



City Auditor's Office Executive Summary Municipal Court Cash Management Fines & Fees

Why We Did This Audit

On July 29, 2022, the Mayor and City Council did approve the City Auditor's Audit Plan for the 2023 fiscal year. This Audit Plan requires the review of existing Policies, Procedures, Practices, and Controls governing the cash management/collection processes for fines and fees.

Background

Municipal Court is responsible for processing civil cases, citations, and requests. Municipal Court arranges for court programs, courtroom support, collections of fines and fees, preparing all municipal dockets, recording dispositions, receiving all court documentation, defendant correspondence, administrative services, contract compliance, and financial services.

For the 2022 fiscal year, the Municipal Court had a budget of \$700,000. The budget covers nine (9) full-time employees with benefits, materials and supplies, contractual services, and other charges and services. For the 2022 fiscal year, the Municipal Court processed 14,500 Traffic Tickets and 28,400 Parking Tickets and did serve 6,500 warrants.

Objective and Scope

The objective of the audit was to evaluate the internal controls over management/collections processes for parking fines and fees. We accomplished our objective by reviewing the municipal court case management software (Incode system), access user lists, automated citation import listings, budget manual, and other related documentation.

Best Practices for Incode User Listing

An Incode User Listing has employee names, user groups, security codes, and administrative levels for each individual with access to Incode. It is essential that Management checks on an annual basis each employees user group and security code that they receive an assignment to ensure: (1) terminated employees do not have access, (2) access is commensurate with the employee position, (3) functions within access are based on current job practice, (4) employees do not have capabilities that allow internal control conflicts whereas such functions should be separate, and (5) if access issues are identified during the performance of an annual access audit they are timely corrected.



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The Government Accountability Office (described as The Green Book):

- Limits access to resources and records to authorized individuals and assigns and maintains accountability for their custody and use. Management may periodically compare resources with the recorded accountability to help reduce the risk of errors, fraud, misuse, or unauthorized alteration (Standards 10.03).
- Designs an overall risk response and specific actions for responding to fraud risks. It may be possible to reduce or eliminate certain fraud risks by making changes to the entity's activities and processes. These changes may include stopping or reorganizing certain operations and reallocating roles among personnel to enhance the segregation of duties (Standards 8.07).

City Auditor's Office Suggestion for Incode User Listing

The City Auditor's Office suggests writing internal controls and procedures to perform an annual user Incode "Access Audit." The Municipal Court should evaluate the segregation of duties with access, identify access issues, and resolve any issues promptly. Conducting an access audit will reduce fraud risks.

Best Practices for Paper Citations

Paper Citations are handwritten citations used by the Galveston Police Department and City Marshal's Department. The Departments responsible for issuing and tracking citations need a systematic process to ensure: (1) issued paper citations are properly accounted for in the Incode System, (2) they are written in sequential order and within available citation ranges, (3) unissued and voided paper citations and the associated citation books are properly accounted for, retained, and ultimately destroyed, and (4) reconciled to account for all citations, including voided citations.

According to The Federal Information System Controls Audit Manual (FISCAM, Government Accountability Office), management:

- Should have policies and procedures in place to reasonably assure that all authorized source documents and input files are complete and accurate, properly accounted for, and transmitted in a timely manner for input to the computer system (Standard 4.2).
- Should establish procedures to reasonably assure that all inputs into the application are processed and accounted for and that any missing or unaccounted-for source documents or input transactions have been identified and investigated. Finally, procedures should be established to reasonably assure that all source documents (paper or electronic form) have been entered and accepted to create a valid transaction (Standard 4.2).



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City Auditor's Office Suggestion for Paper Citations

The City Auditor's Office suggests that while the use of paper citations should be limited, the City Manager's Office should ensure that the City Departments responsible for the citation's accountability processes develop and implement formal written, approved, and dated policies and procedures that define roles, responsibilities, and accountability among departments to ensure: (1) Issued paper citations are correctly accounted for in the Incode system, and (2) unissued or voided paper citations with the associated citations books are properly accounted for, retained and ultimately destroyed. The paper citations should be assigned to a vehicle, not an individual officer.

The City Auditor's Office suggests the City Manager's Office and citation issuing departments conduct a more in-depth cost-benefit analysis (personnel and system costs, including costs related to internal control implantation) to determine whether the transitioning to a complete e-citation process is more cost-effective and improves internal controls. Currently, the Galveston Police Department has computers in their vehicles to write parking citations, and the City Marshal's Department has hand-held devices that can only be used for other than pay-to-park citations. The Executive Director of Information Technology and Municipal Court is researching other options, such as using cell phones to write citations and purchasing more handheld devices.

Best Practices for Overpayment of Fines and Fees

Overpayment of fines and fees may occur when an individual pays a citation after the due date, pays more than owed, or makes an error in the payment amount. Municipal Court would benefit from writing procedures, controls, and policies for overpayments on fines and fees. The procedures should have a systematic process to ensure: (1) that the process is manageable for the Municipal Court and Finance Department, (2) that refunds are processed timely, and (3) that the City is following the unclaimed property code.

According to Attorney General of Texas Greg Abbott Opinion No. GA-0061: Request Letter, supra note 1, at 4 (Question 5): "According to the plain language of Chapters 74 and 76 of the Property Code, a fee and interest on a fee valued at \$100 or less and held by a county or municipality would be governed by Chapter 76 rather than Chapter 74. Chapter 74, which requires the holder of abandoned property to report and deliver the property to the Comptroller, expressly states that it "does not apply to a holder of property subject to Chapter 76." TEX. PROP. CODE ANN. 5 74.001(b) (Vernon Supp. 2003). Chapter 76 applies to property presumed abandoned under Chapter 72 if the holder is a municipality or a county and the property is



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valued at \$100 or less. Id. § 76.001. The requirements of Chapter 74 do not apply to these funds.

Finally, with respect to monies that your office has already collected from counties and municipalities, you ask whether your office should transfer the amounts to the Comptroller's unclaimed property program and, if so, whether the money should be handled under Chapter 74 or 76 of the Property Code. See Request Letter, supra note 1, at 4 (Question 6). As we have discussed, chapter 74 governs abandoned fees valued at over \$100, whereas Chapter 76 governs abandoned fees valued at \$100 or less. The Comptroller administers abandoned property under Chapter 74 but is not authorized to administer abandoned property subject to Chapter 76. Chapter 76 provides for abandoned property to be administered at the local level and does not require that property within its scope be reported or delivered to the Comptroller.

City Auditor's Office Suggestion on Overpayment of Fees and Fines

The City Auditor's Office suggests attaining a Legal Opinion on (1) whether the overpayment of fines and fees is considered unclaimed property, (2) if the City can keep money under \$100, and (3) if after a specific amount of time, the money can be transferred to the general fund.

The current process for an overpayment is that the Municipal Court sends a check request to the Finance Department, and a check is cut. The process is the same if the payments are \$100 or under \$1. The City Auditor's Office considers a more efficient way to handle small overpayments is to require a check request for any amount under a specified amount. A check request should automatically be sent to the Finance Department if the overpayment exceeds the specified amount. This will save the Municipal Court employees time while posting payments to the Incode system.

What to Look for in the Future

This is the first phase of a three-phase Compliance Management System (CMS) project. This first phase has helped to discover revenue-generating ideas that will benefit the City through efficient uses of time by (1) "cleaning up" the Incode User Listing, (2) accounting for paper citations, and (3) treatment of the overpayment of fines and fees. The second phase is the testing phase to ensure all policies, procedures, best practices, and controls have been identified. The third phase will have The City Auditor's Office test the written procedures and controls created by the departments to ensure implementation.



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City Manager's Office Comment

The Manager has reviewed this report summary and finds it to be informative and supports the recommendation related to improving the way the City deals with overpayment of fines. There should be guidance available to the City from the State that can be utilized to develop a policy on this issue. The costs associated with refunding de minimis balances need to be identified so that policies can be established to guide our processes forward.

What this audit uncovers is a fundamental flaw in the utilization of technology provided to departments. City leadership has funded technology enhancements, yet it appears too many manual processes remain that introduce unnecessary risk. Municipal court issues the parking ticket books, but there is no methodology to track the individual parking citations from each book. The citations are sequentially numbered, yet no control exists within courts, PD, or the Marshal's office to ensure all are properly accounted for when the book has been completed. The Manager does not support the recommendation to issue a parking ticket book to a unit instead of an individual, as this removes the only control that currently exists by taking away accountability.

The Manager will work to identify enhancements to existing processes which will improve accountability and control of the parking ticket process. This will include leadership from within IT, Courts, PD, and the Marshal's office.

Based on the issues noted in this review, it is recommended that Internal Audit review other citations and identify missing citations from within individual ticket books, as the same practices are being used for moving violations and other non-parking citations. Also, the automated systems available to officers in many, if not most, of the patrol units are not being utilized.



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Prepared by: _____ Date: _____

The City Auditor's Verification of Auditor Assignments

I have assigned the above staff to the stated engagement. I have determined that they collectively possess the competence, knowledge, and skills necessary to perform the assigned work, and individuals have the skills necessary to perform their assigned roles in accordance with Generally Accepted Government Auditing Standards (GOA, Standards 4.02 & 4.03).

Approved By: _____ Date: _____



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