



Audit of Municipal Court Payments

Follow-Up Review

In general, the Municipal Court has further improved controls over drop box and mailbox payments as well as refunds. Similarly, monitoring of user access to the case management system has been improved. That being said, issues with the timeliness and sequencing of manual citations still exist. Finally, in March 2023 the City Council gave direction to discontinue the use of a third-party collections agency.

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Follow-Up at a Glance

Why we did this Follow-Up:

This report is intended to provide information on what changes have been made in response to the Audit of Municipal Court Payments issued in April 2021. The original audit evaluated the Denton Municipal Court's fines and fees collections process. This follow-up review was included on the City's fiscal year 2022-23 Annual Internal Audit Plan as approved by the City Council.

What we Found:

The City of Denton's Municipal Court has further improved the safeguarding of municipal court related payments by requiring two Court Clerks to process payments received in the drop box or mailbox and ensuring refunds were appropriately approved. In addition, standard operating procedures to monitor user access to the case management system and adjustments to fines and fees have been developed and implemented. While processes have been implemented to better track and deliver manual citations, some timeliness and sequencing issues still exist. Finally, in March 2023 the City Council gave direction to discontinue the use of a third-party collections agency. The status of each recommendation is summarized below:

Recommendation	Mgmt. Response	Status
1. Develop a process in consultation with the City's public safety agencies for timely submission of manual citations with the Municipal Court Administration	Concur	In Progress
2. Maintain a database of manual citations received and create a process for reconciliation of manual citations in consultation with the public safety agencies.	Concur	In Progress
3. Update procedures to clarify which staff have access to the safe and cash bags.	Concur	Implemented
4. Keep a record of returned checks and money orders in the Mail Log maintained for recording payments received through the mail and drop box to reconcile the checks and money orders received and cashed	Concur	Implemented
5. Require two staff members to retrieve and process payments received through the mail and drop box.	Concur	Implemented
6. Maintain a non-alterable record of payments received through the mail and drop box.	Concur	Implemented
7. Ensure municipal court refunds are adequately approved.	Concur	Implemented
8. Update the Municipal Court's City webpage to include the collection agency referral procedure.	Concur	Implemented
9. Develop a procedure for referring delinquent payment cases to the collection agency promptly.	Concur	Alt. Solution
10. Create a formal process for granting and removing case management system user access.	Concur	Implemented
11. Develop a procedure for periodical review and monitoring of Incode User Listing and authorization.	Concur	Implemented
12. Develop a process to regularly review fees and fine adjustments and case status updates in the case management system.	Concur	Implemented

Audit report translations may be requested by emailing InternalAudit@CityofDenton.com.

Introduction

The Internal Audit Department is responsible for providing: (a) an independent appraisal¹ of City operations to ensure policies and procedures are in place and complied with, inclusive of purchasing and contracting; (b) information that is accurate and reliable; (c) assurance that assets are properly recorded and safeguarded; (d) assurance that risks are identified and minimized; and (e) assurance that resources are used economically and efficiently and that the City's objectives are being achieved.

The Internal Audit Department has completed a follow-up review of the Audit of Municipal Court Payments issued in April 2021. 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.

Management Responsibility

City management is responsible for ensuring that resources are managed properly and used in compliance with laws and regulations; programs are achieving their objectives; and services are being provided efficiently, effectively, and economically.

Audit Objectives, Scope, and Methodology

This report is intended to provide a progress update on recommendations from the Municipal Court Payments (April 2021), which evaluated the City's Municipal Court Administration Division's fines and fees collection processes to provide assurance that municipal court fines and fees are effectively collected and safeguarded.

Audit fieldwork was conducted during February and March 2023. The scope of review varied depending on the procedure being performed. The following list summarizes major procedures performed during this time:

- Reviewed documentation from the issued audit to develop criteria including industry standards, best practices, policies, and procedures;
- Interviewed Municipal Court Administration and Police Department staff, and the Municipal Court Judge;

¹ The City of Denton's Internal Audit Department is considered structurally independent as defined by generally accepted government auditing standard 3.56.

- Reviewed new and updated standard operating procedures for recording mail and drop box payments, granting and removing access to the Municipal Court case management system, and performing case management system quality control reviews;
- Evaluated the timeliness and sequencing of manual citations issued during 2022;
- Reviewed 87 mail and drop box payments received between July 2022 and November 2022 to ensure that they were accurately recorded and appropriately secured;
- Verified that all refunds issued between July 2022 and December 2022 were appropriately prepared and approved in accordance with the Municipal Court's procedures;
- Observed information related to delinquent case collection on the Municipal Court's City webpage and during relevant City Council meetings;
- Verified that all current Municipal Court case management system users have appropriate access; and
- Reviewed a sample of 102 fee adjustment supporting documentation to ensure there is adequate explanation for the adjustment.

Recommendation Status Update

This report summarizes the Audit of Municipal Court Payments' recommendations, management responses, and the Internal Audit Department's follow-up findings, which describe to what extent City management has implemented Internal Audit's recommendations since the publication of the original report in April 2021.

Citations Generally Recorded Effectively; Could Improve Manual Citation Processes

1. **Develop a process in consultation with the City's public safety agencies for timely submission of manual citations with Municipal Court Administration Division. Also, ensure that manual citations, once received, are recorded in the case management system without delay to improve the overall timeliness of citations' entry.**

Management Response: Concur

Police Department Comments: The Records Management Division will electronically scan manual citations to Municipal Court during business hours to expedite the internal process. A Standard Operating Procedure pertaining to this procedure will be added to the Records Management SOP manual.

Municipal Court Administration Comments: While the Court does not have the authority to assign or enforce procedures to public safety agencies, the Court will work with them to develop processes that will expedite the submission of manual citations. Court Administration will also update internal processes to further ensure timely entry of these citations in the case management system.

Audit Follow-Up Finding: In Progress

Occasionally, public safety agencies in the City of Denton must issue manual citations. The original audit found that manual citations were supposed to be recorded in the Municipal Court's case management system within five days of being issued; however, manual citations were not always recorded within that timeframe.

Based on discussion with Municipal Court Administration staff, they have worked with the City's public safety agencies to allow issued citations to be electronically uploaded to a folder that Municipal Court Administration staff can check as well as allowing for citations to be physically retrieved or delivered. Based on review of the all manual citations filed during 2022, timeliness has remained similar since the

original audit. A breakdown of filing timeliness by public safety agency is shown in Table 1.

Table 1: All 2022 Manual Citation Timeliness

Agency	Citations	Percent Timely	Avg. Days ²
Police Dept.	72	58%	6
UNT	15	27%	13
Animal Control	8	50%	7
Building Inspections	5	0%	9
TWU	3	100%	3
All:	103	51%	7

Based on this information, it may be worth considering changing the time defendants are asked to wait before contacting the court after being issued a manual citation if allowed by law.

2. Maintain a database of manual citations received and create a process for reconciliation of manual citations in consultation with the public safety agencies.

Management Response: Concur

Police Department Comments: The Police Quartermaster will maintain a database to record the number of manual citation books issued, unused and destroyed inventory. The Records Management Division will maintain an electronic database of manual citations issued, corrected, voided and/or returned. The division will disseminate this information to Municipal Court for reconciliation.

Municipal Court Administration Comments: Since manual citations originate with the public safety agencies, it is most appropriate that a database is maintained by these agencies. Court Administration can provide reporting of manual citations entered, or other information deemed necessary, to assist the agencies with their tracking and reconciliation processes.

Audit Follow-Up Finding: In Progress

The original audit found that manual citations were issued by the Municipal Court Administration Division to different public safety agencies but did not track who each citation book was issued too. In addition, based on review of the issued manual citations, there were often gaps in the citation number. Citation number sequencing helps to ensure that citations are not lost or abused.

² One Building Inspections citation was filed 351 days after issuance according to the case management system; this citation has been excluded from the average days calculation.

Most manual citations issued are by the City of Denton Police Department as shown in Table 1. Based on discussion, since the original audit was issued the Municipal Court Administration Division has ordered new citation books. In addition, the Police Department's quartermaster now tracks which officer each book is issued too, helping to reconcile if citations are issued sequentially and by which officer. Based on review of all 72 manual citations issued by the Police Department during 2022, four were issued out of sequence resulting in a total of six citations that were not accounted for. This indicates that further improvements could be made to the process of issuing manual citations.

It should also be noted that nine of the 72 issued manual citations were issued by an officer that had not acknowledged receipt of the citation book that was used.

Effective Collection Procedures Established; Drop Payment Supervision Needed

3. Update procedures to clarify which staff have access to the safe and cash bags.

Management Response: Concur

Municipal Court Administration Comments: Court Administration will update process documentation to include safe and cash bag access information.

Audit Follow-Up Finding: Implemented

The Municipal Court Administration Division is currently in the process of updating its Payment Processing Manual. Based on review, the draft manual has been updated to clarify that only the Court Services Supervisor, Assistant Court Administrator, and Court Administrator have access to the safe in which cash bags are stored when not in use.

4. Keep a record of returned checks and money orders in the Mail Log maintained for recording payments received through the mail and drop box to reconcile the checks and money orders received and cashed.

Management Response: Concur

Municipal Court Administration Comments: In addition to adding comments on the case, Court Administration will update processes to include noting the mail log if a payment is returned to a defendant.

Audit Follow-Up Finding: Implemented

The Municipal Court Administration Division is currently in the process of updating its Payment Processing Manual. Based on review, the draft manual has been updated to require drop box and mailbox payments to

be logged and posted on the same day. Based on review of 87 recorded mail and drop box payments received between July 2022 and November 2022, all were accurately posted to the City's Municipal Court case management system.

5. **Require two staff members to retrieve and process payments received through the mail and drop box. These payments and the Mail Log should be verified again as part of the daily reconciliation process.**

Management Response: Concur

Municipal Court Administration Comments: Court Administration will explore options to further reduce risk identified with mail and drop box payments. Processes and assignments will be updated accordingly.

Audit Follow-Up Finding: Implemented

The Municipal Court Administration Division is currently in the process of updating its Payment Processing Manual. Based on review, the draft manual has been updated to require two Court Clerks to open, review, and verify items received in the drop box or mailbox. Based on review of 87 recorded mailbox and drop box payments, 94 percent had a completed verification that was appropriately signed.

6. **Maintain a non-alterable record of payments received through the mail and drop box.**

Management Response: Concur

Municipal Court Administration Comments: Court Administration will explore options to comply with this recommendation. Processes and documentation will be updated accordingly.

Audit Follow-Up Finding: Implemented

The Municipal Court Administration Division is currently in the process of updating its Payment Processing Manual. Based on review, the draft manual has been updated to require all drop box and mailbox payments to be logged on a paper form, which is certified by two Court Clerks. Based on review of 87 recorded mailbox and drop box payments, 94 percent had a completed verification. This form of verification is considered non-alterable as it is physical and requires two individuals to certify for it be changed.

Defendant Payment Plans Are Appropriately Documented and Administered

The original audit found that Denton's Municipal Court provides an option for defendant to pay adjudicated fines and fees in parts as part of a payment plan, which must be properly approved, adequately documented, and regularly monitored for delays and payment non-

conformance. Based on review of a judgment sample of payment plans, all had been appropriately approved and administered following the Municipal Court's procedures. As such, payment plan administration was not reevaluated as part of this follow-up review.

Some Reviewed Refunds Were Not Properly Approved

7. **Ensure that Municipal Court refunds are adequately approved. Specifically, one employee should prepare and process the refund request, which should be reviewed and approved by their supervisor.**

Management Response: Concur

Municipal Court Administration Comments: Court staff will follow documented procedures to ensure separation of duties and adequate controls. Court Administration will regularly check for compliance and plan ahead if staffing creates dual control challenges.

Audit Follow-Up Finding: Implemented

The original audit found that four of 23 refund requests processed between March 2020 and February 2021 were not verified or approved by a second employee per the Payment Processing Manual. At the time Municipal Court Administration Division staff stated that this issue was due to staffing shortages caused by the COVID-19 Pandemic.

Based on review of all 22 refunds totaling \$4,993 issued between July 2022 and December 2022, all were approved appropriately and prepared in accordance with the Payment Processing Manual.

Collection Agency Payments Are Effectively Processed; Clarify Referral Process

8. **Update the Municipal Court's City webpage to include the collection agency referral procedure. This information should include the referral timeline and the additional collection fee.**

Management Response: Concur

Municipal Court Administration Comments: The Court Administrator will have collection agency information added to the Frequently Asked Questions portion of the court's website.

Audit Follow-Up Finding: Implemented

The original audit found that the Municipal Court's public webpage did not include information on how court fines and fees were referred to the

collection agency, increasing the risk that defendants may be overcharged by the collection agency when it directly collected fees.

Based on observation of the current Municipal Court public webpage, information regarding the collection agency referral process including when the case will be referred, and the applicable additional charge is now included in the Frequently Asked Questions section.

9. **Develop a procedure for referring the delinquent payment case to the collection agency promptly on the passing of 60 days after issuance of a warrant. This recommendation is suggested to be implemented when the Municipal Court resumes sending case to the collection agency.**

Management Response: Concur

Municipal Court Administration Comments: Court Administration will develop and document collection agency referral processes to comply with this recommendation.

Audit Follow-Up Finding: Alternative Solution

The original audit found that the Municipal Court was generally referring delinquent payment cases to the collection agency about 90 days after the issuance of a warrant – about 30 days after the minimum 60-day timeline. That being said, due to the COVID-19 Pandemic, the Municipal Court had stopped referring cases to the collection agency in March 2020.

In March 2023, the Municipal Judge gave a presentation to the City Council suggesting that the use of this collections agency was no longer necessary. In response, the City Council gave direction to discontinue the use of a third-party collections agency.

Case Management System Access Properly Granted; Increased Monitoring Needed

10. **Create a formal process for granting and removing case management system user access, including the criteria and conditions for group-based access control.**

Management Response: Concur

Municipal Court Administration Comments: The Court Administrator recently developed a SmartSheet request form to add, update, or remove Incode access. The form includes the group-based access needed. This has already been used to add new Dispatch employees. The Court Administrator will document this process.

Audit Follow-Up Finding: Implemented

The original audit generally found that there was no formal process for the Municipal Court to regularly review access rights to the municipal court case management system, resulting in four active users who were no longer City employees.

Since the original audit, the Municipal Court Administration Division has developed a standard operating procedure detailing how access changes to the Municipal Court case management system should be requested. This procedure generally requires access to be requested through an electronic form by the employee's supervisor and a verification of access need by the Court Administrator.

Based on review current employees with access to the case management system, there is evidence that employees who are granted access are recorded through the electronic form. In addition, about 94 percent of employees who's access to the system has been removed was recorded through the electronic form as well.

11. Develop a procedure for periodical review and monitoring of the case management system User Listing and authorization.

Management Response: Concur

Municipal Court Administration Comments: The Court Administrator will audit user access at least twice annually. This process will be documented by the Court Administrator.

Audit Follow-Up Finding: Implemented

Since the original audit, the Municipal Court Administration Division has developed a standard operating procedure that requires the Court Administrator to periodically review Municipal Court case management system users and verify that they are still employees. Based on review of the 106 employees who currently have access to the system, all were active employees or contractors and appeared to have appropriate access rights based on their job titles.

12. Develop a process to regularly review fees and fine adjustments and case status updates in the case management system to ensure accuracy and appropriateness.

Management Response: Concur

Municipal Court Administration Comments: The Assistant Court Administrator currently audits cases and payments on a daily basis. Court Administration will document these processes. If additional ways to audit are found that will further comply with this recommendation, they will be added.

Audit Follow-Up Finding: Implemented

The original audit found that Court Clerks were generally able to adjust fees and fines based on developments in a defendant's case such as a judgement being issued, a payment plan being set up, or a disposition being deferred;³ however, there was not a process to regularly review these adjustments to ensure they were appropriate.

Since then, the Municipal Court Administration Division has created a standard operating procedure that details what reviews and verifications of Court Clerk operations are performed each day. As part of this, the Assistant Court Administrator reviews all transactions each day, including any fines and fees adjustments. Based on review of 102 fee adjustments made in the Municipal Court case management system between July 2022 and December 2022 all appeared to be adequately explained in the system comments.

³ Deferring a disposition allows the defendant to keep the citation from being reported as a conviction on their driving record if all terms are met.