

**Performance Audit 19-09:
City Court Clerk Collections**

September 2020

City Auditor

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OFFICE OF INTERNAL AUDIT

Stan Sewell, City Auditor

September 16, 2020

To: Mayor Andy Berke
City Council Members

Subject: City Court Clerk Collections Audit (Report #19-09)

Dear Mayor Berke and City Council Members:

The attached report contains the results of our audit of City Court Clerk collections. Our audit found the City Court Clerk's Office has proper written procedures addressing cash handling. However, they need to ensure the collections are submitted timely to the Treasurer's Office and a management review is performed. We also found not all agency citations are submitted to City Court Clerk properly. Further, the City Code has not been fully updated to reflect the use of digital citations and issuance of citations by special officers. In order to address the noted areas for improvement, we recommended actions to ensure written procedures are followed and update City Code.

We thank the management and staff of the City Court Clerk, Treasurer's Office and the Finance, Police, Information Technology Departments as well as McKamey Animal Center for their courtesy, cooperation and assistance during this audit.

Sincerely,

Stan Sewell, CPA, CGFM, CFE
City Auditor

Attachment

cc: Audit Committee Members
Kerry Hayes, Chief of Staff
Maura Sullivan, Chief Operating Officer
Ron Swafford, City Court Clerk

David Roddy, Chief of Police
Nathan Vaugh, Captain Chattanooga Police Department
Daisy Madison, Chief Financial Officer
Rebecca Ross, Director of McKamey Animal Services
Lee Towery, Board Chair of Animal Care Trust
Judge Sherry Paty, City of Chattanooga
Judge Russell Bean, City of Chattanooga
Jim Arnette, Tennessee Local Government Audit

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AUDIT PURPOSE

This audit was conducted in accordance with the Office of Internal Audit's 2019 Audit Agenda. The objectives of this audit were to determine if:

- Citations from agencies are transferred to City Court Clerk properly; and
- The City Court Clerk Office has proper internal controls over collections.

BACKGROUND

Chattanooga City Court has jurisdiction in cases involving violations of city ordinances; such as parking violations, traffic violations, garbage and refuse issues, animal cases and other city ordinance offenses. The City Court Clerk Office receives citations from several agencies. The majority of citations come from the following three agencies: Chattanooga Police Department (CPD), McKamey Animal Center (McKamey) and Economic and Community Development (ECD).

The City Court Clerk Office uses the court case management software Incode. The software efficiently handles court case management, dockets, warrants, case dispositions, cashiering and collections.

The office receives funds from agency citations, camera citations, State and County cases, bankruptcies as well as collection agency payments. Citation violation payments can be made in person, online or through the mail.

The City Court Clerk Office operates under the direction of the City Court Clerk and supports the City Judges, Sherry Paty and Russell Bean. The Clerk's Office is the custodian of records for the courts and accepts payments for all violations. The Clerk's office staff is comprised of the City Court Clerk and a support staff of thirteen individuals.

Financial Information

City Court revenues peaked in 2015 when a higher percentage of camera ticket revenue was being collected. Since 2015 the court revenue has been steadily declining.

Exhibit I: City Court Fiscal Year Revenues

City Court Revenue Totals	
Fiscal 2015	\$ 894,286
Fiscal 2016	852,464
Fiscal 2017	681,972
Fiscal 2018	672,329
Fiscal 2019	667,247
Total	\$ 3,768,297
Source: Oracle Financial records	

FINDINGS AND RECOMMENDATIONS

Agency citations are not transferred properly to City Court Clerk.

Citations received by the City Court Clerk Office arrive in two different formats. CPD issues both digital and paper citations while McKamey and ECD issue only paper citations. CPD uses the software system, Brazos, to manage their digital citations. Officers are provided an e-citation device with 500 tickets digitally loaded on it. When an officer completes the citation and saves it, it is stored on the device until synced. Once the device is synced, the data is removed from the device and stored in Brazos. The citation data is transferred from Brazos to Incode on a daily basis. Some CPD officers have paper citations they use when the e-citation device is not working properly, or if they were not assigned an e-citation device.

CPD has policies addressing voided citations, syncing of devices and dismissing citations. CPD SOP OPS 27 states electronic citations shall be downloaded at the end of the shift unless authorized by the officer’s supervisor to download at a later time. The SOP specifically addresses voiding an e-citation by requiring the officer to have the voided citation approved by his/her supervisor and the next level of command. After approved by the highest command level, the citation shall be forwarded to the City Court Clerk Office. SOP OPS 27 states only the judge of the court having jurisdiction over the case may dismiss a citation.

During the audit, we found CPD voided e-citations are not being approved by supervisors or sent to the City Court Clerk Office for the judge’s dismissal. The e-citation voids are stored in Brazos and are not transferred to Incode. We also found there are devices that are not synced properly. CPD Brazos administrators can identify which devices need syncing. However, this information is not required to be passed on to ensure the officer syncs the device.

ECD uses CityView for case management. ECD issues individually numbered summons to citizens who are in violation of the City's building code. The summons is provided to the City Court Clerk Office for input into Incode. If ECD voids a summons after issuance it is presented to a judge for dismissal. ECD Codes supervisors monitor each inspector's CityView cases.

McKamey does not have specific procedures to address issuing, tracking and monitoring officer's citations. They have not developed a process to track citations used by officers to ensure they are accounted for properly. McKamey uses paper citations which are sequentially numbered. Officers are not required to sign out citations as they need them. Voided citations are kept in a binder and not provided to the City Court Judge for dismissal. Once issued, citations are provided to the City Court Clerk Office for entry into Incode and heard in court.

City Code Section 24-78 (b) states upon filing an original citation in City Court, the citation may be disposed of only by trial in City Court or by other official action by a judge of the court, including forfeiture of bail or by payment of fine.¹ City Code Section 24-78 (f) states it shall be unlawful and official misconduct for any member of CPD or other officer or public employee to dispose, alter or deface a traffic citation, complaint or warrant in a manner other than required by this article. Once the citation is in Incode, it can only be voided by the judge. City Court Clerk staff present a *Judicial Action Form* stating the reason for the void and present it to the judge for dismissal. However, CPD e-citations and McKamey voided citations are not presented to the judge for dismissal.

Agencies should ensure officers are accounting for citations. CPD and McKamey are not monitoring officer's citations which could easily be lost or mishandled and not detected. There is a risk of ticket-fixing when citations are not approved for dismissal.

Recommendation 1:

We recommend CPD ensure procedures are followed as required to obtain approvals of voided citations and syncing of e-citation devices. CPD should ensure voided citations are approved and submitted to City Court Clerk Office for the judge to dismiss.

CPD Response: *We concur with the audit finding and recommendation. We are working internally through educating personnel on procedures as it relates to voiding citations and syncing devices.*

¹ This code section is referring specifically to traffic citations.

Recommendation 2:

We recommend McKamey develop and implement written procedures to address the distribution, issuing, voiding, and monitoring of citations. We further recommend, when an issued citation is voided it should be approved by a McKamey supervisor and then provided to the City Judge for dismissal.

***McKamey Response:** We concur with the audit finding and recommendation. We will begin working on new policy and procedures.*

City Code needs updating to ensure citations are monitored.

City Code Sections 24-76 to 24-80 provides guidance for distribution, issuance, disposition, cancellation and audit of city traffic citations. This section was not updated when CPD implemented electronic citation devices. The citation format migration to a digital platform did not alter the need to follow the City Code, but the code should be updated to accommodate new digital citation technology.

The Code assigns responsibility for distributing and auditing citations to the City Finance Officer. The Finance Officer assigned this responsibility to the City Court Clerk. However, an audit of e-citations is not performed, as required by the code. As stated in the above finding, CPD is not monitoring the e-citations, nor is the City Court Clerk. The lack of control and monitoring over citations could lead to mishandling and loss of revenue.

The City Court Clerk has not distributed paper citations since 2017. They have not performed a complete audit of CPD's assigned paper citations books in several years. When an officer leaves the force they are required to check out with the City Court Clerk. At this time, the City Court Clerk staff ensures each paper citation book assigned to the officer is accounted for. If a citation is missing the officer will be charged \$10 per ticket fee as set by the Code.

Special officers, such as those employed in ECD's Codes Division and at McKamey Animal Center issue non-traffic related citations. Although guidance exists in the City Code for disposing of traffic citations, we were unable to locate similar guidance for other citations.

Recommendation 3:

We recommend CPD lead an effort to update the City Code to ensure the distribution, issuance, disposition, cancellation and audit of CPD citations is properly addressed, regardless of the format. The updated Code should ensure citations are monitored by someone other than

CPD. The revision should include input from City Court Clerk, in particular, to address the need for auditing the citations. Additionally, consideration should be given to the handling of non-traffic citations.

CPD Response: *We concur with the audit finding and recommendation. We are working with the City Attorney's Office on the City Code updates.*

The City Court Clerk collections need a management review.

The Internal Control Manual for Local Entities and Other Audited Entities in Tennessee Component #3 Control Activities provides guidance for collecting and receipting funds, as well as the City's Finance Office written collection procedures. The City Court Clerk's Office written procedures address the controls over collections as recommended in the Internal Control Manual and Finance's policies.

City Court Clerk staff daily collection process incorporates cash handling control requirements for receiving payments. We found each cashier has a separate ID, password, cash drawer and receipts are provided at each payment. At the end of the work day, the cashier compares end of day reports to funds collected. The supervisor counts the cashier's funds collected to verify they match end of day reports. After the funds are verified, the supervisor and cashier sign the cashier's *Daily Balance Form* signifying agreement on the amount collected. The *Daily Balance Form* is a receipt showing the transfer of funds and from the cashier to the supervisor. The *Daily Balance Form* is retained for 30 days and then shredded. Finance collection policy requires a signed receipt be issued when funds exchange hands from one employee to another. In addition, the City's *Record and Information Management Policy* requires receipt of funds be retained for seven years.

Once counted and verified, cashier funds are secured with the closeout reports and stored in the safe until the next day. The next day a different supervisor prepares the bank deposit and collection report package. After the collection report is finalized, it is emailed, with all the attachments, to the Treasurer's Office. Finance's Collection policy requires the completed collection report package be emailed to a supervisor for review. Once reviewed, the supervisor emails the package to the Treasurer's Office. This step is not currently performed by City Court Clerk staff.

During the audit, City Court Clerk collections were reviewed to determine if proper procedures were followed. A sample of 52 citations was chosen to verify payments occurred and proper collection procedures were followed. Of the 52 citations, 34 had payments (10

citations were dismissed by the judge and 8 had no payments made during 2019).

Review of the 34 collection reports where a payment was made found:

- Fourteen of the 34 collection reports reviewed were past the three day submission limit to the Treasurer's Office, as required by Finance policy.
- Four of 34 were not submitted to the bank within three days as required by State law.
- All 34 collection reports reviewed contained required support documentation. However, two of the collection report's support documentation totals didn't match the collection report or bank information. (The credit card amount was entered in as cash and vice versa). There was no explanation provided in the collection report package for the difference as required by Finance policy.
- Of the 34 collection reports reviewed, five contained transactions voided by a cashier. Of the five voids only two were found to have been approved by a supervisor and located in the *City Court Clerk Void Note Book* as required by City Court Clerk policy.

Possible reasons why the collection report was not submitted timely:

- City Court Clerk staff was not performing online payment settlements on a daily basis.
- Waiting on an ACH confirmation prior to submitting the collection report.
- Once completed, staff forgot to send the email with the collection report package to Treasurer's Office until several days later.

Currently, they are performing settlements each day and an ACH posts the next business day. The collection report is processed the day the ACH is posted.

All citations with no payment were sent to the collection agency after 120 days per policy. All moving violation citations with nonpayment were sent to the State for the driver's license to be suspended.

Ten collection reports for City camera citations from 2019 were reviewed. We found one collection report was not submitted within the three day required period. It was submitted on the 4th day. This could be due to not receiving the ACH confirmation within two days after the receipt date.

Recommendation 4:

We recommend the City Court Clerk ensure collections are submitted to the bank and Treasurer's office as required. We also recommend they implement a management review of collection report packages after preparation. This review should be someone in supervision as required by Finance's policy. Further, we recommend City Court Clerk's Office retain the cashier's *Daily Balance* as required by the City's *Record and Information Management Policy*. This can be accomplished by submitting the form with the collection report package to the Treasurer's Office.

City Court Clerk Response: We concur with the audit finding and recommendation. Revised processes and procedures have been put in place to meet the requirements of a management review of collection report packages.

The Clerk's Office should ensure records are maintained accurately and efficiently.

City Court Clerk's digital case management system (Incode) is not used to its fullest capacity. Paper documents are maintained as well as digital records for court cases. The process of printing and retaining paper citations and warrants requires hours of preparation, multiple staff handling paper documents, and office storage issues. The manual procedure of filing numerous documents can lead to misfiling of the original document.

The current process used by the Clerk's Office is to print a paper warrant and citation if the case is heard in court. Each warrant and citation is presented to the judge who notes the judgment and signs it. The signed warrant is given to the Docket Clerk who enters the judgment into Incode. The warrant, along with the citation, is filed in the City Court Clerk's Office. These documents are the official record of the court since the warrant shows the judge's signature. Once filed the paper documents are seldom referenced, City Court Clerk staff refer to case information in Incode.

Instead of printing a warrant and citation, the judge can view the case information in Incode. After a judgment has been decided, it could be entered in Incode (as it is now) and the judge could provide an official signature digitally in Incode. This would help alleviate the burden of having paper documents.

During the audit, a comparison was made of court dispositions entered into Incode and the disposition listed on the original citation. A random sample of 52 citations was chosen to review. Five of the citations were paid prior to the court date. Two, or 4% of the 52 citations, could not be located in the City Court Clerk's files. Forty-

five citations were found and the Incode disposition matched the judgment listed on the citation. T.C.A. 16-18-310 states the clerk of the municipal court shall maintain an accurate and detailed record and summary report of all financial transactions and affairs of court.

Recommendation 5:

We recommend the City Court Clerk lead an effort to study the feasibility of eliminating the use of paper warrants for court and migrate to the use of digital records. This would require the judge to issue a digital signature and judgment in the Incode system.

***City Court Clerk Response:** We are utilizing the Tyler Content Manager (TCM) to keep pertinent records with the citation in Incode. TCM is the paper/record management arm of Incode. We agree that digital records are needed in order to maximize the use of office space both on a short-term and a long-term basis; however, the court process is a collaboration between the clerk's office and the Divisions I & II Judges.*

We agree to look into possible digital alternatives to our current paper documentation. We have no problem leading a discussion with McKamey Animal Center, ECD neighborhood services department, and both Judges on pursuing electronic Citations in lieu of the current paper Citations which we must manually enter into our Incode System.

Digital adjudications with accompanying signatures will fall under the purview of the Judges and while we may discuss this with them, they will need to promulgate any procedure regarding this process.

Finance collection polices need to be revised and consolidated.

Finance has two written policies for collections. Multiple policies could result in employee confusion regarding responsibilities and correct procedures. The first was implemented in April 2012, *Finance Policies and Procedures Collections*. This policy provides guidance on how to collect, receipt, remit and secure funds according to state laws and mitigate control risks. It provides instructions on preparing collection reports and physically submitting them to the Treasurer's Office. The second policy² was implemented in June 2018, after some departments began taking funds directly to the bank and emailing the collection report package to the Treasurer's Office. This policy provides instructions on submitting digital collection packages. It does not include state law requirements for collections or provide guidance on securing funds.

² CR Backup Attachments and Auto Upload Procedures for Departments

The June 2018 policy requires completed collection report packages to be emailed to a supervisor for review and approval. The supervisor is then to email the approved collection report to the Treasurer's Office. The email certifies the supervisor has reviewed the package for accuracy and completeness. However, City Court Clerk supervisors prepare the collection report packages and email them directly to the Treasurer's Office without an independent review taking place.

The June 2018 policy states it is important to send the collection report to the Treasurer's Office the day the funds are deposited to the bank to maintain accurate banking records. The Clerk's Office process is to wait until an ACH confirmation is received before submitting the collection report to the Treasurer's Office. This procedure ensures the ACH total matches the credit card daily transaction total before submission of the collection report. However, it can cause the collection report package to be submitted past the three day collection limit to the Treasurer's Office.

The language in the *Finance Policies and Procedures Collections* does not reflect the T.C.A. 6-56-111 requirement that funds collected should be deposited in a municipality's bank within three working days. The policy states funds are submitted to the Treasurer's Office within three days of initial receipt.

Recommendation 6:

We recommend Finance revise written collection procedures into a single policy and ensure they address state law requirements as well as address cash collection controls and current practices. We further recommend Finance ensure the supervisor verification of the collection report package is included as supporting documentation in Oracle.

Finance Response: *We concur with the audit finding and recommendation. We will combine our policies and procedures to ensure that all collections are in compliance with applicable TCA requirements and further ensure that documentation of review by department supervisors is maintained with the collection report.*

APPENDIX A: SCOPE, METHODOLOGY AND STANDARDS

Based on the work performed during the preliminary survey and the assessment of risk, the audit covers City Court Clerk operations from January 1, 2019 to December 31, 2019. When appropriate, the scope was expanded to meet the audit objectives. Source documentation was obtained from City Court Clerk's Office, McKamey Animal Center, and CPD. Original records as well as copies were used as evidence and verified through physical examination.

To develop our recommendations, we reviewed state laws, City Code, Finance and CPD policies and procedures.

The sample size and selection were statistically generated using a desired confidence level of 90 percent, expected error rate of 5 percent, and a desired precision of 5 percent. Statistical sampling was used in order to infer the conclusions of test work performed on a sample to the population from which it was drawn and to obtain estimates of sampling error involved. When appropriate, judgmental sampling was used to improve the overall efficiency of the audit.

To achieve the audit's objectives, reliance was placed on computer-processed data contained in the Incode system. We assessed the reliability of the data contained in the system and conducted sufficient tests of the data. Based on these assessments and tests, we concluded the data was sufficiently reliable to be used in meeting the audit's objectives.

We conducted this performance audit from December 2019 to August 20, 2020 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.

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