the Warrant Roundup amnesty is limited to once a year, Scofflaw is a year-round collection program. If in place, it could alleviate some of the customer service burden seen during the Warrant Roundup, and provide an additional revenue stream for the City.

Recommendation: Management should consider implementing Scofflaw to increase collection efforts on outstanding warrants.

> **Resolution:** Municipal Court Administration will consider implementing Scofflaw by first reviewing other jurisdictions and determine if some of the pros and cons. In addition, the MCA will communicate with Nueces County to determine if the county will enforce Scofflaw.

D. Refund Process

Condition: Processing customer refunds is lengthy and needs greater oversight by management. We randomly selected 25 refunds from 349 issued during the audit scope for validity and authorization. The following observations were noted.

Lengthy Refund Review Process

The time between refund requests and check issuance took 90-days or longer for 80% of the 25 refund checks reviewed. We found a time lag in the processes between (1) clerk request and supervisors review and (2) supervisor review and management authorization. There appeared to be no time lag once the refund request was submitted to Accounts Payable.

Increased Oversight and Review of Refund Requests Needed

Refund requests and refund authorizations were performed by the same person for 20% of the refunds. We also noted two instances where refunds were requested for customers who had outstanding balances on other citations.

Cause: Although staff is working under guidance of draft policies and procedures, those procedures do not address processing refunds internally at Municipal Courts. Roles are not defined as to which person is responsible for requesting, reviewing, and approving refund requests. There is no guidance on monitoring refund statuses.

Effect: Exceptionally lengthy periods to issue refunds is poor customer service, results in over collection of statutory fees, and submission of excess money to the State Comptroller's Office. Absence of formalized policies and procedures increases the risk of issuing refunds to customers who are ineligible and still owe money to the City.

Recommendation: Management should ensure customer refunds are timely processed and submitted to Financial Services by:

1) Developing and documenting procedures for the request, review, and approval of refunds. Procedures should define which staff members are responsible for performing each step in this process.
2) Establishing monitoring and time limits for reviewing refunds.
3) Ensuring thorough review of customer transaction history to ensure no outstanding balances exist prior to issuing refund requests.

Management Response:

1) Developing and documenting procedures for the request, review, and approval of refunds. Procedures should define which staff members are responsible for performing each step in this process.

   Resolution: Municipal Court Administration agrees on the findings. A policy and procedure has already been developed and distributed to all court personnel responsible for the collection of funds. The policy delineates a three-tier approval process and documents who is responsible for performing the refund, and who is responsible for approval.

2) Establishing monitoring and time limits for reviewing refunds.

   Resolution: Municipal Court Administration agrees on the finding. Refunds will be processed on a weekly basis and timely approved. The Chief Deputy Court Clerk is responsible for monitoring refunds are being processed timely.

3) Ensuring thorough review of customer transaction history to ensure no outstanding balances exist prior to issuing refund requests.

   Resolution: Municipal Court Administration agrees on the finding. The Financial Services Supervisor who is the primary person for processing refunds will review customer transactions prior to issuing refunds to ensure no other adjudicated cases exist where funds can be transferred to, prior to processing the refund.

Appendix A – Audit Scope and Methodology

The audit scope was January 1, 2016 through September 31, 2016. We conducted this audit from December 2016 to May 2017. The scope included a review of court records related to the collection and billing of court fees plus general and application controls of the Incode system.

Our methodology included, inquiry, observation, data analysis and tests of transactions on disposed cases (citations) and fee structures coded into Incode. The audit program included detailed steps to obtain sufficient understanding of each internal control designed to provide assurance that controls over billing and collecting of court fees are appropriate.

General and application controls were reviewed for adequate system access, reporting capabilities, segregation of duties, and coded court costs and fees. We relied on Incode data files provided by IT and MCA for conducting testwork.

Compliance
To ascertain the level of internal controls over handling manual citations, we made inquiries with seven known departments which issue citations.

To determine if all court costs and fees were programed into Incode accurately, we performed a comprehensive review of four state statutes and the city ordinance to identify which court fees are authorized in municipal courts then traced those fees to the 78 fees programed into the Incode fee schedule.

To determine if the default fee tables were accurate, we tested four of 20 tables. The four tables were associated with a judgmental sample of the ten most frequently occurring offenses in the month of September 2016.

To determine if offenses were linked to the correct default fee table, we randomly selected 30 of 1,094 offenses in the Incode system, then compared them against default fee tables programed in to Incode.

To determine if voided citations were justified and authorized, we reviewed a random sample of ten of 48 voids issued during the audit scope.

To determine if there was evidence of judicial or prosecutor authorization for dismissal of citations or fee changes, we tested a random sample of 50 citations plus one judgmentally selected from the 14,269 citations closed during the audit scope that had a variance between the original fees and actual fees paid.

System Internal Controls

To determine if management limited access in the Incode system to City employees with a valid business need, we compared all 73 active Incode users to Infor's active employee roster for MCA staff, Judicial staff, and City Attorney prosecutors.

In determining if management provides adequate segregation of duties amongst Incode users, we made inquiries with MCA management.

When determining if Incode generates unique, unduplicated, citations numbers for manual citation numbers, we analyzed 29,895 citation numbers issued during the audit scope. We also searched for blank fields and special characters in uncommon fields.

To determine if Incode produced usable error logs, we made inquiries with management on the existence of void reports and error reports for incomplete citation data entry and incomplete batch entry for payments. We made inquiries with IT and MCA management on compliance with the City's change management policy.

Financial Reviews

To verify if Incode receipts posted correctly into Infor, we traced FY 2016 total fines and fees collected in the Incode system into the City's financial system, Infor.

Lastly, 25 of 349 refunds issued during the audit scope were randomly selected and tested for validity and authorization.

In conducting our audit, we relied on the following authoritative guidelines to serve as criteria:
- Code of Criminal Procedures
- Government Code
- Local Government Code
- Transportation Code
- State records retention requirements
- Texas Municipal Courts Education Center Court Costs schedule
- City Ordinances Chapter 29 Municipal Courts
- Draft Policies and Procedures

Additional records considered relevant to conducting this audit were:
- Interviews with department personnel from Municipal Courts - Administration, CCPD, Municipal Courts – Judicial, Parks and Recreation, Parking Enforcement, Solid Waste, Utility Billing Office, Animal Control, Code Enforcement, IT, and Financial Services
- Department Business Plan
- City Manager reports

We believe this testwork provides sufficient and appropriate evidence for our audit conclusion and findings.

RECEIVED
SEP 1 1 2017
BY: _A. Sones_

INFORMAL STAFF REPORT

MEMORANDUM

To:	Arlena Sones, City Auditor
Thru:	Margie C. Rose, City Manager
From:	Sylvia Carrillo-Treviño, Assistant City Manager
From:	Gilbert Hernandez, Director of Municipal Court
Date:	September 6, 2017
Subject:	Audit Response – Municipal Court Audit

Issue/Problem:

The recently completed Municipal Court Audit resulted in the following findings presented below. The findings as well as the resolution or discussion of the item is as follows:

A.01 Traceability of Charging Instruments

Condition: There is no process in place to track and reconcile charging instruments (manual citations, electronic tickets, and arrest reports) to ensure the records are successfully delivered to MCA and recorded into Incode. Nor is there a contingency plan in place to recover documents should they be lost.

Recommendation: City Management should ensure departments that issue manually written citations:

1) Coordinate with MCA and develop and document procedures for tracking citations issued and transferred to MCA. Those procedures should include regular review of charging instruments to identify missing, voided, or out-of-sequence records.

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Resolution: City Management and Court Administration agree on the findings. Processes are being developed to track all citations and account for any citations numbers missing in the sequence.

2) *Timely communicate any exceptions discovered during reviews to MCA and resolve any discrepancies.*

Resolution: City Management and Court Administration agree on the findings. Processes are being developed to track all citations and account for any citations numbers missing in the sequence. An exception report will be developed to account for any missing citation numbers.

3) *Certify that records for voided and issued citations are retained according to record's retention requirements.*

Resolution: City Management and Court Administration agree on the findings. Processes are being developed ensure we are meeting all record retention requirements established by the State of Texas.

A.02 Manual Citation Numbers

Condition: Manual citations issued from ticket books contain pre-printed numbers for tracking purposes. See Exhibit 4. When manual citations are entered into Incode, the pre-printed citation number is not recorded. The Incode system automatically generates a new citation number (CT number) which is utilized by the Court in the adjudication process.

Recommendation: *To increase efficiency and provide better customer service, MCA should explore options with Incode for recording pre-printed citation numbers from manual citations into a searchable field with report generating capabilities. Entering pre-printed numbers from charging instruments in Incode:*

1) *Ensures citations are recorded and identifiable in the system.*

Resolution: Court Administration agrees on the findings. This Process is already in place; new citations have been ordered with new numbering sequences and a process has been developed to ensure citations are recorded and identifiable in the system.

2) *Helps locate missing citations.*

Resolution: Court Administration agrees on the findings. This Process is already in place and is in the process of being expanded to all issuing

departments. Officers are required to sign-out their citation books which are then used to enter the information in the system. A report is then able to be created locating all issued citations and will provide issuing departments a list of missing citations.

3) Aids in the review of citation data entry.

Resolution: Court Administration agrees on the findings. The new citation numbering sequence allows data entry personnel to enter violations using the actual ticket number printed on the citations.

4) Assists the Call Center in providing quicker responses while facilitating calls.

Resolution: Court Administration agrees on the findings. The new citation numbering sequence allows Call Center and other Court personnel to assist customers in-person and over-the-phone. Now they can search the system not only by name and date of birth of the individual, but also by entering the ticket number.

B. Incode General and Application Controls

B.01 System Access, Segregation of Duties, and Access Levels

User Access Management

Periodic review of Incode user access is not performed. One of 76 active users is a former City employee.

Segregation of Duties

We made inquiries with MCA management over controls to determine if adequate segregation of duties exists in the system. We learned user groups are the primary method used to ensure Incode users do not have incompatible duties in the system. Although user groups are comparable to job duties, they do not fully prevent users from performing functions outside of their assigned business processes.

Access Authority Controls

Four of the 76 Incode users have administrator access roles in Incode. Although the administrator role has unlimited access to Incode, there is no process in place to monitor the activity to ensure only valid transactions are being performed.

Recommendation: *MCA management could strengthen internal controls by developing procedures for:*

1) *Adding and removing user access in Incode.*

   Resolution: Municipal Court Administration agrees on the findings. Processes are being developed for adding and removing user access to Incode.

2) *Incorporating user group definitions that highlight significant functions the user groups can perform and will assist in identifying incompatible duties in the system.*

   Resolution: Municipal Court Administration agrees on the findings. User groups do exist in Incode and processes are being developed for cross-training and or similar duties where different positions are required to perform similar tasks.

3) *Segregating user access to prevent users from performing transactions that are incompatible. When segregating user access is not possible, management should implement measures to monitor user transactions where incompatible roles conflict.*

   Resolution: Municipal Court Administration agrees on the findings. Processes will be developed to monitor user transactions where incompatible roles conflict.

4) *Monitoring activity for users with administrative rights access.*

   Resolution: Municipal Court Administration agrees on the findings. Processes will be developed to monitor activity for users with administrative rights and or a report created through the assistance of IT or the vendor.

B.02 System Generated Internal Control Reports

Condition: Incode lacks pre-programed reports to flag errors in data entry, to flag citations where the final payment is different from the judgment. Also, existing void log reports are not being utilized to review voids to ensure they are valid and authorized.

Recommendation: MCA Management should:

1) *In the absence of error logs, explore alternative measures to ensure any errors in citation data entry and deviations between customer payments and judgments are identified and corrected.*

Resolution: Municipal Court Administration agrees on the findings. Audit review of citation entry was behind at the time of the audit but since then been corrected. Alternative measures will be explored ensuring errors in citation entry are located and corrected. One of those will be to move the eCitation process from IT to the Court.

Deviation between payments and judgements are difficult to review simply because the judgment documents a total and will differ when partial payments are made and or additional fees are added such as, time payment plan fee, warrant fee, or collection fee.

2) *Explore the use of Incode voided transaction reports as an internal control measure to ensure voids are performed or reviewed by authorized users, and contain proper content to justify the reason for the void.*

Resolution: Municipal Court Administration agrees on the findings. The Incode voided transaction report will be used as a control measure ensuring voids are consistently reviewed.

B.03 Court Costs and Fees Schedule

Condition: Three of 78 fees reviewed on the Incode Fees/Costs/Fines schedule were invalid. Those fees are General Revenue, Operators & Chauffer License Fund, and Conversion – Miscellaneous CSI Revenue. Additionally, the City's returned check fee amount is incorrect.

Recommendation: *Policies and/or procedures should be developed and documented to review and update all court costs and fees coded into Incode. The new procedures should include a periodic review of fees for validity and accuracy of amounts. Obsolete fees should be deactivated from Incode. The current Fees/Costs/Fines report should be corrected to reflect active fees and current amounts.*

Resolution: Municipal Court Administration agrees on the findings. A policy and procedures is being developed to ensure that periodic reviews of fees are valid and accurate, and to deactivate those fees no longer in use.

B.04 Offenses Paired to Default Fee Tables

Condition: Three of the ten offenses were paired with the incorrect default fee table in Incode: Offenses for Improper Placement of Set Out Yard Waste, SOB: Secondary Signage Improperly Located, and Zoning: Yard or Open Space were paired with fee tables that included a $5 arrest fee.

Recommendation: Policies and/or procedures should be developed and documented to review and update default fee table groupings and pairings with offenses to ensure accuracy. The new procedures should include a periodic review of fee groupings. The three offences should be linked to the correct default fee table.

> **Resolution:** Municipal Court Administration agrees on the findings. A policy and procedures is being developed to ensure that all violations are matched to the appropriate State Court Costs, Fines and Fees; to include periodic reviews of all cost and fine tables. Violations that contained the $5 arrest fee have been corrected.

C. Texas Scofflaw Program

Condition: MCA is not taking advantage of the Texas Scofflaw Program. The Scofflaw Program prevents vehicle registration renewals if the owner has an outstanding traffic warrant.

Recommendation: Management should consider implementing Scofflaw to increase collection efforts on outstanding warrants.

> **Resolution:** Municipal Court Administration will consider implementing Scofflaw by first reviewing other jurisdictions and determine if some of the pros and cons. In addition, the MCA will communicate with Nueces County to determine if the county will enforce Scofflaw.

D. Refund Process

Condition: Processing customer refunds is lengthy and needs greater oversight by management. We randomly selected 25 refunds from 349 issued during the audit scope for validity and authorization. The following observations were noted.

Recommendation: Management should ensure customer refunds are timely processed and submitted to Financial Services by:

1) Developing and documenting procedures for the request, review, and approval of refunds. Procedures should define which staff members are responsible for performing each step in this process.

> **Resolution:** Municipal Court Administration agrees on the findings. A policy and procedure has already been developed and distributed to all court personnel responsible for the collection of funds. The policy delineates a three-tier approval process and documents who is responsible for performing the refund, and who is responsible for approval.

2) Establishing monitoring and time limits for reviewing refunds.

Resolution: Municipal Court Administration agrees on the finding. Refunds will be processed on a weekly basis and timely approved. The Chief Deputy Court Clerk is responsible for monitoring refunds are being processed timely.

3) Ensuring thorough review of customer transaction history to ensure no outstanding balances exist prior to issuing refund requests.

Resolution: Municipal Court Administration agrees on the finding. The Financial Services Supervisor who is the primary person for processing refunds will review customer transactions prior to issuing refunds to ensure no other adjudicated cases exist where funds can be transferred to, prior to processing the refund.