



CITY OF SAN ANTONIO

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June 23, 2006

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Councilman, District 10

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City Manager

Michael Bernard
City Attorney

John Bull
Presiding Judge

Ladies and Gentlemen:

SUBJECT: Audit Report on the Municipal Courts Department Collection Service Contracts for Delinquent Parking Fines and Delinquent Capias Warrants

The City Internal Audit Department is pleased to attach for your review the report for the Municipal Courts Department Audits of Collection Service Contracts. The review of the draft audit report started in November 2005 and continued until June 2006 with the Municipal Courts Department (MCD) and the Office of the City Manager.

Collection services for parking fines and warrants were provided by two different contractors: Progressive Financial Services (PFS) and Municipal Services Bureau (MSB). PFS's performance was disappointing in that the overall collection rate was only 2% for 457,000 parking citations. MSB, the collection service provider for delinquent capias warrants, was better at 11% for 111,000 warrants. However, MSB could enhance its collection services for the City with implementation of improvements recommended in this report.

Overall, strengthening the contract monitoring process in the MCD could enhance the collection of parking fines or warrants. If MCD's contract monitoring practices had been more robust in the past, the City could have identified process issues that could have prevented uncollectible parking fines in excess of \$4 million.

The MCD Management's Corrective Action Plan indicates progressive efforts for addressing the majority of the issues presented in the report.

We appreciate the cooperation and assistance extended to our auditors by MCD Staff during the course of these audits. Please feel free to contact us to discuss the observations in this report.

Respectfully submitted,



Mark S. Swann CPA, CIA, CISA
Interim City Auditor

Enclosures

cc: Leticia Vacek, City Clerk
Michael Armstrong, Assistant City Manager / Chief Information Office
Hugh Miller, Chief Technology Officer Enterprise Applications



CITY OF SAN ANTONIO

INTERNAL AUDIT DEPARTMENT

Municipal Courts Department
Audits of Collection Service Contracts

Part I
for Delinquent Parking Fines
Project No. AU05-004

Part II
for Delinquent Capias Warrants
Project No. AU05-020

June 23, 2006

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EXECUTIVE SUMMARY

Overview

Reviews of the Municipal Courts Department's (MCD) collection service contracts for delinquent parking citations and misdemeanor Capias warrants have been completed. The objectives of these audits were to determine if: 1) the Contractors complied with significant provisions of their agreements, and 2) if internal controls were established in the Contractors' operations and by the City.

The review of delinquent parking citations was performed first, with fieldwork occurring primarily from October 2004 through February 2005. Internal control concerns were identified during the review. The significance of these issues, along with the results of the annual risk assessment process, prompted the Internal Audit Department to initiate a review of the delinquent Capias warrant collection contract beginning in April 2005. Additionally, the control issues previously identified were confirmed and other issues were noted within the MCD.

It was concluded that the vendor who performed delinquent parking citations collections, Progressive Financial Services (PFS), underperformed during the four-year contract period. While an overall collection rate of 2.1 percent was achieved, 448,000 delinquent citations totaling \$11.0 million were not collected. Conversely, the Contractor's performance was deemed acceptable by MCD.

The vendor for delinquent Capias warrant collections, Municipal Services Bureau (MSB), performed significantly better. While MSB did not meet the contract performance requirements, its collection efforts were more sophisticated. With the application of sound business contract techniques, MSB would be an acceptable vendor for collection services.

The detailed audit report is presented as follows: **Part I** is related to delinquent parking citations collections and **Part II** is related to delinquent Capias warrant collections. Both include background information to assist the reader in understanding the transaction volumes and dollars involved in these service contracts.

Results in Brief

Based on reviews of two critical contracts administered by the MCD, opportunities exist to more effectively monitor vendor compliance with the terms of these contracts and to improve internal controls within the MCD and several other City Departments.

Contract Monitoring

MCD Management and Staff conducted limited administrative and/or monitoring activities for the two contracts reviewed. A contract administration plan was prepared for the parking citation collection contract, but essential information, such as a monitoring strategy, was missing. A contract administration plan was not prepared for the delinquent Capias warrant collection contract. Meetings with the Contractors were held infrequently, and issues discussed were not documented for improvement or follow-up. Appropriate detail and summary reports were not requested from the Contractors for the MCD's review.

City Executive Management has historically elected to decentralize key business processes such as contract monitoring, billing, cash handling, and information technology utilization. These processes require specialized skills. However, the requirements for personnel who manage these business processes within Departments have not been evaluated and clearly defined by the City.

Certainly, there are significant challenges to overcome if contract monitoring remains decentralized. Currently, each City Department is responsible for hiring and training adequate staff to monitor their

contracts. Based on audit observations in several Departments since 2003, the City must either undertake a more comprehensive training program to give current staff the skills required to effectively perform their duties, or hire experienced employees with the proper skills.

The City Manager should consider the centralization of the contract monitoring function. While centralization will present significant challenges, the City may benefit from a smaller, more highly skilled group of employees performing these functions.

In the absence of effective business contracting, vendors may not perform to the level specified in their contracts. Noncompliance by vendors causes the City to lose money whether by expending too much or not collecting revenue as it should.

Management and Internal Control Environment

In addition to the opportunity to more effectively manage contracts, the audit team noted many other issues in MCD business processes, and the use of technology. Business processes related to parking citations and warrants are outdated and poorly designed. Also, they lack the internal controls necessary to manage the risks of errors, fraud and abuse. The technology employed within the MCD is antiquated, and it is over-reliant on inefficient and under supervised processes.

To effectively redesign its business processes and to implement new technology, the MCD will require: strong leadership, the application of sound management skills, and knowledge of the effective use of technology. A collaborative initiative must occur to provide better information technology equipment for enforcement, and to ensure that initial data collection is more accurate and complete. Citation data should flow seamlessly from the originating Officer to the MCD.

Conclusions and General Recommendations

Based on an Enterprise Risk Assessment, it was determined that the maturity of the MCD's process, people and technology capabilities used for both agreements were at an "Ad Hoc" stage. The risk matrix is shown on the pages that follow. At this stage, personnel are mostly inexperienced and basic controls are lacking in the processes. This assessment was made due to the lack of contract management and monitoring, and to the significant internal control weaknesses identified. The audit team expected to find further developed management and internal controls given the length of time these services had been outsourced.

In addition, there has been substantial City-wide emphasis to improve business contracting since May 2001. The City received a report titled "Performance Review of the Business Contract Management Process & City Attorney's Office" authored by three well known consultants. The report recommended specific strategies for improving the administration of business contracts within the City, including:

- Establishing a central business contract support unit
- Establishing citywide business contract management standards
- Implementing a structured planning and solicitation process for business contracts
- Streamlining the business contract negotiation and approval process
- Instituting more rigorous business contract monitoring practices

When the MCD enters into future collection services contracts, the City Manager should ensure that the Department possesses the skills to effectively administer the contract, including monitoring the vendor's compliance with agreement terms.

The City Manager should reconsider the decentralization of contract monitoring and other key business processes. If the City Manager chooses not to centralize contract monitoring, then immediate action should be taken to more fully educate employees or hire qualified staff to monitor high risk contracts.

City of San Antonio Municipal Courts Department (MCD)
Audit of Collection Service Contracts for Delinquent Parking Citations and for Delinquent Capias Warrants

The Internal Audit Department recommends that the City Manager hire a highly qualified Municipal Courts Director to provide the leadership and expertise required by the position. The Department Director will need to address issues such as:

- Ineffective and inefficient business processes within the MCD
- Lack of monitoring through performance measures and periodic reporting of results
- Personnel skills and management experience
- Technology enhancement

More specific observations and recommendations are made in **Part I** and **Part II** of this report.

ENTERPRISE RISK ASSESSMENT

In performing this audit, five risk management capabilities were considered for purposes of determining the Contractor's and the MCD's key risks to the City. The capabilities included: strategies, processes, people, technology, and information. Of these, process, people and technology were deemed the most applicable to this review. Below each audit matrix is organized by the five recognized capability maturity/development stages. Most entities achieve at least the managed stage while fewer achieve the optimized stage for mature processes.

Process Capabilities

Stage	Procedures	Controls and Process Improvements	Metrics
Ad Hoc	No formal <i>procedures</i> exist.	Controls are either non-existent, or are primarily reactionary after a "surprise" within the company.	There are no <i>metrics</i> or monitoring of performance.
Repeatable	Some standard <i>procedures</i> exist.	Detective <i>controls</i> are relied upon throughout the company.	Few performance <i>metrics</i> exist, thus there is infrequent monitoring of performance.
Defined	<i>Procedures</i> are well documented, but are not regularly updated to reflect changing business needs.	Both preventive and detective <i>controls</i> are employed throughout the company.	Some <i>metrics</i> are used, but monitoring of performance is primarily manual.
Managed	<i>Procedures</i> and <i>controls</i> are well documented and kept current.	Best practices and benchmarking are used to <i>improve</i> process in certain areas of the company.	Many <i>metrics</i> are used, with a blend of automated and manual monitoring of performance.
Optimized	<i>Processes</i> and <i>controls</i> are continuously reviewed and <i>improved</i> .	Extensive use of best practices and benchmarking throughout the company helps to continuously <i>improve</i> processes.	Comprehensive, defined performance <i>metrics</i> exist, with extensive automated monitoring of performance employed.

People Capabilities

Stage	Experience and Competence	Direction and Development	Authority and Accountability
Ad Hoc	<i>Inexperienced</i> personnel in most areas; no formal training programs are followed.	In most areas of the company there is little job guidance or other formal <i>direction</i>.	Vague or conflicting <i>authority and accountability</i> across business areas throughout the company.
Repeatable	<i>Competent</i> personnel in most areas; limited training; many functions tend to be under or over-resourced.	Some understanding of the basic job requirements in most areas, but still not much formal <i>direction</i> from management.	Lack of clear <i>authority and accountability</i> across business areas throughout the company.
Defined	<i>Experienced</i> personnel in most areas, but limited bench strength.	Job responsibilities and skill requirements are defined for all areas, but career <i>development</i> focus is lacking.	<i>Authority and accountability</i> are defined across the company, but not broadly or consistently understood by all affected areas.
Managed	<i>Strong</i> team in place with adequate bench strength in most areas.	A formal <i>development</i> program exists company-wide, with focus on both enhancing existing skills and developing new skills.	Clear articulation of <i>authority and accountability</i> , and consistent understanding among all affected areas.
Optimized	Formal succession planning and integrated resourcing program ensure <i>multiple sourcing options</i> for all key positions throughout the company.	Cross-training programs provide <i>job enrichment</i> opportunities for all employees and <i>multiple sourcing options</i> for all key positions.	A culture of empowerment engages employees throughout the company in exercising the <i>authority and accountability</i> they have been granted.

*Metrics provide a means for measuring how well a control or process is performing.

*Source: 2004 Auditor's Risk Management Guide, CCH Incorporated, 2004. Paul J. Sobel, CPA, CIA

Technology Capabilities

Stage	Integration	Enhancements	Security
Ad Hoc	Limited, <i>stand-alone</i> systems and technology.	System and technology <i>enhancements</i> are rarely done unless they crash or are proven to be obsolete.	Lax to nonexistent technology infrastructure throughout the company for physical and logical <i>security</i> .
Repeatable	Viable, but <i>non-interfacing</i> systems and technology.	System and technology <i>enhancements</i> consistently trail business needs.	Limited technology infrastructure, resulting in inconsistent application of physical and logical <i>security</i> across the company.
Defined	Systems and technology are adequate to meet most of the company's current business needs, but most do not <i>interface</i> .	System and technology <i>enhancements</i> are typically reactive to business changes, but are implemented timely.	A formal technology infrastructure exists company-wide, but some physical and logical <i>security</i> exposures exist in certain areas.
Managed	Systems and technology are mostly <i>integrated</i> , effectively meeting most current business needs, and should be adequate in the near-term.	System and technology <i>enhancements</i> are planned to be proactive, and are generally implemented effectively.	A sound and formal technology infrastructure exists, and physical and logical <i>security</i> is generally effective throughout the company.
Optimized	Fully <i>integrated</i> systems and technology effectively enable the business and are generally considered a competitive advantage.	Systems and technology are <i>continuously improved</i> to maintain the competitive advantage.	A strong technology infrastructure exists, with best practice physical and logical <i>security</i> procedures operating throughout the company.

*Metrics provide a means for measuring how well a control or process is performing.

*Source: 2004 Auditor's Risk Management Guide, CCH Incorporated, 2004. Paul J. Sobel, CPA, CIA

PART I
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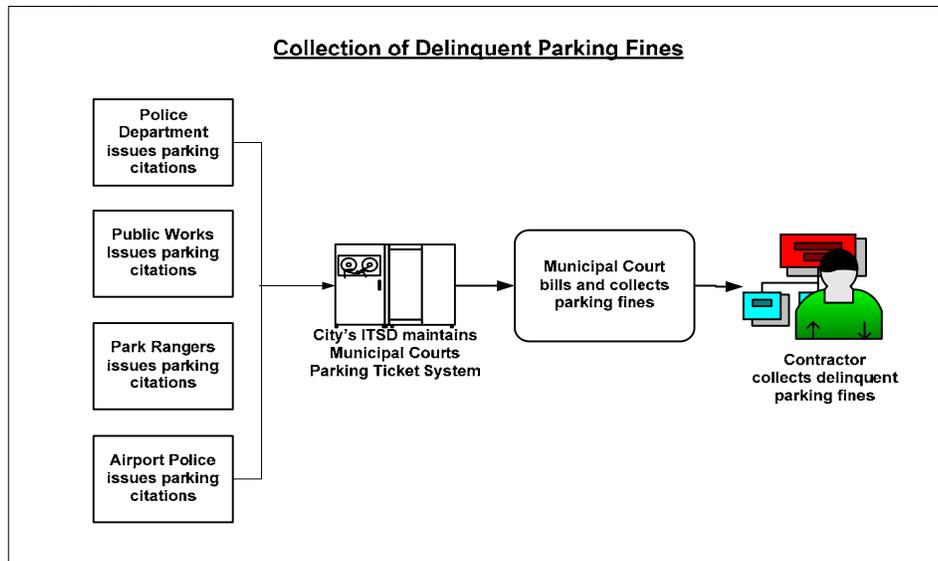
Background

The collection of parking fines involves the cooperation and coordination of several City Departments. **Exhibit A** displays the current process where the Parking Operations Division of Public Works, Police Department, Park Rangers, and Airport Police issue citations while the Municipal Courts Department (MCD) handles billing and collections. The City’s Information Technology Services Department (ITSD) maintains the mainframe application, known as the Municipal Courts Parking Ticket System (Ticket System).

Parking citations are issued by the Public Works, Police Department, Park Rangers, and Airport Police to vehicles illegally parked in loading zones, within 50 feet of railroad crossings, within 15 feet of a fireplug, and in no parking zones. Vehicles can also be fined for overtime parking, double-parking, blocking a fire lane, handicap parking violations, and oversized vehicles in residential zones.

The MCD collects payments for fines and fees for moving violations, parking citations, traffic citations, misdemeanor citations, and other violations. Parking citation revenue collected accounted for approximately 9 to 13 percent of the MCD’s annual total revenue, as shown in **Part I, Attachment 1A**. The MCD’s total revenue ranged from \$10 to \$14 million annually from fiscal year 1995 through 2004, as shown in **Part I, Attachment 1B**. From fiscal years 2000 through 2004, the MCD has not achieved its forecast revenue; however, parking violation revenue has generally reached or slightly exceeded the forecast amount. **Part I, Attachment 1C** shows that parking violation revenue has fluctuated between \$1 and \$1.7 million annually for the ten year period.

Exhibit A



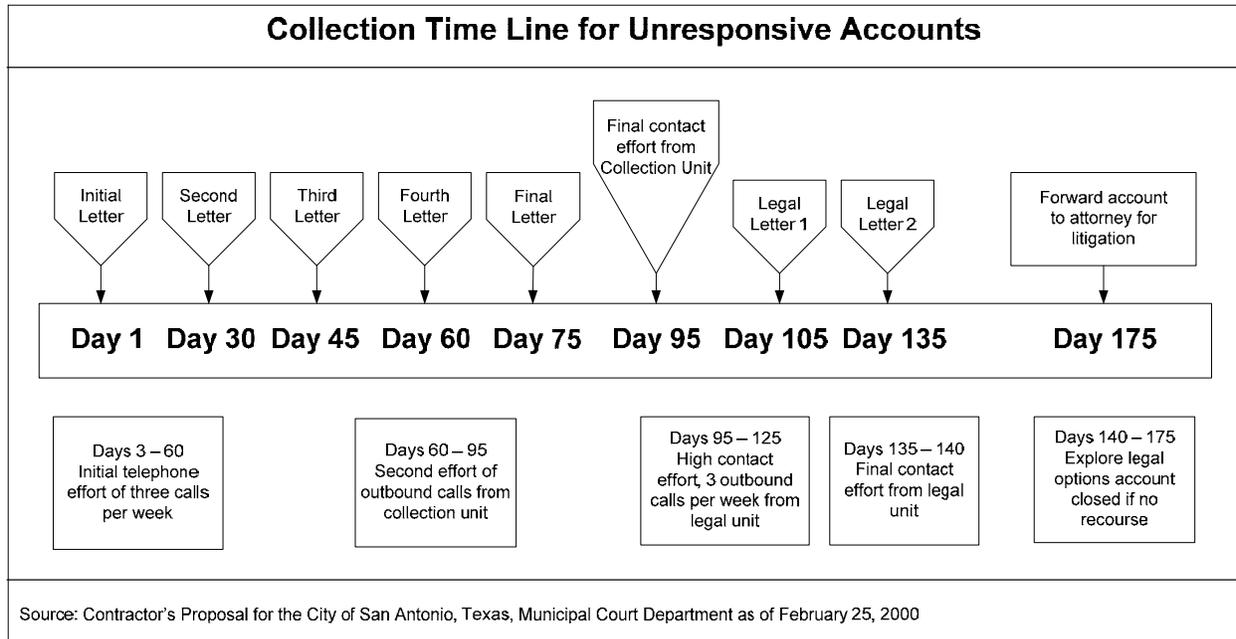
Source: Prepared by the Internal Audit Department

The MCD bills and collects payments for citations up to the 194th calendar day from the date of issuance, or from the date of judgment by the Parking Hearing Officer. Parking tickets are entered into the Ticket System. The MCD transmits the data files of parking citations electronically, on a weekly basis, to Texas Vehicle Information and Computer Services, Inc. (TVICS). TVICS matches license plate numbers to find owner information. The MCD Parking Division then mails notices to citation holders based on the names and addresses found by TVICS. Citation holders have ten days to pay the fine or contest the parking citation. TVICS bills the City on a monthly basis for its service. This has been the practice for the past twenty-five years.

For citation holders opting to pay the fine, the citation is closed when payment is received. The MCD receives payments from mail, a 24-hour drop box, on-line or at the MCD’s cashier counter. Parking citations are recorded in two general ledger accounts: Parking Violations and Child Safety Fund.

When citations are not paid by the 194th day, they are referred to Progressive Financial Services (the Contractor), based in Arizona, for continued collection. The collection procedures and timeline stated in its response to the City's Request for Proposal (RFP) is described in **Exhibit B**.

Exhibit B



The collection strategies, in accordance with the Contractor's response to the RFP, included skip tracing, collecting and taking legal action. The skip tracing procedures incorporated the matching using various databases and records, such as National Change of Address, Acolloid, public phone records, social security records and credit records.

A two-year agreement was initially signed with the Contractor for calendar years 2001 and 2002. It was renewed twice for one-year terms in calendar years 2003 and 2004. During the audit period, the delinquent citations referred to the Contractor included a backlog of 334,000 tickets issued prior to calendar year 2001, and 123,000 citations issued between January 1, 2001 and September 30, 2004. **Part I, Attachment 2** provides more information about the age and value of citations referred to the Contractor.

The Contractor's fee was 16 percent of the "Net Amount Collected," and an additional 4 percent if the overall "Effective Collection Rate" is at least 17.4 percent for the first year and 35 percent for the remaining contract years. The MCD Accounting Office was responsible for monitoring the Contractor's performance to ensure that the proposed collection rate was met. **Exhibit C** is a summary of the Contractor's collection rate and collection fees paid for the audit period.

Exhibit C

Citations Referred to the Contractor For the Period of January 1, 2001 through September 30, 2004							
Fiscal Year	Citations Referred to the Contractor (1)		Payment Received (2)		Actual Contractor Fee	Collection Rate (3)	
	Number of Parking Citations	Amount Due	Number of Citations	Payment Amount	Fees Paid	Percent Citation	Percent Amount
Prior 2000	334,066	\$7,729,842	1,075	\$29,005	-	0.32	0.38
2001	35,795	1,013,639	3,206	93,570	\$21,026	8.96	9.23
2002	41,403	1,184,874	2,784	82,173	\$15,169	6.72	6.94
2003	35,580	1,043,998	2,096	62,818	\$11,645	5.89	6.02
2004	10,405	368,898	379	13,441	\$6,989	3.64	3.64
Totals	457,249	\$11,341,251	9,540	\$281,007	\$54,829	2.09	2.48

Source: (1) Data files provided by the City's Information Technology Services Department in December 2004
 (2) Payment files provided by the Contractor in November 2004
 (3) Calculated by Audit Staff

Part I, Attachment 3 shows estimated potential losses of \$4.7 million due to inadequate collection efforts by the Contractor and poor contract management by MCD Staff. In this report, Section I depicts non-compliance and Section II details Staff's management of this contract and renewals.

Audit Objectives and Scope

The purpose of this audit was to determine if the Contractor was in compliance with the terms and conditions of the agreement, and if internal controls were in place in the Contractor's operations and in the MCD. The audit covered the original contract period and two renewal periods from January 1, 2001 through September 30, 2004. This contract expired on December 31, 2004.

Criteria

This audit referenced the following documents to evaluate the performance of operations:

- The Fair Debt Collection Practices Act
- Texas Statutes Transportation Code Chapter 682
- City Ordinances and Local Government Codes
- City's Adopted Annual Budget
- Internal Control – Integrated Framework by Committee of Sponsoring Organizations of the Treadway Commission (COSO)
- Generally Accepted Accounting Principles
- Collection Services Contract for Delinquent Parking Citations
- Best Practices and Trends

Audit Methodology

The audit methodology consisted of the following:

- Gathering and reviewing information and documentation
- Conducting risk and control analysis
- Performing interviews with Contractor and MCD personnel
- Observing the MCD's parking citation operations
- Analyzing, comparing and evaluating test results
- Statistical and judgmental sampling techniques

The review was performed in compliance with Government Auditing Standards issued by the United States General Accounting Office.

General controls reviews of the Municipal Courts Ticket System, a mainframe application, or the Contractor's computer system, were not performed. However, limited work was conducted to determine the reliability of the data generated from the systems.

OBSERVATIONS AND RECOMMENDATIONS

SECTION I – CONTRACTOR’S COMPLIANCE AND PERFORMANCE CONCERNS

The Contractor agreed to perform professional collection services for the City on citations referred to it by the MCD. Services should have been provided in accordance with the contract, RFP and Contractor’s response to the RFP. The audit revealed that the Contractor failed to adequately perform collection and skip tracing activities, and that its business processes lacked basic controls. The following are specific audit observations of the Contractor’s non-compliance and performance:

1. Collection Efforts

The Contractor’s response indicated that collection letters would be mailed to citation holders on days 1, 30, 45, 60, 75 and 95. Also, telephone attempts would be made on different days and at different times to ensure a high possibility of contact. A review of the 457,000 accounts referred to the Contractor indicated that many accounts may have been unpaid due to a lack of collection efforts. **Exhibit D** presents the number and dollar amount of citations referred to the Contractor as compared with the citations still outstanding in fiscal year 2004.

Exhibit D

Uncollected Parking Citations					
For the Period of January 2001 through September 2004					
Calendar Year	Referred		Uncollected		Percent of Uncollected Citations
	Number of Citations	Amounts	Number of Citations	Amounts	
2000 & Prior	334,066	\$7,729,842	332,910	\$7,696,991	99.7
2001	35,795	1,013,639	32,604	922,504	91.1
2002	41,403	1,184,874	38,637	1,103,151	93.3
2003	35,580	1,043,998	33,488	981,257	94.1
2004*	10,405	368,898	10,027	355,502	96.4
Totals	457,249	\$11,341,251	447,666	\$11,059,405	97.9

Source: Extracted from data files provided by the City’s Information Technology Services Department in December 2004

Note: * FY 2004 does not include citations issued after March 2004 because these would not be referred to the Contractor until they had been outstanding for 180 days, or after September 2004.

• Initial Letter

The Contractor’s data files showed that initial letters were sent to 301,000 accounts with a name and address, and that no more letters were sent after that. This appears to be non-compliance with the contract provisions. Upon inquiry, the Contractor explained that letters were sent to accounts with a name and address only if the account balance was \$25 or higher. For citations issued between 2001 and 2004, the Contractor said that more than two letters were sent; however, there were no identifying records in the data files to prove these actions. No more information about letters sent was provided to the audit team.

It was also noted that the data files did not contain the date that letters were mailed. If dates were not documented, it is questionable how the Contractor could control the timeliness of sending letters at regular follow-up intervals as described above. The Contractor indicated that dates were maintained in its computer system. However, no supporting evidence was received after repeated requests.

SECTION I – CONTRACTOR’S COMPLIANCE AND PERFORMANCE CONCERNS

The data files showed that letters were sent to 106 citation holders that did not have a name or address. The Contractor explained that sometimes the mail return flag did not function properly due to the age of its computer system.

The contract required that letters would be in both English and Spanish. However, the Contractor stated that only English letters were sent to citation holders.

- **Telephone Contact**

The data files did not contain any records of telephone attempts that were made. The Contractor provided the audit team a listing of telephone codes for review; however, these codes were not shown in its data files.

- **Legal Review**

The contract required that, if there was no response generated from telephone attempts or mail, the account would be considered for preliminary legal review, if agreed to by the City. The MCD never required the legal review because it thought that the costs did not justify the benefits. There was no evidence to demonstrate consideration of other potentially feasible solutions.

Audit test work showed significant multiple citations for various owners that could have been candidates for legal action as a group. Since there is no statute of limitation for parking citations, the MCD could still pursue collection.

- **Referral to Credit Bureau**

The Contractor has the capability to place accounts with three national credit bureaus. However, this did not occur. The MCD did not require the Contractor to report delinquent parking accounts to credit agencies.

- **Contractor’s Costs of Collection**

Testing of the data files showed that the Contractor sent out 301,000 letters to citation holders. The Contractor stated that the average cost per piece of mail was \$.42 including postage, long distance costs and collectors’ salaries. Thus, the processing costs for letters mailed would be approximately \$126,000.

For the entire audit period, the Contractor only received fees of \$55,000 for its service, according to its billing statements. The Contractor confirmed to the audit team that it was operating at a loss of at least \$71,000 for nearly four years. It also disclosed that the purpose of maintaining this business with the City of San Antonio was only a marketing strategy for it to bid on projects with other cities.

SECTION I – CONTRACTOR’S COMPLIANCE AND PERFORMANCE CONCERNS

2. Skip Tracing Efforts

The Contractor’s RFP response stated that all accounts will be matched with many databases, including the following:

- National Change of Address database to find correct addresses
- The zip+4 database to correct the zip codes
- Acolloid to search for telephone numbers

For the 457,000 citations that were referred to the Contractor during the audit period, these services were not evaluated by the MCD to determine their effectiveness. Analysis of the Contractor’s data files by the audit team revealed the following:

- There were approximately 136,000 citations, totaling \$3.6 million, without a name or address. **Exhibit E** showed that these citations occurred throughout all audit years, indicating a consistent pattern of missing data.

It was noted that these accounts were ignored in the skip tracing process. The parking citation data files were first submitted to the Texas Vehicle Information and Computer Services for skip tracing. These accounts were returned with no names or addresses. They were then held by MCD with no further skip tracing performed. Upon 180 days, they were referred to the Contractor. Again, the Contractor did not perform any skip tracing for them. As a result, no collection notices could be sent to these citation holders.

Exhibit E

Parking Citations without Names or Addresses For the Period of January 2001 through September 2004		
Fiscal Year	Number of Parking Citations	Amount Due
2000 & Prior	86,317	\$2,039,187
2001	16,830	523,620
2002	18,170	553,073
2003	9,871	316,142
2004	4,573	174,610
Totals	135,761	\$3,606,632

Source: Contractor’s data file provided in November 2004

- A sample of fifteen accounts with license plate numbers were judgmentally selected and forwarded to the City’s Police Department (SAPD) to determine if a name and address could be found through their database. The Police Department was able to locate names and addresses for ten license plates, or 67 percent, forwarded to them. The Contractor indicated that using the database such as SAPD’s was cost prohibitive.
- The only skip tracing efforts noted in the data files were “Skip Trace Results: No phone found” for 237,000 accounts with a name and address. The audit team requested more evidence of skip tracing efforts, such as names of databases searched. The Contractor could not provide any.

SECTION I – CONTRACTOR’S COMPLIANCE AND PERFORMANCE CONCERNS

3. Data Transfer

The Contractor received data files from the MCD by logging onto a secured File Transfer Protocol (FTP) website on a daily basis, and downloading the parking citation dataset to its computer system. A test was performed to determine if the data extraction was complete. **Exhibit F** shows that the Contractor’s data file was short by 21,000 citations valued at \$431,000. Consequently, no attempts were made to collect for these citations.

Data extraction was not confirmed between the two parties on a daily basis to ensure completeness of the transfer. The Contractor indicated that monthly billing statements showing the number and dollar amounts of citations extracted were forwarded to the MCD. It assumed that reconciliations were performed by the MCD. Not hearing otherwise, the Contractor assumed that data was downloaded in its entirety.

Exhibit F

Citation Records Not Extracted by Contractor For the Period of January 2001 through September 2004		
Fiscal year	Number of records	Amount due
2000 & Prior	11,169	\$233,485
2001	5,066	\$103,180
2002	3,402	\$68,781
2003	706	\$14,461
2004	570	\$11,511
Total	20,913	\$431,418

Source: Data files provided by the City's
Information Technology Services
Department in December 2004

4. Customer Complaints

It would generally be expected that collection activities should result in receiving some customer complaints about the disputes of ticket amounts or the collection process. The Contractor’s RFP response stated that, “... upon receipt of a complaint PFS places the account on temporary hold within our computer system until the situation is resolved. ... we will immediately inform the Court of the complaint and ask for assistance in addressing the complaint.”

Complaints received by the Contractor were not recorded in its data files. According to the Contractor, its collectors were given discretion to document complaints encountered on the phone. The Contractor further stated that no complaints were received from either the Texas Attorney General or the Better Business Bureau regarding its methods of collection.

Complaints received by the MCD were also not documented in the City’s mainframe application system. The MCD indicated that all complaints received were handled over the telephone or through email; no records were retained for performance purposes.

5. Small Business Economic Development Advocacy (SBEDA) Requirements

The Contractor agreed to submit annual SBEDA reports to the City’s Economic Development Department (EDD), which identify the participation of small, handicapped and minority-owned businesses. It was noted that these reports were not filed with the City for the contract period. Neither the MCD nor EDD requested the reports from the Contractor.

6. Insurance Coverage

The Contractor agreed to furnish a Certificate of Insurance to the City Clerk’s Office, which covered workers’ compensation, employee liability, commercial general liability, professional liability, and business automobile liability for the duration of the contract. It was noted that the Contractor did not comply with this until September 2004. The MCD did not request the Contractor’s Insurance policy or realize that it was missing, during the contract period.

The MCD should have identified the missing documents in the process of monitoring the contract. Adequate coordination between the MCD, the City Clerk’s Office and the Risk Management Division should have detected that items required by the contract were missing.

SECTION I – CONTRACTOR’S COMPLIANCE AND PERFORMANCE CONCERNS

Additionally, it was unclear why automobile liability was required for this service contract. It did not appear that automobile coverage was necessary in this case. Having insurance that does not relate to the specific services contracted can result in higher costs to the City. It may also impede competition due to the costs associated with unnecessary requirements for vendors.

7. Guarantee – Contractor’s Proposal

The Contractor offered the City some protection in the form of guarantee for its performance. The “Guarantee” in its proposal stated that:

“PFS [Progressive Financial Services] is willing to escrow twenty percent (20%) of fees generated and forfeit all rights to the fees held escrow if the overall rate of recovery does not exceed thirteen percent (13%) after twelve (12) months of collection effort.”

During the contract period, the collection rate had never achieved 13 percent at any given month. The MCD did not enforce this contract provision. As a result, \$11,000, which is equivalent to 20 percent of the fees (i.e., \$55,000) paid to the Contractor, was not retained. In addition, the MCD could have collected accrued interest of 10 percent on the escrow balance.

The Court Manager did not believe that the Contractor’s RFP response was part of the contract, so this charge was not imposed. Yet contract section 2.3 states that the Contractor’s response was an exhibit to the contract.

8. Contractor’s Billing Statement

The Municipal Courts Accounting Staff reconciles the Contractor’s monthly billing statements to ensure that the fees paid were based on the correct number of citations collected. The audit revealed that the reconciliation was not correctly performed. Significant discrepancies exist between the number of citations in the Contractor’s monthly billing statements and the City’s file, as follows:

- **Reconciliation**

MCD Management explained that the current reconciliation methodology was adopted with the approval of the former Court Director. He understood that the reconciliation was not accurate due to the high volume of citations each month and limited staff to perform the task.

Knowing that the reconciliation was not accurate nor correct, the Director still approved the amount of fees invoiced by the Contractor. The approval of the reconciliation was not formally documented.

SECTION I – CONTRACTOR’S COMPLIANCE AND PERFORMANCE CONCERNS

• **Discrepancies in Contractor’s Fee**

A test was performed during the audit to determine if the City paid the correct amount of fees for parking fines collected. The audit team compared the Contractor’s monthly billing statements to a citation file extracted by the MCD for this purpose.

The results indicated that the City did not owe a fee for a total of 4,350 citations that were found in the Contractor’s billing statements, as shown in **Exhibit G**. The reasons are:

- (i) Citations not found in the MCD’s file: 3,738. The audit team provided these citations to the Contractor for verification and explanation; however, no response was received.
- (ii) Citations found in the MCD’s file but marked as booted, impounded or not sent a letter: 545. The contract stated that the vendor will receive no compensation for citations that were in the process of being booted or impounded by the City. Also, no fee was owed for citations that were paid before the Contractor sent out a notice.
- (iii) Citations not paid by the citation holder: 67. The City did not owe a fee for unpaid citations.

Additionally, the City may owe a fee for 830 citations, totaling \$4,203, that were not found in the Contractor’s billing statements. Overall, the City may have overpaid the Contractor by \$15,850 during the contract period.

• **Performance Analysis Statement**

Along with the monthly statement, the Contractor also prepared a Performance Analysis Statement that summarized the status of all citations and calculated the collection rate. If the Contractor achieved a 17.4 percent of collection rate for the first year and 35 percent for the remaining contract years, the City would pay an additional 4 percent. It was noted that this statement was not reconciled to the monthly statements to ensure accurate calculation of the collection rate.

Risk

The City missed the opportunity to collect more than \$3.6 million in parking fines and fees due to inadequate collection services and weak data entry controls. Additionally, the City overpaid an escrow of \$11,000 plus interest of \$3,000 and the Contractor’s fee of \$16,000.

Recommendation

Since the contract expired on December 31, 2004, opportunity for recourse with the vendor is limited. The City Manager could work with the City Attorney to take legal action to recover overpayments and interest of at least \$30,000. Certainly, it should determine if it is cost effective to initiate this action. Since the City has never adopted a debarment list, the City Manager could evaluate and determine if this contractor should be prohibited from bidding on City’s contracts for a certain period of time.

Going forward, the City Manager must enforce reasonable controls over contract and business process, including the following:

1. Ensure that City Departments establish quality controls over contract administration. Periodic compliance reviews should be conducted and performance results evaluated throughout the

Exhibit G

Discrepancies of Contractor’s fee For the period of January 2001 through September 2004			
Item Number	Number of Parking Citations	Parking Fines	Fees Paid by City
(i)	3,738	\$107,467	\$17,195
(ii)	545	15,957	2,553
(iii)	67	1,909	305
Totals	4,350	\$125,333	\$20,053

Source: Contractor’s monthly billing statements provided in November 2004 and the MCD’s “Summary of Parking Citations” file extracted by the ITSD during the audit.

SECTION I – CONTRACTOR’S COMPLIANCE AND PERFORMANCE CONCERNS

contracting period. Appropriate controls deter non-compliance, detect errors and mistakes in a timely manner, and allow corrective actions to be taken swiftly.

2. RFP evaluation process should include a contractor’s past performance on other City contracts.
3. Include significant penalties in the contract for failure to comply with requirements so that the City could be compensated for performance deficiencies.
4. Create a debarment list for contractors with substantial non-compliance or poor performance.
5. Use contract termination provisions when appropriate.

SECTION II – DEPARTMENT MANAGEMENT AND INTERNAL CONTROLS

During the review of this contract, many issues were noted in the MCD business processes. Management lacked knowledge in business processes and technologies were outdated. As a result, it could not provide reasonable assurance that risks of errors and mistakes were properly controlled or minimized.

1. Business Process and Application Controls

Parking citations are issued by the Public Works, Police Department, Park Rangers, and Airport Police, and then submitted to the MCD for billing and collection. The accuracy and completeness of data input has a great impact on the effective collection of citations.

A joint partnership that allows Departments to share information, communicate ideas and work together on a routine basis is currently lacking. The MCD's responsibility is collecting fines and does not have authority over other Departments.

Review of the data input process noted major concerns, as reflected below:

- **Electronic Citations:** Electronic tickets were issued by the Public Works Parking Enforcement Officers. The Officers enter vehicle information: license plate, make and model, year, color of vehicle, violation date, etc. into hand-held devices. The hand-held devices did not automatically flag invalid or incomplete license plate numbers during the data entry process. The Officers upload data in the hand-held devices to the Municipal Courts Ticket System (Ticket System) at the end of each business day. A review to ensure the accuracy, validity and completeness of data entry was not performed by either the Public Works or MCD as a front-end control. Further, no exception reports were produced by the system to detect anomalies in the data.
- **Manual Citations:** Manual tickets were issued by the Police Department, Park Rangers, and Airport Police, and then submitted to the MCD for data entry into the Ticket System. Manual tickets distributed to these Departments were pre-numbered as an internal control. However, this control was not realized because the numeric sequence of the tickets was not accounted for in the process of distribution, nor was it reconciled when ticket books returned to each Department or the MCD. Consequently, there could be tickets missing and not entered in the Ticket System, possibly resulting in loss of revenue to the City.

Further, when manual tickets are entered into the Ticket System by the MCD Staff, reconciliations were not performed as part of data input control. This control could provide assurance that the number of manual citations input into the system agreed to the number of citations received by the MCD.

The MCD does not realize that it is the owner of this business process and the Ticket System. Ultimately, it is responsible for the proper controls. As such, it did not take action to identify roles and responsibilities for the processing of parking citations.

Risk

Without a joint partnership with other departments, information was not effectively communicated to promote the maximum efficiency and effectiveness of the business process.

Lacking data input controls, manual tickets may be missing in the distribution, issuance and return processes. For electronic tickets, some hand-held devices may not be uploaded to the Ticket System. Additionally, errors may occur in the data entered into the Ticket System and not be detected. As a result, such invalid or incorrect information will impede locating vehicle owner information during the ticket matching process.

SECTION II – DEPARTMENT MANAGEMENT AND INTERNAL CONTROLS

Recommendation

As the business process owner, the MCD should take initiative to make cooperative arrangements with other Departments involved in the issuance and collection of parking citations.

To ensure completeness of electronic data transfer, daily confirmation of data received with the sending Department should take place. For manual tickets, procedures and controls should be developed to account for ticket books distributed and returned, as well as controls over data input into the Ticket System.

Front-end controls such as validity check and batch control could detect invalid data entered. Accuracy of citations issued or entered should be part of employees' performance evaluation so that the reliability of data could be raised.

Additionally, supervisory review is necessary in daily operation. Exception reports on invalid or incomplete license plates are also good controls to ensure general completeness and correctness of the data.

SECTION II – DEPARTMENT MANAGEMENT AND INTERNAL CONTROLS

2. Municipal Courts Department’s Performance

According to City’s Annual Adopted Budget for the contract period, the financial goal of the MCD is to maximize the collection of fines and minimize the length of time for citations to be collected. It also states that a goal for the MCD is to “evaluate the current professional contracts for the collection of delinquent cases.” Performance measures were established to assess progress in achieving goals and objectives. In spite of goals and performance measures that had been established, the following observations seemed to suggest that the reported performance results could not be substantiated and MCD Management lacks knowledge of parking fines operations and process:

• **Performance Results**

The performance measures indicated in the annual budget included (a) Number of Open Cases, (b) Percentage of Open Cases Adjudicated and Reported to Office of Court Administration, and (c) Average Revenue Collected per Case Paid. The audit team requested supporting documentation, such as monthly, quarterly or annual reports related to parking fines, for these measures. The MCD could not locate any documentation.

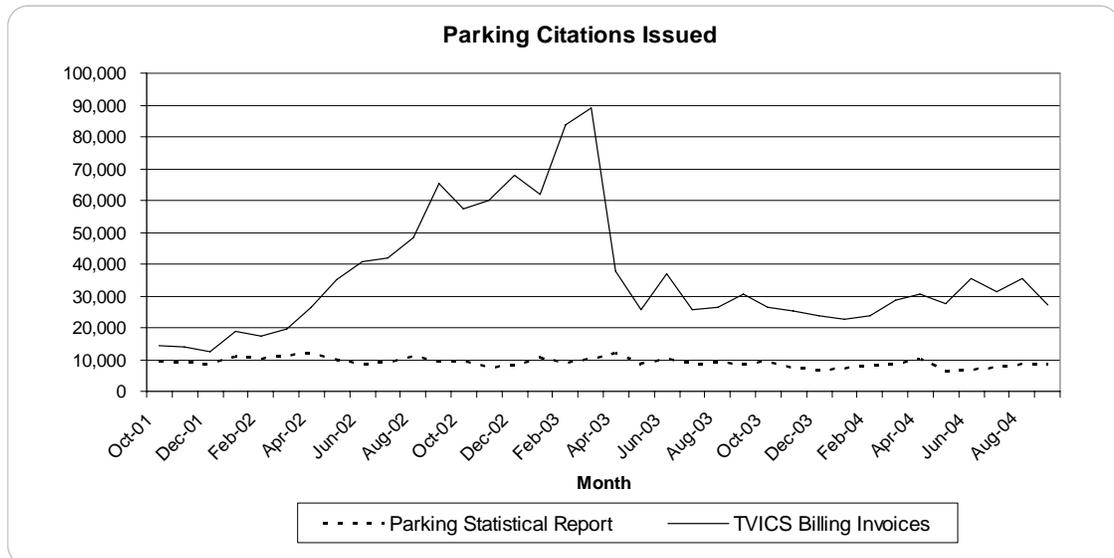
• **Operation Reports**

Management needs to self-monitor performance outcome. During the audit, little evidence was found that MCD Management thoroughly reviewed operational outcomes or used this information to identify the gaps between the existing and desired results. The only operation report found was the monthly Parking Statistical Report prepared by the MCD Parking Section Staff. MCD Management indicated that this report was reviewed to identify significant changes from month to month. However, further analysis, as described below, raised concerns regarding the thoroughness of the review:

(i) **Parking citations issued per month were not reconciled.**

The Parking Statistical Report listed the number of parking citations issued each month. In an effort to verify the accuracy of monthly citation numbers, the audit team compared the Report to TVICS billing for agreement. It was noted that significant disagreements existed, as shown in **Exhibit H**. This result indicates that (a) the Report was not verified by MCD Management for accuracy and (b) TVICS’ monthly billing was not reviewed before payment was made:

Exhibit H



Source: Parking Statistical Report prepared by the Parking Section of the Municipal Courts TVICS billing Invoices provided by TVICS on a monthly basis

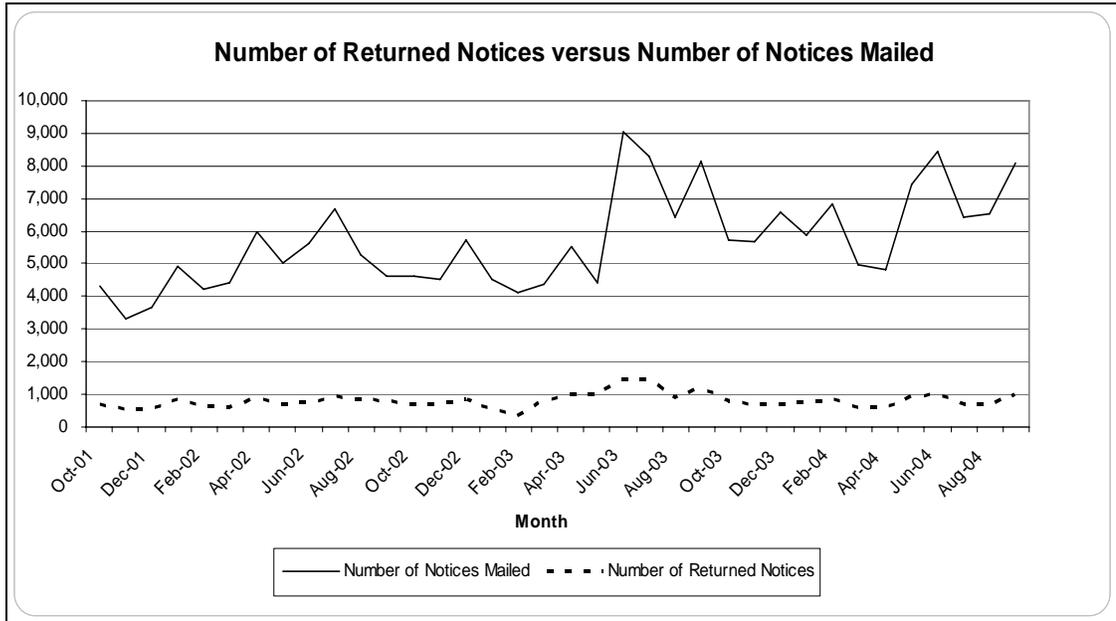
SECTION II – DEPARTMENT MANAGEMENT AND INTERNAL CONTROLS

(ii) High rate of mail return is an issue.

Returned mail for billing notices averaged 14 percent a month during the audit period, as shown in **Exhibit I**. The MCD has not investigated this high rate of return to determine the causes. Understanding causes could help MCD Management find feasible solutions. For example, the causes could be that TVICS database was not up-to-date, or ticket issuing processes needed improvement. For fiscal years 2002 through 2004, a total of 29,000 billing notices were returned.

In this audit, only the statistics of returned mail presented in the monthly Parking Statistical Report were reviewed. The returned mail was not examined in this audit.

Exhibit I



Source: Parking Statistical Report generated by the Parking Section of the Municipal Courts

SECTION II – DEPARTMENT MANAGEMENT AND INTERNAL CONTROLS

• **MCD Management’s Awareness and Knowledge**

MCD Management indicated that approximately 50 percent of the parking citations were collected within 60 days of issuance, and 30 percent were collected between 60 and 180 days. Therefore, only 20 percent of the citations were referred to the Contractor for collection. It seems to indicate that the percentage of the citations under contract was relatively insignificant. The MCD did not have supporting documentation available to substantiate these assumptions.

The audit team estimated the amount of parking citations issued, as shown in **Exhibit J**. The exhibit displays the calculations based on the Contractor’s data files and the City’s Financial Accounting Management Information System (FAMIS). The calculated results showed that citations collected within 180 days between FY 2001 and FY 2003 consisted of only 57 to 60 percent of the citations. In other words, a significant percentage of the citations, approximately 40 to 43 percent, were referred to the Contractor for collection:

Exhibit J

Parking Fines and Contractor's Fee For the period of January 1, 2001 through September 30, 2004										
Fiscal Year	Municipal Courts			Contractor (PFS)			FAMIS Report	City Auditor's Calculation (8)		
	(1) Parking Citations Amount Issued (2)+(4)	(2) Parking Citations Amount Collected (7)-(5)	(3) Percent Collected (2)/(1)	(4) Parking Citations Amount Referred to PFS	(5) Parking Citations Amount Collected by PFS	(6) Percent Collected by PFS (5)/(1)	(7) Total Amount Collected	Amount Not Collected (1)-(7)	Percent Not Collected	Total Percent
Sept. 2000 & Prior	\$9,028,350	\$1,472,740	16	\$7,555,610	\$29,005	0.32	\$1,501,745	\$7,526,605	83	100
2001	2,123,230	1,204,078	57	919,152	93,570	4.41	1,297,648	825,582	39	100
2002	2,783,216	1,598,218	57	1,184,998	82,173	2.95	1,680,391	1,102,825	40	100
2003	2,702,337	1,614,157	60	1,088,180	62,818	2.32	1,676,975	1,025,362	38	100
2004*	2,261,146	1,667,835	74*	593,311*	13,441	0.59	1,681,276	579,870	*25	100
Totals	\$18,898,279	\$7,557,028	40	\$11,341,251	\$281,007	1.49	\$7,838,035	\$11,060,244	59	100

Source: (1) Calculated by City Auditors
 (2) Calculated based on FAMIS Report No. 66 – Revenues and Expenditures by Fund and Project, and Contractor's data files provided in November 2004
 (3) Calculated by Audit Staff
 (4) Based on the data files provided by the City's Information Technology Services Department
 (5) Based on the Contractor's payment data file
 (6) Calculated by Audit Staff
 (7) The City's FAMIS Report No. 66
 (8) Calculated by Audit Staff
 Note: *Fiscal Year 2004 does not include all citations issued because unpaid citations would not be referred to the Contractor until they were outstanding for 180 days.

Risk

City Council and Management may be led to make decisions based on information that can not be supported by Departments. City’s resources may not be properly used, or reasonable collection efforts may not be made. The City Manager and the MCD may not be aware that goals are not attained.

Recommendation

The City Manager should hold the MCD accountable for performance.

Develop standard reporting requirements, methodologies, and mechanisms to receive feedback on performance outcome from all City Departments. For example, monthly, quarterly or annual reports should be submitted to the City Manager’s Office. Assign Staff in the City Manager’s Office to review the reasonableness of performance measures and the accuracy of performance results.

SECTION II – DEPARTMENT MANAGEMENT AND INTERNAL CONTROLS

3. Contract Administration

With revenue from the collection activity exceeding \$1 million per year, this service agreement met the criteria for high risk contracting as defined by the City. Little evidence was found during the audit that this contract was actively and strategically administered and monitored. Some examples are described below:

- **Contract Administration Plan**

The MCD prepared a Contract Administration Plan in December 2000, delegating oversight responsibility to the MCD Manager. However, the plan did not document monitoring strategies, which was the main purpose of the plan, nor did it document the person who approved this plan and the date.

During the period of the contract, periodic meetings or strategic discussions were not held with either the Contractor or MCD's Parking Staff, failing to demonstrate active management of this contract. MCD's Parking Staff stated that informal conversations were held with the Contractor to discuss issues; however, these were not documented.

In addition, the Contractor had the ability to generate management reports, such as payments made, account status and performance. However, no reports were requested by the MCD Staff from the Contractor.

- **MCD Management's Recommendation for Contract Renewal**

The contract was renewed for two one-year terms for years 2003 and 2004. The contract was justified for the first renewal based on MCD Management's recommendation to City Council on December 19, 2002, as stated below:

Although PFS [Professional Financial Services] did not achieve the Incentive Collection Rate, parking fine revenue increased substantially during the two years of this collection service contract. Fine collections for the FY 00 [fiscal year 2000], immediately prior to the contract, totaled \$1,483,481, compared to \$1,698,180 for FY 02 [fiscal year 2000].

After a thorough review of PFS collection performance, and reviewing proposed collection rates and fees provided from other vendors in December of 1999, staff recommends renewal of the one-year option with PFS based on the following:

- Net revenue increase to the City of San Antonio
- Knowledge and experience in collection of delinquent parking fines
- The aggregate 20% fee on the amount recovered is one of the lowest in the state
- City of San Antonio escrows 4% of fee until the Incentive Collection Rate is achieved
- Trained staff capable of providing quality customer service

The second renewal was based on similar reasons. The MCD could not provide a cost versus benefit analysis or other supporting documentation to substantiate the above recommendations.

Risk

The City did not receive the quality and quantity of service specified under the contract provisions. Ultimately, the business objectives of outsourcing this function were not achieved and the City missed opportunities to collect delinquent fines in a timely manner.

SECTION II – DEPARTMENT MANAGEMENT AND INTERNAL CONTROLS

A vendor incapable of delivering results continued to be awarded the contract. Additionally, the opportunity to choose a better-qualified contractor was lost.

Recommendation

The challenges of effective administration of City's contracts are numerous. The City Manager should evaluate the MCD structure, business processes, personnel competency and technologies to properly administer its contracts. Substantial improvements are needed with the MCD, including hiring of staff with appropriate competency and skills. Also, extensive coordination is needed with the City's Information Technology Services Department to develop the current technologies or to replace them.

SECTION II – DEPARTMENT MANAGEMENT AND INTERNAL CONTROLS

4. Compliance with City Ordinances

Two incidences were noted where City Ordinances were not complied with by the MCD and other Departments. The non-compliance is explained as follows:

• **Parking Citation Review Committee (Review Committee)**

City Ordinance #93103, dated December 14, 2000, requires that a Review Committee be established and meet as needed to review uncollectible parking citations and to produce a report of these citations at least once every two years. The Review Committee may make recommendations to close the citation, depending on the circumstances, as described below:

- The amount due has not been collected for two or more years
- The balance due is five dollars or less
- The owner cannot be identified or located
- The vehicle is unregistered

It was noted that the Review Committee was not established and uncollectible citations were not reviewed as prescribed in the Ordinance. According to MCD Management, a decision was made by the MCD Director that the Review Committee would be established after the expiration of this contract in late 2004. This was supposed to allow the Contractor time to perform. They did not inform the City Council or the City Manager that implementation of the Ordinance was deferred.

A significant number of citations may still be collectible as **Exhibit E** shows 136,000 citations without a name and address and **Exhibit F** shows 21,000 citations not extracted by the Contractor. It is strongly recommended that the City make collection efforts before closing these citations.

• **Booting Program**

City Ordinance #65690, dated September 10, 1987, allows a vehicle to be booted or impounded if the vehicle owner committed three or more parking offenses in any calendar year. For the period under review, nearly 21,000 license plates, including temporary plates, had three or more citations, yet only 2,600 license plate numbers, or 12 percent, showed being booted, as per **Exhibit K**. The booting fee was \$25 in 1988, and it increased to \$40 in 1999 and to \$60 in 2005. An estimated \$580,000 could have been collected if the remaining 18,000 vehicles eligible were actually booted. The booting program could not be effectively enforced primarily due to the following reasons:

(i) **Lack of Effective Technology**

Most of the Parking Enforcement Officers use an electronic, hand-held ticketing device to enter violation information. This device is not on-line and does not provide historical information in a real-time setting. To boot a vehicle, the Parking Enforcement Officers must rely on his/her recollection to spot a suspected vehicle, and then must call the Municipal Courts Parking Hearing Officer to confirm.

Exhibit K

Booting Program For the Period of January 2001 through September 2004			
Fiscal Year	Number of License Plates Eligible for Boot	Number of License Plates Booted	Number of License Plates Not Booted
2000 & prior	15,298	1,410	13,888
2001	1,388	274	1,114
2002	1,745	352	1,393
2003	1,470	327	1,143
2004	923	228	695
Total	20,824	2,591	18,233

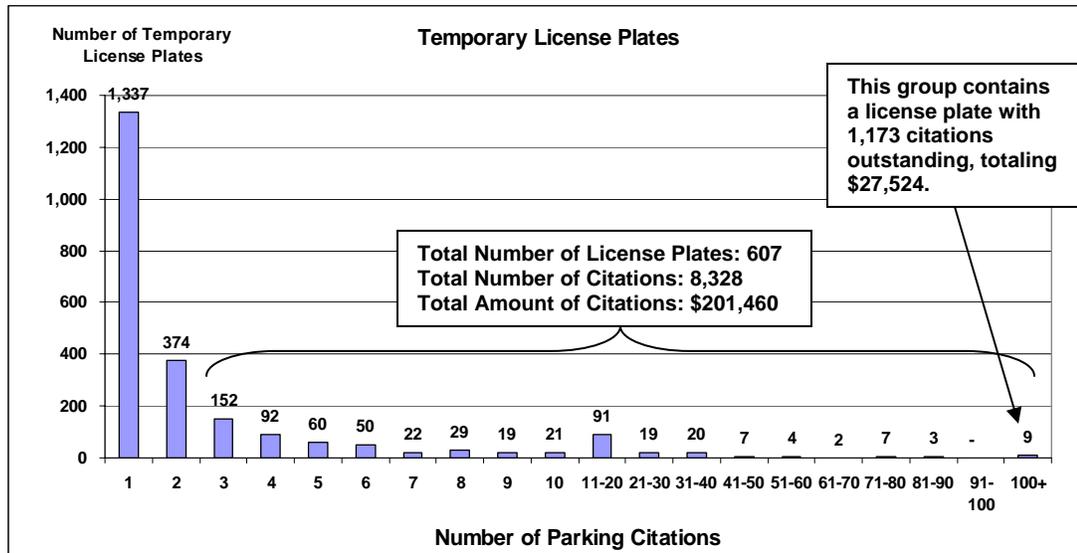
Source: Extracted from the data files provided by the City's Information Technology Services Department in December 2004

SECTION II – DEPARTMENT MANAGEMENT AND INTERNAL CONTROLS

(ii) Temporary (Paper) License Plates

During the audit period, 607 temporary license plates with three or more citations totaled 8,328 citations and amounted to \$201,460, as shown in **Exhibit L**. Among these citations, a single license plate had 1,173 citations outstanding, totaling \$27,524. It was noted that the majority of the repetitive offenders who had delinquent fines were vehicle owners with temporary license plates.

Exhibit L



Source: Data extracted from the City's ITSD file for fiscal years 2001 through 2004

Temporary license plates are mostly used by rental car agencies and automobile dealers for transactions, such as leasing or sale. They are valid for three months for each vehicle, and have a pre-fix "P" before the license number for easy recognition. The plates can be easily moved from vehicle to vehicle which has made enforcement of booting or impounding difficult. Currently, booting is not enforced on vehicles with temporary license plates.

No attempt has been made by the MCD Staff or the Contractor to use available databases from the State of Texas to determine the holders of temporary license plates, nor was the cause analyzed for multiple violations with a single temporary plate.

Risk

City Council and Manager may not be able to make informed decisions if implementing an Ordinance was deferred and the deferral was not reported to them. The impact on City operations for not carrying out City Ordinance could be significant.

When the booting program was not thoroughly implemented or repeat offenders of temporary license plates were not identified, substantial revenue from fines and related additional authorized fees were overlooked.

Recommendation

The City Manager should require all Department Heads to comply with these City Ordinances.

Specifically, the City Manager should ensure that all Departments issuing parking citations work together to establish a business process that can effectively execute the booting program. A good practice that can be implemented immediately is to require that the plate number, the unique

SECTION II – DEPARTMENT MANAGEMENT AND INTERNAL CONTROLS

Vehicle Identification Number (VIN), an accurate vehicle description (make, model, and color), and a discernable violation location/address be entered on citations. This allows easier identification of an individual vehicle and its owner. Currently, the VIN is an optional field on the hand-held (electronic) device.

Evaluate the costs and benefits of obtaining a subscription to the electronic database for temporary license plate registrants from the Texas Department of Transportation Motor Vehicle Division. Determine if it would be cost effective for the City to conduct the matching of missing names rather than outsourcing this task to a contractor.

SECTION II – DEPARTMENT MANAGEMENT AND INTERNAL CONTROLS

5. Safeguarding of Cash

The Municipal Courts Accounting Office collects parking fines over the counter and by mail on a daily basis. Collections are stored in a safe located in an inner office within the Accounting area.

The safe combination is known to the two accountants and two other employees: the MCD Manager and Revenue Accounting Supervisor. The City's cash handling policy and procedures indicates that a safe's combination shall be restricted to a small number of employees. In this case, access to the safe by employees whose daily routine duties do not require such access may compromise the security of the fund.

Additionally, the safe is open in the morning and stays unlocked during the day for the two accountants to access items in the safe and to prepare the daily deposit. Due to the volume of daily collections, extra caution should be exercised to safeguard the fund.

Risk

A large dollar amount of funds is handled by the Municipal Courts Accounting Office daily. Funds temporarily stored in the safe are exposed to the risk of loss, theft or embezzlement. The safe stays open during the day increasing such risks. When more than one person has access to the safe, it would be difficult to pinpoint who is responsible for the loss in case it occurs.

Recommendation

MCD Management should limit the knowledge of the safe combination to two employees: one primary person and one backup. It is also a prudent practice to change safe combination on a periodic basis and keep the safe locked when it is not in use.

SECTION II – DEPARTMENT MANAGEMENT AND INTERNAL CONTROLS

6. Ticket Matching by Texas Vehicle Information and Computer Services (TVICS)

For all parking citations entered in the database of the Municipal Courts Parking Ticket System, the license plate numbers were matched against TVICS' vehicle registration database to find vehicle owner information. This process was conducted through automatic exchange of electronic files on a weekly basis. The original contract was awarded to TVICS in August 1980, and the City renewed the contract annually. After two or three years, the MCD paid a fee per citation with no set monthly fee or annual commitment between the two parties until recently. In review of this process, significant issues were noted in the City's work relationship with TVICS:

- **Lack of a Contract**

The practice of receiving services without a contract between the City and TVICS continued for 25 years. A trading relationship with no contract in existence does not ensure the stability and quality of the service, or the best price possible.

- **Fee Structure**

At the present time, the charge rate is \$.10 per "input item" versus matched item. If owner information for a citation is not found or not matched, the charge still applies.

- **Statutory Competitive Billing Requirement**

Ticket matching service cost \$6,000 for fiscal years 2001, \$23,000 for fiscal year 2002, \$49,000 for fiscal year 2003, and \$24,000 for fiscal year 2004. The State's competitive bidding requirement mandates that spending equal to or over \$25,000 be competitively bid. The City does not appear to be in compliance.

- **Buy or Lease Analysis of Vehicle Registration Database**

According to a verbal price check with Texas Department of Transportation, it costs, approximately, \$16,000 to purchase the vehicle/motor registration database, plus weekly updates for \$135 per week. A buy or lease analysis should have been conducted to weigh the costs and benefits of each.

- **Monthly Reports**

As a result of data matching, TVICS provided three monthly reports to the City: (1) Ticket Log accounting for all tickets processed, (2) Top Ten Offenders and (3) a No-Hit listing all records not matched. The Parking Section Supervisor received the reports, saved them for three months for occasional inquiries, and then destroyed them.

The reports were not utilized to manage operations. The Ticket Log report was not used to reconcile tickets processed by TVICS to tickets sent for processing to ensure the accuracy of monthly billings. The Top Ten Offenders report was not forwarded to the Public Works or Police Department for booting or impounding purposes.

Risk

MCD Management has not efficiently and effectively managed the ticket-matching process. The current practice is at risk of service quality and price because a contract is not in existence. Additionally, the City may not be in compliance with the State competitive bidding requirement.

Recommendation

MCD Management should perform a buy or lease analysis of the vehicle registration database. Purchasing the database could be cost beneficial and time saving on processing turnaround time. Currently, the turnaround time with TVICS is weekly. If the database was purchased, employees would need to be trained on skip tracing.

SECTION II – DEPARTMENT MANAGEMENT AND INTERNAL CONTROLS

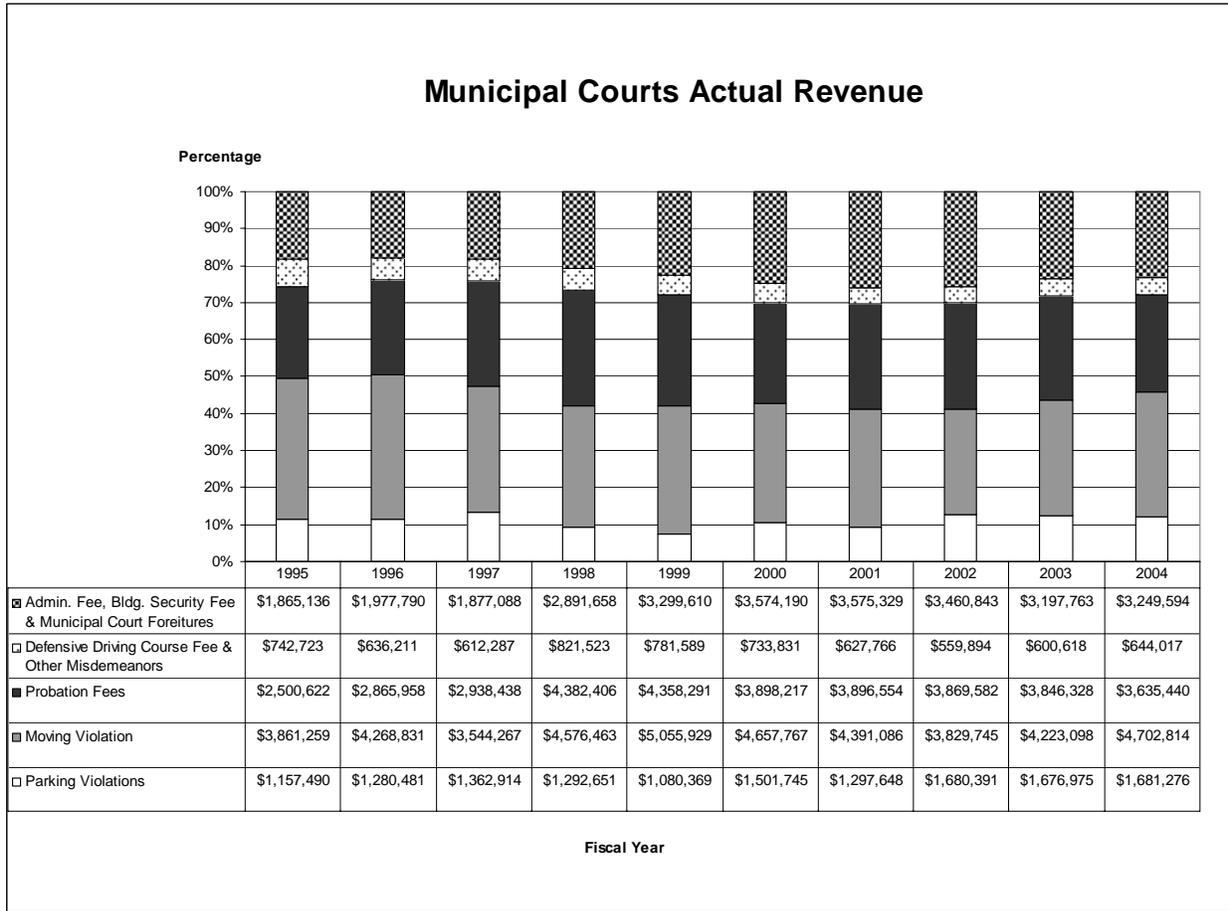
If the decision is to continue outsourcing, it is recommended that the MCD discontinue the service by TVICS as it has demonstrated inefficiencies in data matching. The MCD should follow State and City's competitive bidding requirements to find a vendor.

If the MCD continues the business with TVICS, negotiate the current fee structure to be based on "matched items," rather than input items, so that it will provide incentives for TVICS to find matched owner information. As such, a higher successful matching rate may improve the overall efficiency of collections.

Other basic controls that MCD Management should implement are:

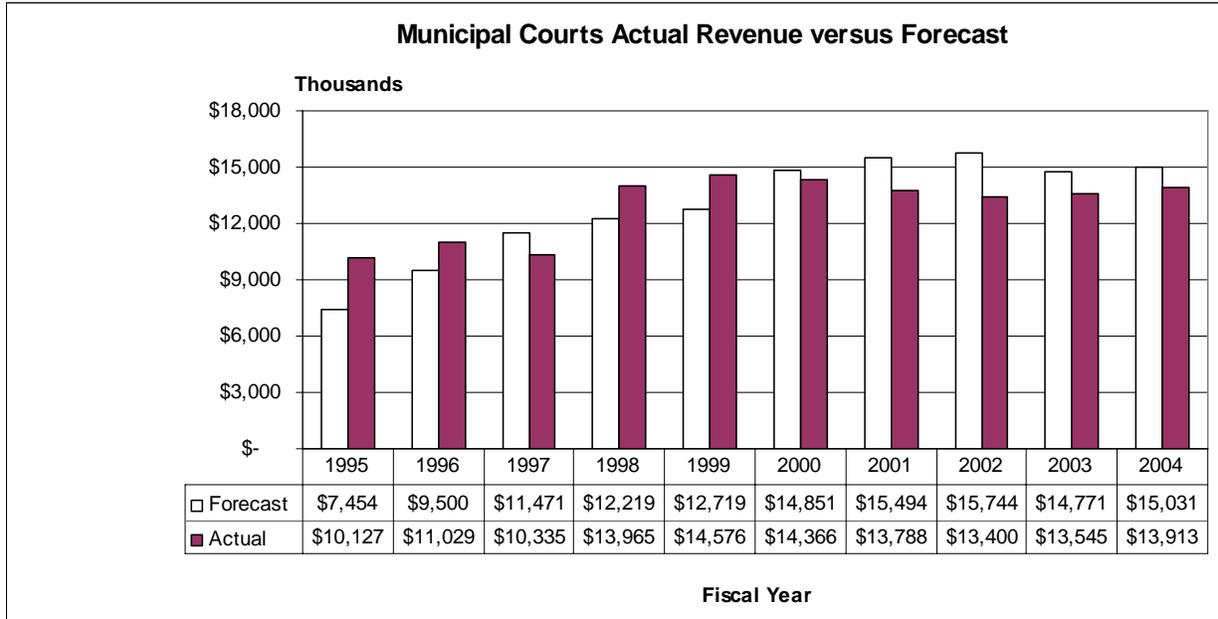
- Fully utilize reports provided by the vendor to actively manage operational results, for example, enforcing the booting or impounding program on repetitive parking offenders. When certain information (or a report) is necessary for effective management but not provided, request the information from the vendor.
- Always reconcile monthly billing to services provided by the vendor, for example invoices versus matched tickets, to ensure the accuracy of billing in the disbursement process. Document the reconciliation by the reviewer's signature.

ATTACHMENT 1A



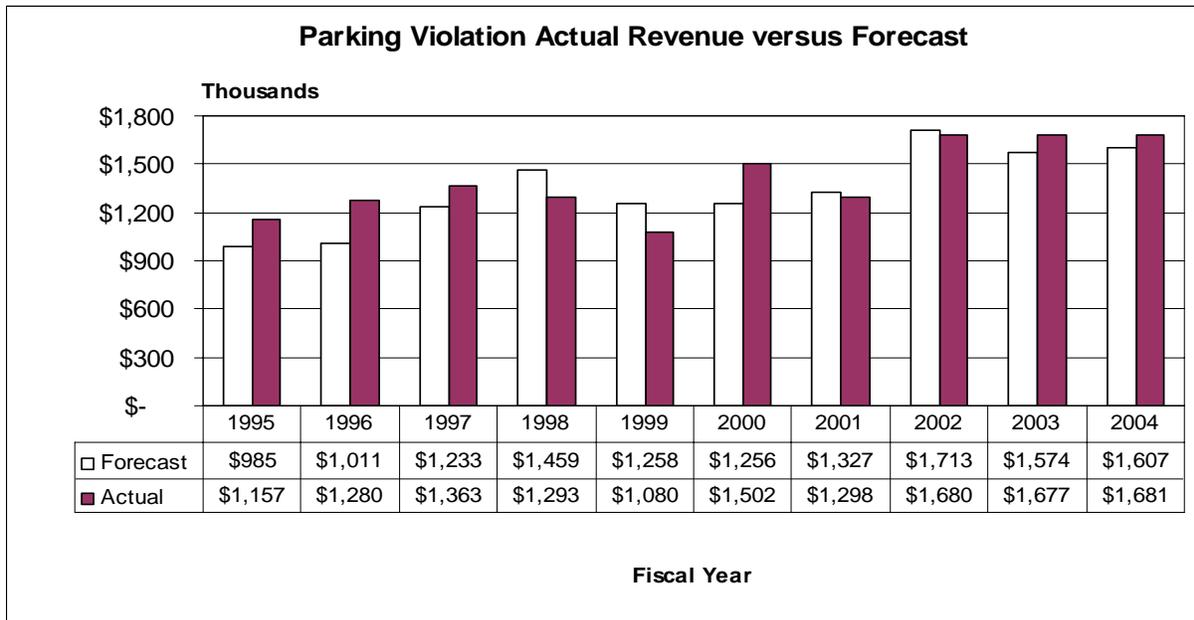
Source: City's FAMIS Report No. 66 – Revenues and Expenditures by Fund and Project for Fiscal Years 1995 through 2004

ATTACHMENT 1B



Source: City's FAMIS Report No. 66 – Revenues and Expenditures by Fund and Project for Fiscal Years 1995 through 2004

ATTACHMENT 1C



Source: City's FAMIS Report No. 66 – Revenues and Expenditures by Fund and Project for Fiscal Years 1995 through 2004

ATTACHMENT 2

Parking Citations Referred to the Contractor

Parking citations prior to 1988 were maintained manually so information for those years was incomplete. Parking citations issued since 1988 appeared to be more complete.

Fiscal Year	Number of Delinquent Parking Citations	Percent of Delinquent Parking Citations	Amount of Parking Fine	Percent of Citation Amount
1977	9	0	\$120	0
1980	2	0	40	0
1981	9	0	158	0
1985	8	0	0	0
1986	8	0	26	0
1987	3,164	1	47,036	0
1988	29,446	6	506,213	4
1989	22,669	5	392,314	3
1990	19,412	4	338,138	3
1991	19,340	4	356,628	3
1992	25,481	6	517,733	5
1993	28,314	6	584,310	5
1994	24,679	5	547,802	5
1995	30,179	7	812,678	7
1996	27,679	6	742,803	7
1997	24,267	5	658,245	6
1998	25,712	6	708,145	6
1999	25,568	6	702,550	6
2000	28,120	6	814,903	7
2001*	35,795	8	1,013,639	9
2002*	41,403	9	1,184,874	10
2003*	35,580	8	1,043,998	9
2004*	10,405	2	368,898	3
Total	457,249	100	\$11,341,251	100

Source: Data files provided by the City's Information Technology Services Department in December 2004
 *Contract with Progressive Financial Services was for fiscal years 2001 through 2004.

ATTACHMENT 3

Potential Recoveries or Cost Savings

The dollar amounts listed below represent estimated potential collections from parking citation holders or the Contractor. This does not mean that the collection of these items will be successful at this time due to the time delay in taking action. Since there are no statutes limiting collection effort, it is recommended that City Management assign resources to pursue these revenue sources:

	Issue/Finding Description	Estimated Potential Recoveries or Savings
1	A total of 136,000 citations did not have a name or address. These citations were not pursued by the MCD before being referred to the Contractor. The Contractor did not make any collection efforts either. (SECTION I, Observation 2 on Page 8)	\$3,610,000
2	The Contractor's data file was short by almost 21,000 records, in comparison with the dataset that the City's Information Technology Services Department placed on the File Transfer Protocol for extraction. Thus, these citations were not processed for collection by the Contractor. (SECTION I, Observation 3 on Page 9)	431,000
3	Almost 21,000 license plates had three or more parking citations, which made them eligible for booting. Only 2,600 or 12 percent of these license plate numbers were booted. The remaining license plates, about 18,000, were not booted so the booting fees were not imposed. (SECTION II Observation 4 on Page 20)	580,000
4	Testing indicated that the City did not owe a fee of \$20,000 for 4,350 citations found in the Contractor's billing statements. Yet, the City may owe a fee of \$4,200 for 830 citations, based on the records maintained by the City's Information Technology Services Department. Overall, the City may have overpaid the Contractor by \$16,000 during the contract period. (SECTION II Observation 8 on Page 11)	16,000
5	A total of 29,000 billing notices mailed were returned. First class postage was \$.37 each. A total cost of \$10,730 could be saved if internal processes were improved to reduce invalid names or addresses. (SECTION II Observation 2(ii) on Page 16)	11,000
6(a)	The collection rates during the review period did not meet the performance measures. However, no fees were held in escrow or retained permanently by the City. (SECTION I, Observation 7 on Page 10)	11,000
6(b)	Interest shall accrue at the rate of 10 percent annually. This rate should be applied to the escrow of the Contractor's fees that should have been held. This is an estimate of simple interest on payments of fees to the Contractor that the City should recover. (SECTION I, Observation 7 on Page 10)	3,000
Total Potential Recoveries and/or Cost Savings		\$4,662,000

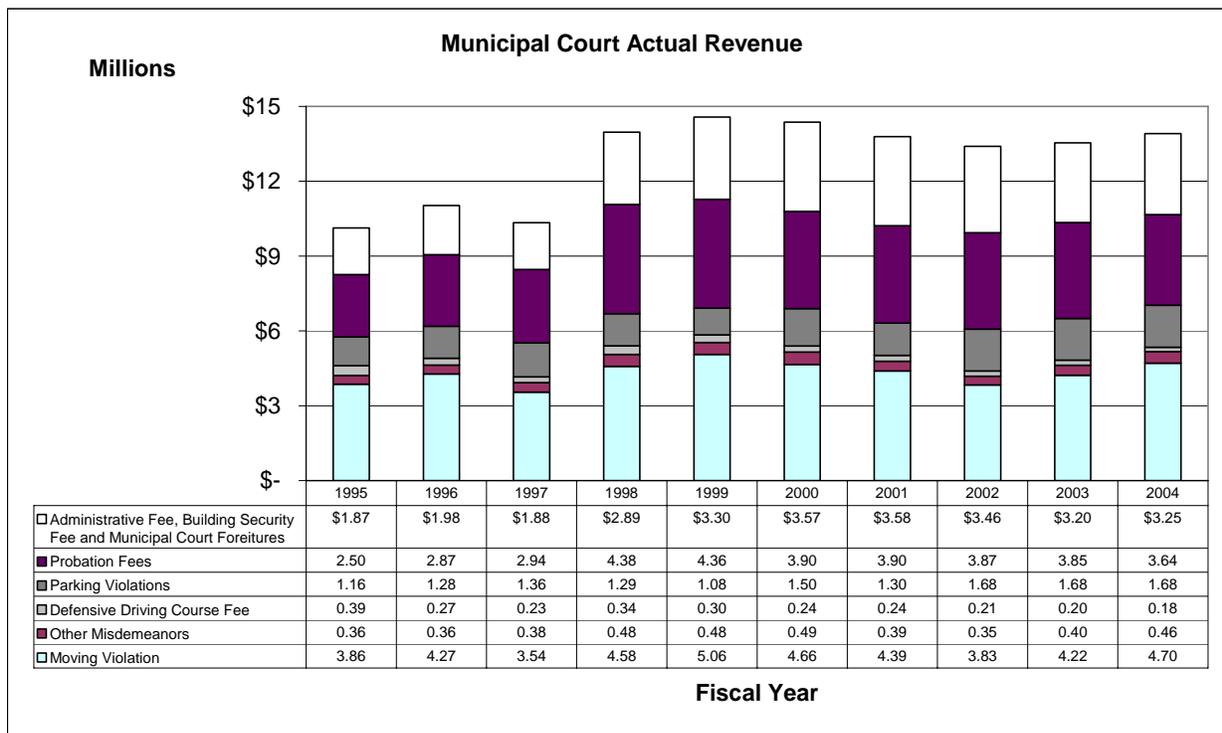
PART II
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Background

The Municipal Courts Department (MCD) collects payments for moving violations, parking citations, traffic citations, misdemeanor citations, and other violations. Moving violations and misdemeanor fines accounted for approximately 34 to 37 percent of the MCD’s annual total revenue of \$13 to \$14 million between fiscal years 2001 and 2004 as reflected in **Exhibit A**.

Exhibit A



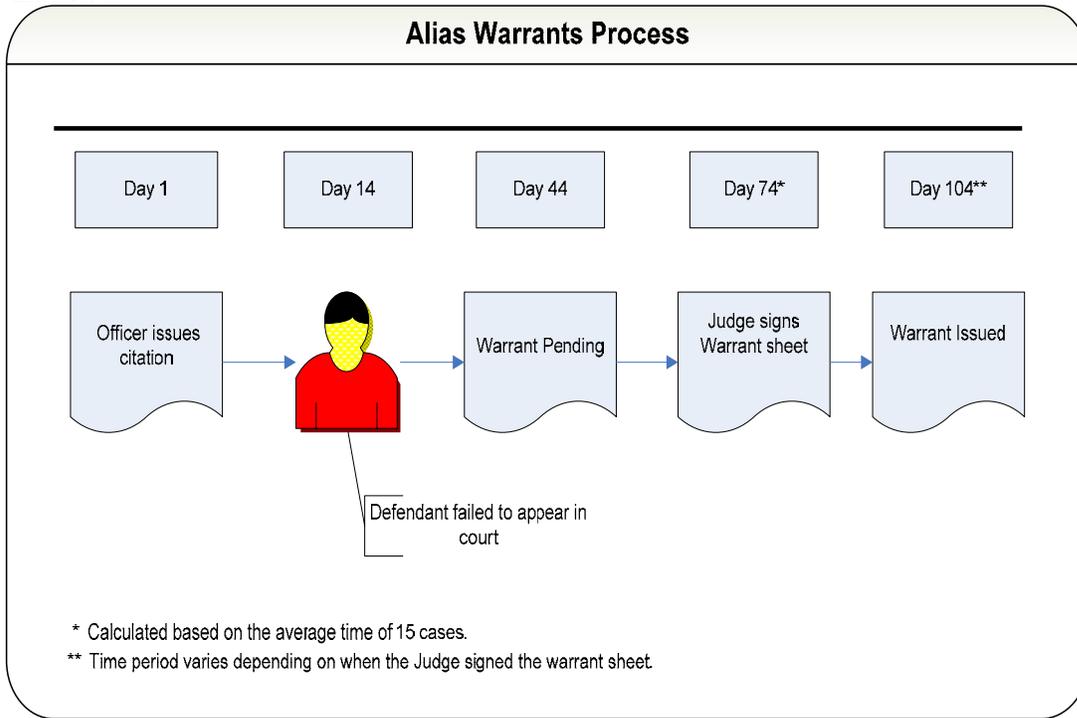
Source: FAMIS Report 61 – Estimated and Actual Revenue by Fund/Project/Activity

As described in the City’s Annual Adopted Budget for 2005, the financial objective of the MCD is “to increase the percentage of closed cases by maximizing the collection of fines and by decreasing the length of time for cases to be finalized.” One goal is to “evaluate the current professional contracts for the collection of delinquent cases.”

Misdemeanor and moving violation citations are issued by the Police and Code Compliance Departments. The defendant has the option to pay the fine or contest the citation in Court. The MCD receives payments by mail, a 24-hour drop box, on-line, at the Community Link Centers or the MCD’s cashier counter. These payments are entered into the Municipal Court Criminal Justice Mainframe System (commonly referred to as MCRT) and the amount collected is applied to Court fees, State Levy Fee, fine amount, technology fee and security fee. Defendants contesting the citation are required to appear before a judge at Municipal Court, at which time the case is dismissed or a sentence is given. A court sentence may include citation payment, community service, defensive driving course and probation. The defendant must comply with all terms of the court order before a case is closed.

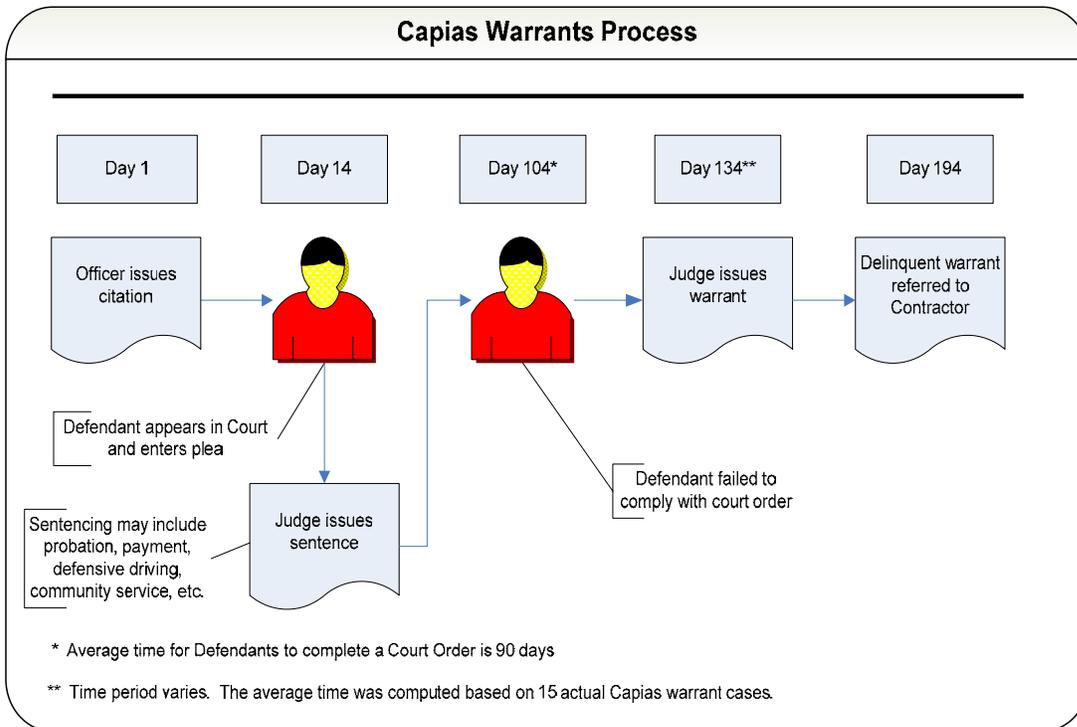
A warrant is issued by the Judge if the defendant fails to fulfill the court order or appear in court. All warrants are processed and monitored by the MCD Staff. There are two types of warrants: Alias and Capias. Alias warrants are issued to individuals who received a citation and a court date, but failed to appear when scheduled or make arrangements to clear the violation. Capias warrants are issued to defendants who received a sentence but failed to fulfill the direction of the court. As shown in **Exhibit B**, the average time frame to issue Alias warrants is approximately 104 days.

Exhibit B



The average time frame to issue Capias warrants takes approximately 134 days as reflected in **Exhibit C**.

Exhibit C



When warrants are issued, the MCD Records Division mails notices to defendants based on the names and addresses that were input into the MCRT Mainframe System by the Data Entry Section. The MCD bills and collects payments for warrants during the first 60 days from the date of issuance. During the 60 days, warrant holders can pay the fines or appear in court before the warrants fall into delinquent status.

During the contract period, adjudicated misdemeanor Capias warrants became delinquent after the initial 60 day period, and were subsequently referred to the Contractor. All warrant payments continued to be made directly to the MCD. The Contractor was notified of collections and changes in the status of cases so they would know when to stop their collection efforts.

The Contractor provided collection services to the City from February 2003 through January 2005. Municipal Services Bureau (MSB) replaced the prior vendor who withdrew less than one year into the contract. After the prior vendor withdrew, the City considered a number of proposals and selected MSB. The company provides similar services to other cities, counties, colleges, universities, and government entities.

Delinquent warrants referred to the Contractor included a backlog of 49,463 cases established prior to calendar year 2003. Capias warrants were also referred to the Contractor daily during the two year term, bringing the total of referred cases to 111,414.

The Contractor's fee was 30 percent of the amount collected. Per the Court Costs and Fees Handbook for Municipal Courts prepared by the State Office of Court Administration, a City's governing body may authorize the addition of a collection fee in the amount of 30 percent on debts and accounts receivable incurred as a result of offenses committed on or after June 18, 2003. These debts, which include unpaid fines, court costs, or forfeited bonds, must be more than 60 days past due and referred to a vendor for collections.

The MCD added the 30 percent collection fee to all cases that were referred to the Contractor. The addition of the fee required a change in the mainframe system programming. The programming change added the collection fee to all cases referred to the Contractor rather than limiting the fee to violations that occurred after June 18, 2003. When the contract period ended, another program change was required so that the 30 percent collection fee would no longer be charged. This created problems in the way historic financial information is displayed to the user.

The Contractor provided a monthly statement detailing collections to the MCD's Accounting Office for payment of its fee. **Part II, Attachment 1** provides more detailed information about citations referred to the Contractor, while **Exhibit E** is a summary of the Contractor's collection rate and collection fees for the audit period:

Exhibit E

Warrants Referred to the Contractor							
For the Period of February 1, 2003 through January 31, 2005							
Fiscal Year	Citations Referred to the Contractor (1)		Payment Received (2)		Actual Contractor Fee (2)	Collection Rate (3)	
	Number of Warrants	Amount Due	Number of Warrants	Payment Amount	Fees Paid	Percent Warrants	Percent Amount
2003	74,316	\$16,857,307	2,882	\$621,425	\$129,059	3.8	3.7
2004	35,917	9,042,702	6,356	1,188,582	246,858	17.7	13.1
2005	1,181	287,919	3,162	526,128	109,274	267.7	182.7
Totals	111,414	\$26,187,928	12,400	\$2,336,135	\$485,191	11.1	8.9

Source: (1) Data files provided by the City's Information Technology Services Department April 29, 2005
 (2) Municipal Courts Accounting Office
 (3) Calculated by the City Auditor's Office

The City performs periodic warrant drives. There are three phases of a warrant drive:

- Mailers are processed and sent to those with active warrants
- Volunteers telephone individuals with active warrants
- Law enforcement officers select a sample of individuals to visit at home or work to arrest or issue warnings to the individuals

Audit Objectives and Scope

In May 2005, the Internal Audit Department began a review of the contract with the firm that provided collection services for delinquent warrants. The Contractor provided these services to the City for two years from February 2003 through January 2005.

This contract was included in the fiscal year 2005 audit plan based upon the city-wide risk assessment performed by the Internal Audit Department in the summer of 2004. Risk related criteria included the following:

- The controversial history of the Capias warrant collection contract and the complexity of the contract
- The contract would expire during fiscal year 2005, and contract renewal or an RFP for collection services was probable
- There was significant interest by the Municipal Court Judiciary in the warrant collection process during the summer of 2004

The initial audit objective was to determine if the Contractor complied with significant provisions of the Contract. The audit scope was expanded to emphasize MCD operations related to warrant processing. Events that influenced this decision included the following:

- Discussions about restructuring the Municipal Courts Department
- The request for proposal on collection services for delinquent warrants (adjudicated and non-adjudicated) and parking fines that occurred and concluded between October 2004 to January 2005
- The audit in process for the collection of delinquent parking fines services contract
- The results of a site visit made to the Contractor's headquarters

As such, the revised objectives and scope of the audit were to determine the following:

- If the Contractor performed Capias warrant collection services in compliance with provisions of the contract
- If internal controls established by the Contractor and the Municipal Courts Department for Capias warrants were in place and effective

The Scope of the audit was extended to cover the period from February 2003 through March 2005.

Criteria

This audit referenced the following documents to evaluate the performance of operations:

- City Ordinances and Local Government Codes
- City's Adopted Annual Budget
- Internal Control – Integrated Framework by Committee of Sponsoring Organizations of the Treadway Commission (COSO)
- Control Objectives for Information and related Technology (COBIT)
- Generally Accepted Accounting Principles
- Collection Service Contract for Misdemeanor Capias Warrants
- Best Practices and Trends

Audit Methodology

The audit methodology consisted of the following:

- Gathering and reviewing information and documentation from the City and Contractor
- Conducting risk and control analysis
- Performing interviews with Contractor and MCD personnel
- Observing Municipal Court's warrant collection operations
- Testing data files obtained from MCD and the Contractor
- Analyzing, comparing and evaluating test results

The review was performed in compliance with Government Auditing Standards issued by the United States General Accounting Office.

OBSERVATIONS AND RECOMMENDATIONS

SECTION I – MUNICIPAL COURTS DEPARTMENT INTERNAL CONTROLS AND BUSINESS PROCESSES

1. Address Input and Mailing Letters

Processing citations and warrant letters requires an excessive amount of manual input that results in human error and duplication of identical tasks. These inefficiencies result in wasted City resources. Citations are written by Officers on paper forms. Address information is obtained from a driver's license, identification card or verbally. Handwritten citations are then interpreted by MCD data entry personnel and entered into the MCRT System. Controls do not exist to ensure that all tickets written are input into the MCRT System. When warrants are issued, letters are printed and mailed using the addresses entered into the system.

1.1 Although the MCRT System is configured to utilize the Geobase address validation function, it is not being used by data entry personnel. Geobase is designed to notify data entry personnel when an invalid address is entered into the system. The address can then be corrected. Front-end validation of addresses reduces the number of bad addresses in the system and the number of letters returned. This saves money in postage and printing.

1.2 Undeliverable letters are returned by the U.S. Postal Service and reviewed by MCD personnel. The MCRT System address is updated if a correct address is provided on the returned letter. The system address is flagged if there is no new address information. The flagging is performed to prevent the printing and mailing of letters to these addresses in the future. In May 2005, there were over 4,000 pieces of returned mail related to warrants. The cost of mailing these letters was approximately \$1,500. Additional costs are incurred to process the returned letters.

Returned warrant letters are temporarily stored in boxes in the Warrant Section. A judgmental sample of 40 letters from one box was selected for review. The following issues were noted:

- Nine letters, or 23 percent, had undeliverable addresses due to errors from manual processing. The hand-written citation was illegible or misinterpreted by the data entry personnel.
- Thirty-six letters, or 90 percent, had addresses that had not been flagged in the MCRT System. These letters were dated as early as February 2005 and had not been processed by MCD personnel.

1.3 Warrant letters are printed and mailed to addresses that are incomplete or otherwise undeliverable. This includes warrant holders whose address prints as "Homeless." One of the duties of the Warrant Section is to 'delete' undeliverable mail, which entails reviewing printed letters and discarding those that have incomplete addresses, addresses of homeless shelters, and those that have 'Homeless' listed as the address. As of March 31, 2005, there were 2,184 delinquent warrants related to homeless persons with a value of \$465,340, and 1,845 delinquent warrants with incomplete addresses valued at \$307,360. In the absence of a complete address, the chance of collecting these funds is significantly diminished.

If front-end validation is used and bad addresses are flagged to prevent the printing and mailing of letters to these addresses, the task of 'deleting' mail becomes unnecessary.

Exhibits F and G provide some information about the number and type of delinquent Capias warrants issued to homeless individuals. There are expenses related to writing and processing these 2,184 citations. Very little of that expense is recovered through the collection of these fines. Approximately one percent of these delinquent warrants are collected, as shown in **Exhibit F**. In **Exhibit G**, the number of violations related to substance abuse suggests that an outreach effort may be beneficial.

SECTION I – MUNICIPAL COURTS DEPARTMENT INTERNAL CONTROLS AND BUSINESS PROCESSES

Exhibit F

Delinquent Warrants Issued to the Homeless				
As of March 31, 2005				
Address	Total Amount Due	Total Amount Paid	Referred Citations	Percent of Referred Citations
212 N. Alamo	\$10,916	\$221	47	2
226 Nolan	107,011	543	568	26
910 Commerce	199,234	1,778	972	45
230 E. Travis	9,914	0	38	2
1000 Fredericksburg	10,389	0	49	2
'Homeless'	127,876	2,650	510	23
Totals	\$465,340	\$5,192	2,184	100

Source: Data files provided by the City's Information Technology Services Department on April 29, 2005

Exhibit G

Summary of Top 4 Violations Issued to the Homeless					
Outstanding Warrants As of March 31, 2005					
Violation Year	Top 4 Violation Codes for Homeless Persons				Totals
	6087	6058	5003	0036	
Prior to 1996	126	1	27	12	166
1996	24	4	3	5	36
1997	30	4	4	3	41
1998	44	4	8	1	57
1999	55	8	10	2	75
2000	104	10	6	7	127
2001	48	20	7	3	78
2002	88	74	25	10	197
2003	82	74	12	8	176
2004	12	18	4	6	40
Totals	613	217	106	57	993
Violation Code	Violation Description				
6087	CONSUMING IN DOWNTOWN AREA				
6058	COLLECTING DONATIONS/SELLING FROM STREETS				
5003	CONSUMING ALCOHOLIC BEVERAGE				
0036	DRIVER'S LICENSE VIOLATION				

Source: Data files provided by the City's Information Technology Services Department on April 29, 2005

SECTION I – MUNICIPAL COURTS DEPARTMENT INTERNAL CONTROLS AND BUSINESS PROCESSES

Risk

Human error in manual processing and lack of front-end validation of addresses results in the printing and mailing of undeliverable warrant letters. Money is wasted in the printing and mailing expenses, and human resources are not utilized efficiently or effectively. In addition to the printing costs, each returned letter costs \$.37 for original postage. Manual processing also increases the risk that tickets are not entered by data entry staff.

Recommendation

The Internal Audit Department recommends that the Municipal Courts Department utilize the Geobase address validation system to reduce the number of invalid addresses being recorded.

To reduce inefficiencies and errors, replace manual processes with automated processes. As an example, entering citations into handheld devices and downloading them into MCD's database would increase productivity and reduce errors. The time saved in eliminating data entry of citations could be spent on investigating and correcting bad addresses.

The City incurs substantial expense issuing and processing citations written to homeless persons. Municipal Court Management should assess the costs versus benefits related to processing and collecting on citations written to homeless individuals. Alternatives and cost saving measures should be recommended to City Executive Management. Based on analysis of delinquent warrant data, alternatives may include an outreach effort related to substance abuse.

SECTION I – MUNICIPAL COURTS DEPARTMENT INTERNAL CONTROLS AND BUSINESS PROCESSES

2. Warrant Processing Internal Control Weaknesses

Internal controls are not in place to ensure that warrants are issued and processed with the appropriate authorization and documentation on a timely basis.

2.1 Use of Judge Code "04"

Each Municipal Court Judge has an assigned code which is used in association with judicial events in the MCRT System. The Department Security Specialist or DSS has not deleted codes of retired Judges on a timely basis, and as a result, MCD employees have used the codes of retired Judges to enter judicial events into the system. As an example, approximately 30,000 of the delinquent Capias warrants referred to the Contractor were associated with Judge code "04", which was assigned to someone who retired in the early 1990s. As of May 2005, Judge code "04" is no longer being used in the MCRT System.

See **Part II, Attachment 2** for a summary of the Judge codes associated with delinquent misdemeanor Capias warrants.

2.2 Authorization to Issue Warrants

Judges are the only personnel authorized to issue warrants. A warrant sheet should be signed by a Judge and documented in the case file. During the audit, a statistical sample of 60 was selected from the population of 38,709 cases that were processed using Judge code "00" or "04." Documentation related to each of the selected cases was reviewed to determine if a Judge had authorized the warrant. Seven of 60 or 12% of the cases had warrant sheets that were signed by the former Municipal Court Director. These seven warrants were issued in 1993 and 1994. There was no authorization by a Judge to issue these warrants.

2.3 Lack of Current Policies and Procedures Manual

The Warrant Section, which includes approximately eight employees, lacks a current Policies and Procedures Manual. The existing manual was created in 1999; however, some procedures have been changed or added since 1999. Lists of duties for Office Assistants, Administrative Aides, and Administrative Assistants are included, as well as a Daily Office Start-up Checklist. These documents are not dated.

2.4 Accepting Partial Payments

MCD did not accept partial payments on fines until October, 2000. As a result, the City did not collect some fines and fees. Programming to allocate partial payments to the various categories of fines and fees (i.e. fine, state levy, court costs) was not requested until Court judiciary suggested it.

2.5 Lack of Documentation in Electronic Case Files

Court documents or transmittals authorizing partial payments, defensive driving, and other court orders are signed by a Judge and scanned by Imaging Section personnel. Imaged documents are maintained in San Antonio Municipal Courts Imaging System or SAMCIS, a system separate from MCRT. The imaging software reads the citation number on the document and stores all documents on the server by citation number.

A random sample of 30 cases was reviewed to determine if documentation exists for court orders. The sample was selected from the population of cases sent to the Contractor which involved a partial payment. Eight cases or 26 percent were missing some documentation.

2.6 Exception Handling of Warrants

Judges periodically order warrants to be issued immediately if a defendant fails to appear. A written transmittal ordering the warrant is carried by MCD personnel to the Warrant Section to be processed. This type of warrant is handled differently because the Warrant Section prints

SECTION I – MUNICIPAL COURTS DEPARTMENT INTERNAL CONTROLS AND BUSINESS PROCESSES

the warrant sheet directly instead of waiting for the Information Technology Services Department (ITSD) to print it. The warrant sheet printed by the Warrant Section is then delivered to the court room for a Judge's signature. There is no process in place to ensure that all of these warrants are processed on a timely basis.

Risk

Warrant processing control deficiencies reduce the likelihood of collecting fines and fees. Using invalid Judge's codes to enter judicial events reduces accountability and increases the risk and potential for errors, fraud and abuse. Written policies and procedures act as a preventive control to ensure that the activities of the Department are carried out as intended. Reliance on paper-based processes increases the likelihood that warrants ordered by a Judge are not processed timely.

Recommendation

Municipal Court Management should monitor the use of Judges' codes and ensure that only valid codes associated with active Judges are used (also see Observation 3.2 below). Restrict the ability to add and delete Judge codes to ITSD security personnel. Changes should be made based on an authorization form signed by the Municipal Court Director. MCD Management should also initiate controls that prevent the processing of warrants that are not signed by an active Judge.

After the MCD and Warrant Section have completed the reorganization and restructuring efforts, they should update the policies and procedures manual and obtain proper approval for the new manual, require all employees to read the new manual to ensure that they are familiar with any new policies and procedures that are implemented. Furthermore, they should provide appropriate training for the new procedures to ensure that Department objectives will be met.

3. Weak Access Controls

Controls over computer access and user roles should be improved to better manage operator accounts and segregation of duties. Mainframe security is administered within the Municipal Courts Department. The Department System Specialist (DSS) is responsible for mainframe security. The systems used by the MCD are not programmed to adhere to accepted system security standards such as the Information Systems Audit and Control Association's *Control Objectives for Information and Related Technology (COBIT)*.

3.1 Segregate the Duties of Preparing Journal Entries and Posting Journal Entries

An Accounting Clerk inputs and "parks" the daily journal entry to record MCD cash receipts in ERM/SAP. Due to the user roles assigned, the Revenue Accounting Supervisor reviews the journal entry in ERM/SAP but does not have the access privileges necessary to post the entry. The Accounting Clerk who originally prepared the journal entry must post the entry. The duties of preparing the journal entry in ERM/SAP and posting the journal entry in ERM/SAP are not segregated.

3.2 Mainframe Security Issues

Currently there are no standard mainframe operator roles for MCD employees using the mainframe applications. For each operator, the DSS assigns access to each of approximately twelve mainframe systems individually based on an access authorization form that is approved by the operator's supervisor. Due to the lack of operator roles there are limited degrees of access that can be assigned. An Administrative Assistant with update privileges has the same abilities within the system as a Supervisor.

The DSS is responsible for administering mainframe security for the MCD. The DSS does not consistently receive a timely notification of employee transfers or terminations.

The mainframe system does not enforce minimum password content standards such as

SECTION I – MUNICIPAL COURTS DEPARTMENT INTERNAL CONTROLS AND BUSINESS PROCESSES

requiring a combination of alpha and numeric characters with a minimum length of eight characters. With the exception of the MCRT System, mainframe passwords are not required to be changed after a period of time has elapsed.

Risk

Lack of adherence to accepted security standards and best practices increases the risk and potential for errors, fraud and abuse.

Recommendation

The issues identified suggest that security was not a priority when the mainframe application was developed. As the MCD moves toward replacing the mainframe systems, it should consider strong access controls as a requirement for the new system and move responsibility for administering system security from the Municipal Courts Department to ITSD. The City Chief Information Officer and Chief Technology Officer should evaluate the current system to determine what security improvements can be made. Any system that replaces the mainframe should include security features that conform to COBIT standards.

The ERM/SAP role assignments that cause the MCD's accountants to perform incompatible duties should be addressed in a timely manner. Segregate the duties of preparing journal entries in ERM/SAP and posting journal entries in ERM/SAP. The Revenue Accountants should not have the capability to prepare and post journal entries.

4. Inadequate Stakeholder Involvement

Historically, there has been little Judicial input in warrant collection processes. Judicial participation, input, and concurrence with processes have not occurred. As a result, missteps have occurred such as exceeding the allowable fine amount for a seat belt violation.

Risk

Without stakeholder input, the MCD is more likely to implement inefficient or ineffective processes that may not comply with legal requirements.

Recommendation

Municipal Court Management should provide the Judiciary an opportunity to participate in significant management decisions that affect warrant processing and collection. When appropriate, it should consult other stakeholders such as ITSD, Finance, Code Compliance or Police Departments.

5. Warrant Drives

Warrant drives are conducted several times each year. During warrant drives, SAPD targets those cases that have gone into warrant status within the last 45 days, but does not give consideration to other factors such as defendants with multiple warrants or the total balance outstanding. Based on analysis of the data received from ITSD in April 2005, there are 606 individuals who have ten or more delinquent warrants.

The FY 2005 Operating Budget included a Marshal Program to increase the collection of outstanding warrants for this Department. As of May 2005, implementation was pending.

Risk

This methodology of targeting defendants has not resulted in maximizing potential collections for warrants.

Recommendation

To make the warrant drives as effective as possible, Municipal Court Management should develop a process for analyzing warrant data for use by SAPD and Municipal Court Marshals. For instance,

SECTION I – MUNICIPAL COURTS DEPARTMENT INTERNAL CONTROLS AND BUSINESS PROCESSES

targeting defendants with multiple warrants outstanding requires the same amount of time, but potentially increases dollars collected and cases cleared.

6. Renewal of Drivers' Licenses and Vehicle Registrations

State law allows a municipality to contract with Texas Department of Public Safety to prevent renewal of driver's license for persons who fail to appear on certain traffic violations. On April 30, 1997, the City entered into an inter-local agreement with the Texas Department of Public Safety (TDPS) to implement the denial of renewal of drivers' licenses. This agreement terminated on May 1, 2002. Based on a review of documents related to the agreement with the TDPS, the City submitted 373,173 offenses between May 1997 and May 2002.

State law also allows denial of vehicle registrations for persons who have warrants issued for moving violations. Currently, the City does not have agreements in place with either the Texas Department of Public Safety to prevent driver's license renewal, or the Bexar County Tax Assessor to prevent vehicle registration.

Risk

Interlocal agreements provide the City with an opportunity to improve collections. The absence of intergovernmental agreements decreases the collection rate of citations.

Recommendation

Municipal Court Management should establish agreements with the Texas Department of Public Safety and Bexar County which would result in the denial of renewal of drivers licenses and auto registrations for warrant holders.

SECTION II – DATA RELIABILITY ISSUES

Administration of the systems used by the MCD does not adhere to accepted standards such as the Information Systems Audit and Control Association's *Control Objectives for Information and Related Technology (CobiT)*.

1. Programming Errors

Code of Criminal Procedure, Article 103.0031, as revised in June 2003, provides that a city may enter into a contract with a private vendor to provide collection services for delinquent warrant fines. Under the Article, the City can charge the defendant a 30 percent collection fee, which may be used to pay the Contractor. The effective date for the revision is June 18, 2003. Based on a reading of the statute and a conversation with a State employee, the collection fee can only be applied to debts incurred as a result of offenses committed on or after June 18, 2003. This statute was discovered after audit fieldwork was completed.

Programming changes were made to apply the collection fee to delinquent warrants; however, the programming applied the fee to all delinquent warrants rather than limiting the fee to violations occurring after June 18, 2003. After the programming change was implemented, MCD began assessing a 30 percent collection fee for all delinquent warrants referred to the contractor. This was discontinued February 1, 2005 with the termination of the collection contract.

When the collection contract with the Contractor expired at the end of January 2005, MCD Management submitted a program change request to ITSD so that MCD would no longer add the 30 percent collection fee that was allowed when a vendor was contracted to assist with collections. The programming that resulted from that program change request affected not only new cases, but those that had been paid when the collection fee was allowed by law.

The programming change made in February 2005 caused a change in the way financial information is displayed to mainframe users. Currently, payment amounts are displayed incorrectly. During the testing of payments made, 12 of 30 or 40 percent of sample items tested had payment amounts that did not equal amounts recorded in the MCRT System.

The Information Technology Services Department (ITSD) failed to correctly make the programming changes and test the changes prior to implementation. It is not clear whether the users in MCD formally accepted the program changes.

Risk

Errors in application program changes could disrupt critical work functions, corrupt the integrity of information assets, destroy programs, and increase the cost of maintaining computer applications.

Recommendation

Municipal Court Management should perform diligent analysis of program change requests prior to their submission to ITSD. The Information Technology Services Department should establish procedures to ensure well controlled application changes.

2. Incomplete Data File Transfer

During the period of the contract between COSA and MSB, data for delinquent warrant cases was provided to the Contractor daily. Under the agreed upon procedures, the Contractor sent a confirmation for each file that they received. If a file was not received, the Contractor would not send a confirmation. ITSD would then determine the reason for the failure and ensure that the Contractor received the file.

SECTION II – DATA RELIABILITY ISSUES

To determine if the Contractor had received all delinquent Capias warrants for collection, the number of cases received was compared to the number of cases COSA sent. Based on the comparison, 333 delinquent warrant citations valued at approximately \$80,000 were not included in the Contractor's database and were not pursued by the Contractor. The cases that were not received by the Contractor occurred in an erratic pattern. See **Part II, Attachment 3** for further information about the comparison.

Risk

If citations are not referred, the Contractor is not able to perform its collection efforts and the City is potentially losing revenue.

Recommendation

If MCD selects another vendor to provide warrant collection services, it should develop procedures to ensure that the Contractor receives all cases that should be referred.

3. Inaccurate Account Status

The Contractor uses a set of account status codes that are similar, but different than account status codes used by COSA. The Contractor determined a method of mapping COSA codes to their own codes. During a meeting with Contractor Management, it was stated that COSA dismisses a greater percentage of cases compared to other municipalities. The Contractor provided reports showing approximately 38 percent of cases referred by COSA were coded as "Dismissed" (see **Part II, Attachment 4**).

During a comparison of data obtained from the Contractor to similar data obtained from ITSD, it was noted that there were significant differences in the classification of cases. The total number of cases was fairly close, but the classification was very different. The Contractor's data included many more cases classified as "Dismissed." The cause of this difference is not known. However, it may have prevented the Contractor from pursuing those cases that they had classified as Dismissed.

The cases coded as "Dismissed" in the Contractor's database were analyzed and compared to the COSA account status. It appears as if the Contractor did not map COSA status codes correctly to their own codes. For example, among the 43,213 cases that the Contractor coded as "Dismissed," there were 30,259 cases that COSA had coded as "Jail-Fine Served", as shown in **Exhibit H**. The Contractor provided reports that include the code "Time Served Cred," but very few cases had that code.

Other coding differences were noted. Among the cases that the Contractor coded as "Active" were 1,276 cases that COSA had coded as "Jail-Fine Served."

SECTION II – DATA RELIABILITY ISSUES

Exhibit H

Cases Categorized as "Dismissed" by the Contractor

The Contractor reported 43,213 cases coded as "Dismissed." A comparison of Contractor data to COSA data suggests that the majority of cases that the Contractor coded as "Dismissed" were categorized incorrectly. COSA uses descriptions with the prefix DSM to identify cases that have been dismissed.

COSA Status Description	Number of Cases	Percent of Cases	Total Value of Cases	Percent of Value
Blank	7	0.0	\$ -	0.0
CAPIAS-ISSUED	1	0.0	191	0.0
DSM-CMP FAILED APPR	1	0.0	133	0.0
DSM-COURT DISCRETION	1	0.0	169	0.0
DSM-OFF CAN'T RECALL	1	0.0	178	0.0
JURY GUILTY	1	0.0	27	0.0
T/C JURY GUILTY	1	0.0	-	0.0
TDL-SUSPENDED	1	0.0	226	0.0
TERMINATED UNSATISFACTORILY	1	0.0	113	0.0
CAPIAS-PENDING	2	0.0	412	0.0
DSM-OFF FAILED APPR	2	0.0	160	0.0
PAID-BY-MAIL	2	0.0	114	0.0
DSM-VALID REG & STKR	6	0.0	1,639	0.0
DSM-VALID DRIVER LIC	7	0.0	1,599	0.0
DSM-PRO.RECOMMENDS	10	0.0	2,036	0.0
DSM-COMPLET DEF-DRIV	15	0.0	2,773	0.0
DSM-VALID LIBLTY INS	20	0.0	7,287	0.1
DSM-PRO.PLEA BARGAIN	27	0.1	7,394	0.1
DEFER DISP BOND FORFEIT-F-PAID	29	0.1	7,638	0.1
DSM-143A1 DDC	34	0.1	6,183	0.1
DSM-DEF.DIED OR SAPD	64	0.1	17,180	0.1
DSM-COMPLETD DEFER DISP	215	0.5	58,313	0.5
GUILTY	302	0.7	1,162	0.0
T/C GUILTY	335	0.8	31,541	0.3
PAID-OVER-COUNTER	909	2.1	3,925	0.0
COMMUNITY SERVICE COMPLETED	1,960	4.5	624,024	5.3
NOLO CONTENDRE	2,537	5.9	20,786	0.2
T/C NOLO CONTENDRE	2,552	5.9	320,000	2.7
SUSPENDED FINE	3,911	9.1	1,154,783	9.9
JAIL-FINE SERVED	30,259	70.0	9,394,101	80.5
Totals	43,213	100.0	\$11,664,085	100.0

Source: Data files provided by the City's Information Technology Services Department on April 29, 2005 and data received from MSB on May 10, 2005.

Risk

If citations are not coded correctly, the Contractor is not able to perform its collection efforts and the City is potentially losing revenue. The Contractor may also attempt to collect fines and fees for cases that have been previously resolved.

Recommendation

Municipal Court Management should develop procedures to ensure that Contractors properly map COSA status codes to Contractor status codes. This should be monitored periodically by Municipal Court Management.

SECTION III – CONTRACT ADMINISTRATION

The contract provided for a fee of 30 percent of the net amount of citations collected. However, a plan to monitor the performance of the Contractor was not in place. Also, inadequate verification was performed on monthly reports submitted by the Contractor. A structured monitoring method would have provided reasonable assurance to City Management that the required result from outsourcing these functions was achieved. Major activities, such as the ones listed below, should be monitored on a periodic basis:

- Reconciliation of Contractor monthly invoices to actual collections received by MCD
- Contractor's collection activities, including the timeliness of mailings and efforts to make contact by phone
- Daily data file transfers containing updates on warrant cases
- Proper classification of cases by Contractor, for example Dismissed, Paid, Jail-Time Served

Had the Contract been properly monitored, the issues noted below may not have occurred.

1. Contractor did not meet Collection Commitment

Section 6.1 of the contract states that the minimum recovery rate required of the Contractor is 16.5 percent of the dollar value of cases referred, over a 12-month period, which had not been referred to the previous Contractor. That is, 16.5 percent of the dollar value of cases referred in one month of year one, must be collected by the same month in year two, etc. As indicated on History Analysis Reports submitted by the Contractor, the minimum recovery rate was not achieved. The report dated January 12, 2005 shows collection rates of 8 to 17 percent. Section 6.2 of the Contract states that in the event the Contractor does not exceed the guarantees in the timeframes set, Contractor forfeits to the City the amount held in escrow, which is 10 percent of the Contractor's fee. Forfeiture of the amount held in escrow is the only penalty for not meeting the minimum recovery rate. The City did withhold 10 percent of the collection fee as a penalty to the Contractor for not achieving the target recovery rate.

2. No Verification of Collections on Monthly Invoice

The Contractor provided a detailed invoice to MCD each month that listed each delinquent warrant collection for the prior month. For each invoice, the Revenue Accounting Section performed a comparison of the total amount of delinquent warrant collections invoiced by the Contractor to the amount of delinquent warrant collections recorded by MCD during the month. However, there was not a process to compare each case on the invoice to citations actually collected by MCD.

3. Lack of Proper Monthly Reporting

Section 3.2 of the Contract states "Commencing the second (2nd) calendar month of this Contract, Contractor shall provide to the Director a monthly report of the previous months activity no later than the 15th day of each month." Reports shall include the following:

- Number of referred citations submitted to the Contractor
- Total citation amounts of the referred citations submitted to the Contractor during the preceding month
- Average period of time elapsed since entry of judgment in each referred citation until referral thereof to the Contractor
- Total of all citation amounts recovered by the Contractor on all referred citations during the preceding month
- Percent of all citation amounts of all referred citations recovered by Contractor
- Number of referred citations returned to City by Contractor as non-collectible during the preceding month and the total citation amounts for same
- Number of referred citations outstanding with the Contractor and citation amounts
- Contractor's calculation of the Contractor's fee owing and unpaid to Contractor

SECTION III – CONTRACT ADMINISTRATION

The Contractor did not start submitting monthly reports until the second year of the contract. These reports did not include the number of referred citations outstanding with the Contractor and citation amounts. MCD staff did not require the Contractor to submit monthly reports during the first year.

4. Outsourcing of Major Process by the Contractor

Section 14.2 of the Contract states that the “Contractor may not sell, assign, pledge, transfer or convey this Contract or any interest in this Contract, or delegate the performance of any duties hereunder, by transfer, by subcontracting or any other means, without the consent of the City Council, as evidenced by passage of an ordinance.”

Section 4.2 of the Contract describes the responsibilities of the Contractor relating to collection services, more specifically the mailing of collection letters. It specifies that the Contractor shall provide the services.

The Contractor outsourced the mailing function to a company in Michigan, although it did not mention this outsourcing in the response to the RFP and did not receive approval as required in the contract. The RFP discusses many issues related to mailing letters, such as timing of the mailing of notices, and the format and content of the notices and envelopes. The wording of the description implies that the Contractor will perform the mailing functions. Adequate contract monitoring would have detected the outsourcing.

As it relates to personnel requirements set forth in the contract, the Contractor is responsible for ensuring that all personnel providing services under the contract receive a minimum wage of \$8.50 per hour and health care insurance, vacation/sick pay benefits and retirement benefits. It is not known if the Contractor ensured that the subcontractor complied with these items.

5. "Net Amount Collected" and Exclusions

Some cases that had been referred to the Contractor are later considered “Exclusions” under the terms of the contract. Exclusions result in a reduction in the original balance of the citation amount. These include statutory dismissals, Court determination of indigence or other reason for inability to pay, and discharge of citation amount and collection fee through fulfillment of community service, jail time served or other reason. The Contractor is unable to collect the original amount referred when those amounts are reduced due to judicial action. The required collection rate should equal the amount of collections as a percentage of total dollar amounts that are actually collectable.

6. Small Business Economic Development Advocacy (SBEDA)

The contract does not specify the requirements that the Contractor must meet in order to comply with the City’s SBEDA policy. In addition, the contract states that the, “City hereby acknowledges that Contractor’s Good Faith Effort Plan at the time of the execution of this Contract meets the requirements of the City’s Economic Development Department.” Upon review of the Good Faith Effort Plan, it appears that the Contractor did very little to solicit SBEDA vendors. The name of one company was listed, but the Contractor did not provide any business to that company and the City did not follow up with the Contractor to determine if the company was used.

Risk

The failure to develop and implement a contract administration plan for this contract cost the City an opportunity to collect fines and fees during the contract period.

SECTION III – CONTRACT ADMINISTRATION

Recommendations

Municipal Court Management should ensure that personnel are trained and procedures are established for administering contracts. Each bidder should demonstrate ability to perform to the expected level. The City should also consider making site visits to the leading vendor prior to selection.

Based upon discussion and the auditor's observation of operations, MSB would be an eligible vendor for future contracts.

ATTACHMENT 1
Age of Warrants Referred to the Contractor

Fiscal Year	Number of Delinquent Warrants	Percent of Delinquent Warrants	Total Value of Warrants	Percent of Value
Blank	3	0.0	\$164.70	0.0
1968	1	0.0	221.25	0.0
1985	1	0.0	84.60	0.0
1986	6	0.0	554.30	0.0
1987	5	0.0	539.00	0.0
1988	88	0.1	10,461.55	0.0
1989	150	0.1	16,895.12	0.1
1990	259	0.2	30,722.55	0.1
1991	864	0.8	109,556.36	0.4
1992	2,123	1.9	337,128.81	1.3
1993	3,796	3.4	655,087.20	2.5
1994	4,449	4.0	783,073.64	3.0
1995	4,335	3.9	820,571.42	3.1
1996	3,589	3.2	752,311.68	2.9
1997	4,023	3.6	901,607.11	3.4
1998	5,561	5.0	1,335,676.05	5.1
1999	7,029	6.3	1,696,561.90	6.5
2000	8,918	8.0	2,301,687.50	8.8
2001	12,532	11.2	3,181,317.75	12.1
2002	22,450	20.2	5,499,687.95	21.0
2003	21,883	19.6	5,291,699.71	20.2
2004	9,349	8.4	2,462,318.55	9.4
Totals	111,414	100.0	\$26,187,928.70	100.0

Source: Data files provided by the City's Information Technology Services Department April 29, 2005

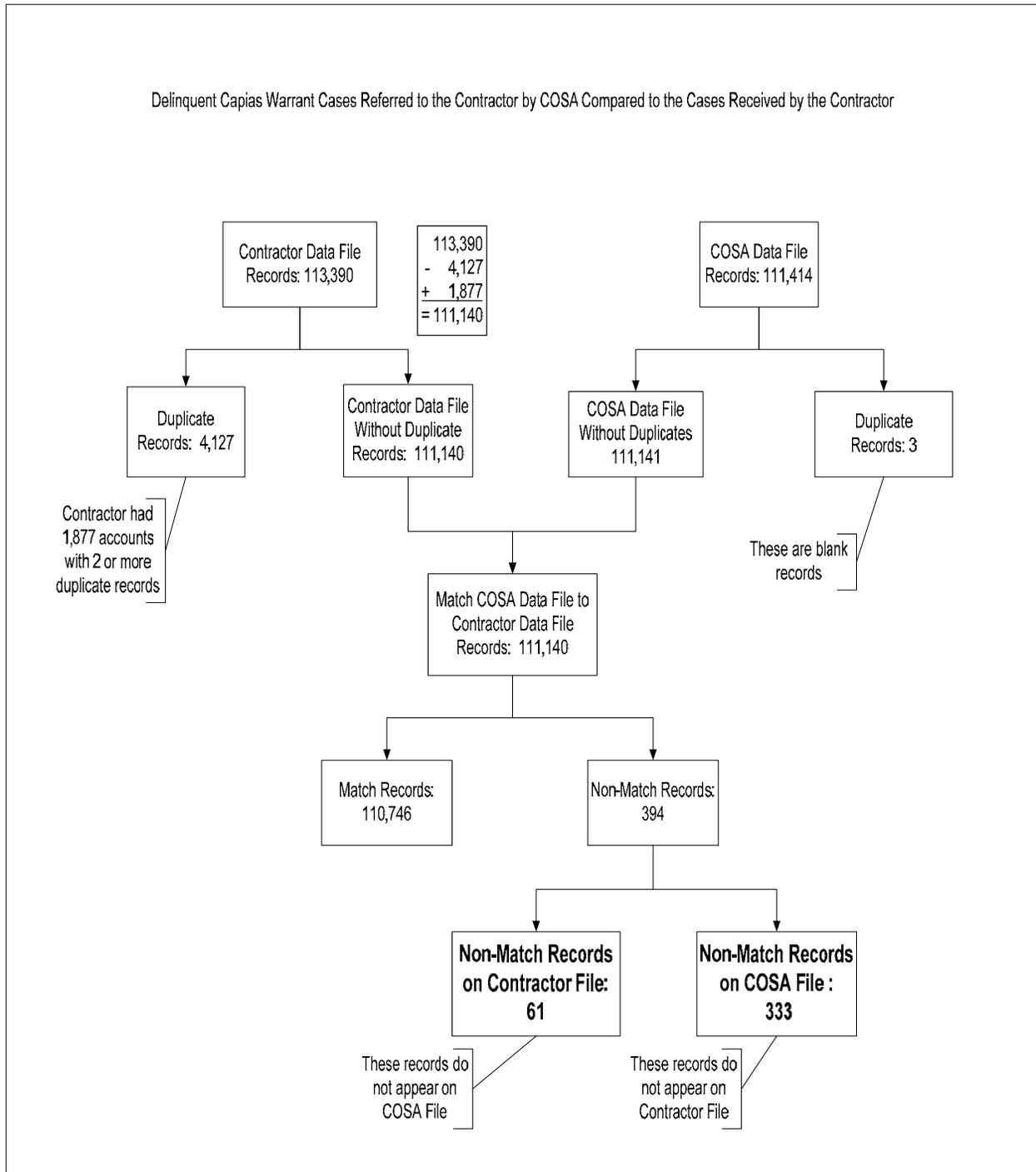
ATTACHMENT 2
Judge Codes Used to Process Delinquent Capias Warrants
As of February 28, 2005

Judge Code	Prior to 2001	2001	2002	2003	2004	2005	Total
04	21,637	3,101	4,596	1,874	0	0	31,208
41	0	0	1	3,396	4,486	1,452	9,335
00	721	282	444	3,463	1,272	1,319	7,501
33	21	34	9	2,656	4,218	496	7,434
46	0	0	2	4,242	1,523	601	6,368
38	0	0	0	1,387	2,243	1,769	5,399
42	0	0	2	1,372	2,509	900	4,783
52	0	0	0	0	3,863	831	4,694
47	0	0	0	2,686	1,222	601	4,509
12	0	0	0	714	2,088	1,690	4,492
51	0	0	0	0	2,482	1,492	3,974
35	0	0	0	135	2,950	333	3,418
48	0	0	0	1,001	1,779	205	2,985
29	0	0	0	841	1,502	194	2,537
34	0	0	1	212	1,366	481	2,060
53	0	0	0	4	1,538	420	1,962
36	0	0	0	537	1,080	34	1,651
57	0	0	0	0	796	691	1,487
14	0	2	0	609	556	43	1,210
15	0	0	0	152	684	5	841
20	0	3	2	327	304	129	765
59	0	0	0	0	40	573	613
40	0	0	0	338	161	82	581
10	0	1	1	436	3	2	443
50	0	0	0	0	323	110	433
58	0	0	0	0	49	187	236
45	0	0	0	180	3	2	185
56	0	0	0	0	73	68	141
55	0	0	0	0	70	1	71
49	0	0	0	29	0	0	29
44	0	0	0	15	8	0	23
37	0	0	0	19	0	0	19
03	8	0	0	0	1	1	10
22	1	0	0	5	2	1	9
19	0	0	0	2	0	2	4
39	0	0	0	1	0	2	3
25	0	0	0	1	0	0	1
Totals	22,388	3,423	5,058	26,634	39,194	14,717	111,414

Source: Data files provided by the City's Information Technology Services Department on April 29, 2005

ATTACHMENT 3

Comparison of Data Files



Source: Data files provided by the City's Information Technology Services Department April 29, 2005 and data received from MSB on May 10, 2005.

ATTACHMENT 4

Activity Codes Used by the Contractor to Categorize Delinquent Capias Warrant Cases

As of February 28, 2005

Source: Municipal Services Bureau

ACTIVITY CODE SUMMARY

000423-1 - SAN ANTONIO MUNICIPAL COURT

-- ACTIVITY CODE --	NUM OF ACCOUNTS	% OF TOTAL	--- ORIGINAL BALANCE ---			---- CURRENT BALANCE ---			----- COLLECTIONS -----		
			AMOUNT	-%-	AVERAGE	AMOUNT	-%-	AVERAGE	AMOUNT	-%-	AVERAGE
NU NOT USED	29	0.03	10946.77	0.03	377.47	8694.26	0.03	299.80	200.00	0.01	6.90
AC ACTIVE	54923	48.44	19120357.88	47.05	348.13	15649149.76	49.94	284.93	46069.19	1.87	0.84
BP PROMISE TO PAY	665	0.59	244117.94	0.60	367.09	197173.50	0.63	296.50	5015.19	0.20	7.54
ST STOP ALL CONTACT	9047	7.98	3473073.94	8.55	383.89	2918809.08	9.32	322.63	79473.17	3.23	8.78
CX CANCELLED SENT I	501	0.44	121557.81	0.30	242.63	154712.47	0.49	308.81	0.00	0.00	0.00
LG LEGAL	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
LP LEGAL PAID IN FU	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BK BANKRUPTCY	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FW FORWARDED	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FP FORWARDED PIF	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DD DISMISSED	43213	38.11	16082672.28	39.58	372.17	11927190.40	38.07	276.01	1426156.79	57.97	33.00
DC DEATH CERTIFICAT	9	0.01	3561.60	0.01	395.73	2893.80	0.01	321.53	0.00	0.00	0.00
DU DUPLICATE	1342	1.18	345240.08	0.85	257.26	428358.67	1.37	319.19	905.12	0.04	0.67
RC RECALLED BY CLIE	11	0.01	3268.00	0.01	297.09	2318.75	0.01	210.80	416.50	0.02	37.86
RE RESOLVED	12	0.01	8646.29	0.02	720.52	5582.62	0.02	465.22	1560.80	0.06	130.07
SF SETTLED IN FULL	1256	1.11	421737.77	1.04	335.78	0.00	0.00	0.00	343650.88	13.97	273.61
AR WARRANT SERVED	34	0.03	13133.30	0.03	386.27	9421.72	0.03	277.11	1072.00	0.04	31.53
VS VERIFY STATUS	2	0.00	522.00	0.00	261.00	433.00	0.00	216.50	100.00	0.00	50.00
PF PAID IN FULL	2241	1.98	750705.42	1.85	334.99	-170.63	-0.00	-0.08	555446.64	22.58	247.86
PN IN PRISON	69	0.06	22528.31	0.06	326.50	18477.89	0.06	267.80	0.00	0.00	0.00
RP REPUSAL TO PAY	7	0.01	2257.67	0.01	322.52	1834.36	0.01	262.05	0.00	0.00	0.00
DS DISPUTE	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
AX AGE PURGED	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
JD TIME SERVED CRED	29	0.03	10618.13	0.03	366.14	8653.64	0.03	298.40	0.00	0.00	0.00
TM TERMINATED CLIE	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
WC WRONG CLIENT	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
WP WASKOM PURGE	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
AP ARRESTS PAYABLE	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
JH JESSICA HILL	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
LL MIAMI DADE 1ST L	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
AM AUSTIN MOVIED	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
HL HOLD LIST	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
IC INVOICE CORRECTI	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00



CITY OF SAN ANTONIO

P. O. BOX 839966
SAN ANTONIO TEXAS 78283-3966

May 31, 2006

City Auditor
San Antonio, Texas

RE: Management's Corrective Action Plan for Audits of Collection Service Contracts for Delinquent Parking Fines and for Delinquent Capias Warrants

We have reviewed the audit report for Collection Service Contracts for Delinquent Parking Fines and for Delinquent Capias Warrants and herein is a Corrective Action Plan for the recommendations. Having an objective review of these contracts and the related processes has resulted in better information for Management to develop operating strategies for the future.

Recommendation					
#	Description	Audit Report Page	Accept, Partially Accept, Decline	Responsible Person's Name/Title	Completion Date
Executive Summary (ES)					
ES1	The City Manager should hire a highly qualified Municipal Court Director to provide the leadership and expertise required by the position. Action Plan: In consultation with the City Manager, the Presiding Judge will select a new head administrative staff person as the Municipal Court Clerk.	ES3	Accept	Sheryl Sculley	6/1/06
ES2	The City Manager should re-consider the current decentralization of contract monitoring and other key business processes. Action Plan: The Presiding Judge will work with the City Manager's Office in evaluating contract monitoring and key business processes.	ES3		Presiding Judge/Court Administrator	
ES3	MCD should provide current staff the skills and knowledge needed to effectively administer high-risk contracts and vendor's compliance. (Detailed Report Part I Section II Recommendation 3, Response Page 4)	ES2			
ES4	MCD should provide better information technology equipment for parking enforcement. (Detailed Report Part I, Section II, Recommendation 3, Response Page 4)	ES2			

Recommendation					
#	Description	Audit Report Page	Accept, Partially Accept, Decline	Responsible Person's Name/Title	Completion Date
Detailed Report					
Part I. Audit of Collection Service Contract for Delinquent Parking Citations					
Sec. I	Contractor's Compliance and Performance Concerns				
	The City Manager should:				
	• Work with the City Attorney to take legal action against the vendor, Professional Financial Services, to recover overpayments and interest of at least \$30,000 if it is deemed cost effective.	11	Decline	Michael Bernard	
	• Ensure that this and other City Departments establish quality controls over contract administration.	12	Accept	Presiding Judge	Immediate
	• Include contractor's past performance in the RFP evaluation process.	12	Accept	Presiding Judge	When RFP is prepared
	• Include penalties in the contract for the City to be compensated for performance deficiencies.	12	Accept	Presiding Judge	When RFP is prepared
	• Create a debarment list for contractors with substantial non-compliance or poor performance.	12	Accept	Philip Campos Acting Director for Contract Services	TBD
	• Use contract termination provisions when appropriate.	12	Accept	Presiding Judge	When RFP is prepared
	Action plan:				
	Municipal Courts Department Response: The Municipal Courts Department concurs with the overall recommendations; primarily establishing quality controls over contract administration. In the past year, Municipal Court staff has been committed in attending the city-wide Contract Services Department's training curriculums educating key personnel with all the elements involved in complying with the new standards set in contract compliance reviews/monitoring and contract administration. To date, two MCD staff has successfully completed the training requirements from Contract Services. An additional staff person is scheduled to attend. In addition to contract administration and monitoring, effective performance measures should be established to accurately assess a contractors performance. For future collection contracts, MCD will work closely with all appropriate departments involved (e.g. City Attorney's Office, Office of Management and Budget, Contract Services, ITSD, Purchasing). In reference to creating a debarment list, MCD staff agrees with the process as indicated in the Contract Services Department's response.				
	Municipal Court staff will defer the findings regarding legal actions to the City Attorney's Office. However, it has always been our interpretation that there is no actual guarantee/penalty to this contract. If you refer to page 3 of 13 of the contract, Section 5; Compensation Fee, there is specific language referring to an incentive for PFS to reach a recovery rate of 17.4% for the first compensation year of the contract and 35% for the 2 nd and subsequent compensation years. If PFS would have reached said recovery rates, the City would have paid PFS a 20% fee (additional 4%) of net amount collected versus the 16% that was actually paid by the City.				

Recommendation					
#	Description	Audit Report Page	Accept, Partially Accept, Decline	Responsible Person's Name/Title	Completion Date
<p>City Attorney's Office Response: Do not concur with recommendation regarding legal action. The interpretation within the Audit regarding incorporation of exhibits (regarding skip tracing provisions, etc.) while correct, is incomplete. According to its specific terms, the provisions of the Agreement are controlling over any conflicts between provisions within either exhibit. Any loss of revenue due to lack of skip tracing is irrelevant since it was not addressed within any of the provisions of the Agreement itself. The CAO has been working with various departments in the pursuit of a City-wide debarment policy.</p>					
<p>Sec. II Department Management and Internal Controls</p>					
<p>1. Business Process and Application Controls The Municipal Courts Department (MCD) should:</p>					
	• Initiate cooperative arrangements with other Departments involved in the issuance and collection of parking citations.	14	Accept	Presiding Judge	Immediate
	• Confirm citation data received daily with sending Department to ensure completeness of electronic file transfers.	14	Accept	Presiding Judge	12/31/06
	• For manual tickets, develop procedures and controls to account for ticket books distributed and returned, and controls over data input into the Ticket System.	14	Accept	Presiding Judge	12/31/06
	• Raise the reliability of citation entered into the Ticket System by including citation accuracy as part of performance evaluation.	14	Accept	Presiding Judge	Immediate
	• Implement front-end controls such as validity checks and batch controls to detect invalid data entered.	14	Accept	ACM/CIO and CTO of Enterprise Applications, ITSD	12/31/06
	• Establish supervisory review in daily operation.	14	Accept	Presiding Judge	Immediate
	• Produce exception reports for invalid or incomplete license plates to ensure completeness and correctness of the data.	14	Accept	Presiding Judge	12/31/06
<p>Action plan:</p>					
<p>Municipal Courts Department Response: The Municipal Courts Department agrees overall with the recommendations. The department has taken the following steps:</p>					
<p>1. A ticket management committee consisting of staff from Municipal Courts, Finance, Contract Services, Municipal Integrity, and the City Attorney's Office was established in October 2005 to address and review the current processes of the City's ticket management system. Three reports were produced by the committee members; Municipal Integrity Report, Assessment of Data Controls & Efficiencies of the Ticket Processing and Mapping of the Ticket Process. Based on their findings, below are steps city departments will undertake in the coming months:</p>					
<p>➤ All departments, to include Airport Police, Code Compliance, Park Police, Health Animal Control, Metro Health-Food Inspections, Fire Department, Development Services, and Police-Alarm Section, that issue manual parking tickets have been instructed to develop and/or improve procedures and controls for ticket book distribution. The Parking Division has created an internal policy to hold parking enforcers accountable for enforcing the booting program. Next steps will be to follow-up with each of these departments to evaluate their progress.</p>					
<p>➤ Municipal Court Department implemented new internal controls regarding the receipt and processing of the parking tickets. Electronic hand-held devices are currently being evaluated by Municipal Court, Asset Management, SAPD and ITSD.</p>					

Recommendation					
#	Description	Audit Report Page	Accept, Partially Accept, Decline	Responsible Person's Name/Title	Completion Date
2.	<p>Management from the Parking Division and Municipal Courts have coordinated with ITSD to create daily and monthly statistical reports to monitor parking tickets issued by parking enforcers to invalid license plates. Said reports will be used and be part of employees' performance evaluations and serve as a tool for supervisory and/or management review. MCD will to follow up with all departments issuing tickets to invalid license plates to monitor and address this issue.</p> <p>Information Technology Services Department Response: ITSD concurs with recommendations and has been participating in implementing the above recommendations. On November 4, 2005 a meeting was held by Melissa Vossmer, Michael Armstrong and Hugh Miller to discuss technology solutions for Municipal Court. The outcome of this meeting the following people were tasked on working with MCD and departments that integrate with MCD to assist in gathering requirements for a new hand-held ticket writer, a business analyst position and evaluation of new software to replace the existing mainframe applications; David Preciado (MCD), Bart Mulcahy and Yolanda Maldonado. The department has taken the following steps:</p> <ol style="list-style-type: none"> Discussions have been underway on development requests for enhancements to manual processes currently in place. We are currently waiting on work requests (ISD2s) for development items from the responsible departments. Gathered requirements from Asset Management – Parking Division, SAPD – Traffic Division and Municipal Court for new handheld ticket writers throughout the month of November and December. A requirement will be added to record the need to audit tickets being written and/or voided (see attached matrix of requirements gathered to date). To assist in defining business processes and to identify gaps in these processes and how ITSD can assist in providing a technological solution; ITSD has created a job specification for a Business Analyst. The position will be dedicated to working for/at MCD but report to ITSD. The person will be working closely with MCD to identify business processes and gather requirements for IT work requests. This position will function as a liaison between MCD and ITSD. It will require court knowledge blended with IT knowledge. Position will be advertised January 11, 2006 and will close February 1, 2006. 				
2.	<p>Municipal Courts Department's Performance The City Manager should hold the MCD accountable for performance of collection and related services. Develop standard reporting requirements, methodologies, and mechanisms to receive feedback on performance outcome from all City Departments.</p> <p>Action plan: MCD is reviewing its' key performance measures. Assessment underway with Municipal Court Management to ensure proper reporting is reviewed and documented ensuring accuracy and validity to certain performance measures. In prior budget seasons, said performance measures have been reviewed and analyzed by staff from Municipal Court, Budget and City Manager' Office. MCD is working with the Budget and City Manager Office to assess the monthly and/or quarterly reports requested.</p>	17	Accept	Presiding Judge	Immediate
3.	<p>Contract Administration The City Manager should evaluate the MCD structure, business processes, personnel competency and technologies to properly administer its contracts. Substantial improvements are needed with the MCD.</p>	19	Accept	Presiding Judge	4/13/06

Recommendation					
#	Description	Audit Report Page	Accept, Partially Accept, Decline	Responsible Person's Name/Title	Completion Date
<p>Action plan:</p> <p>Municipal Courts Department Response: The Department of Municipal Court will evaluate the competencies of current staff and identify the strengths and weaknesses. After that evaluation, steps will be enforced to acquire additional training and when vacancies occur and/or new positions are approved every effort will be made to recruit the required skill sets.</p> <p>In February 2006, Municipal Court contracted with a consultant to review and evaluate the following elements of Municipal Court:</p> <ul style="list-style-type: none"> ➤ Organizational Structure ➤ Technology ➤ Human Resources ➤ Operational Budget ➤ Employee Training <p>This evaluation has been completed and the recommendations were presented to City Council during the April 19, 2006 B Session. Staff will proceed with implementing improvements as directed by City Council.</p> <p>Also, planning is underway with ITSD to implement the following for FY 06:</p> <ul style="list-style-type: none"> ➤ handheld devices for parking tickets – RFP may be required ➤ hire a full-time business analyst at MCD to look at operational processes and mainframe systems <p>Information Technology Services Department Response: ITSD has been participating in implementing the above recommendations. The department has taken the following steps:</p> <ol style="list-style-type: none"> 1. Process requests for reports, data extracts and enhancements to applications as directed by MCD staff. 2. Offer guidance and recommendations for technology requests. 3. Gathered requirements from Asset Management – Parking Division, SAPD – Traffic Division and Municipal Court for new handheld ticket writers throughout the month of November and December. Currently list as a requirement on this list is the need to be able to query the database to create statistical reports for analysis on performance, trends, and/or discrepancies using reporting tools like Crystal or Business Objects (see attached matrix of requirements gathered to date). 4. To assist in defining business processes and to identify gaps in these processes and how ITSD can assist in providing a technological solution; ITSD has created a job specification for a Business Analyst. The position will be dedicated to working for/at MCD but report to ITSD. The person will be working closely with MCD to identify business processes and gather requirements for IT work requests. This position will function as a liaison between MCD and ITSD. It will require court knowledge blended with IT knowledge. Position was advertised January 11, 2006 and closed February 1, 2006; shall be filled by June 2006. 					
4.	<p>Compliance with City Ordinances</p> <ul style="list-style-type: none"> • The City Manager should require MCD to comply with City Ordinances 93103 and 65690. • The City Manager should ensure that all Departments issuing parking citations work together to establish a business process to effectively execute the booting program. • MCD should evaluate the costs/benefits of obtaining a subscription to the electronic database for temporary license plate registrants. Determine if the City could more effectively match missing names with the database information than a contractor. 	21	Accept	Presiding Judge	See dates of ordinances
		21	Accept	Presiding Judge	Immediate
		22	Accept	ACM/CIO and CTO of Enterprise Applications, ITSD	6/1/06

Recommendation					
#	Description	Audit Report Page	Accept, Partially Accept, Decline	Responsible Person's Name/Title	Completion Date
	<p>Action plan: Municipal Courts Department Responses: Municipal Courts agrees with the recommendation that all Departments issuing parking citations work together to establish a standard business process in support of the booting program. We have taken a proactive approach in working with ITSD and are in current discussions in studying all the elements involved in successfully implementing new handheld parking ticket writers for FY 2006.</p> <p>An evaluation is underway regarding the current services that TVICS provides the City in matching missing names from vehicle license plates. After a thorough review, we will determine if contracting directly with Texas Department of Transportation is more viable for Municipal Courts.</p> <p>Information Technology Services Department Response: ITSD has been participating in implementing the above recommendations. The department has taken the following steps:</p> <ol style="list-style-type: none"> 1. Currently the matching process is on license plate number, make and model. This is an edit that was requested MCD when the data was returned back from the vendor. We can enhance this check and create reports for MCD staff on the license plates that do not match on make and model. MCD can then decide whether to accept the information from the vendor or keep it as a 'no match'. 2. Since the current hand-held ticket writers will be replaced, it is not feasible at this time to request that they be changed to capture the VIN number. 3. As to pursuing access to a database for temporary license plates registrants; the data is not recorded in any database for retrieval. ITSD has verified what information is recorded by car dealerships; the 'red tags' contain customer name, VIN and date the plate expires. For the 'black tag' it only contains the dealer number. Information is not entered into a database. Information on the permanent license plate is registered with the county/state. 4. Business decisions need to be made for which license plates should be queried to obtain current owner information. If a license plate is older than seven years, likelihood of a match decreases tremendously. Also a decision will need to be made if the parking violations older than seven years should change the status from open to something different that would allow better efficiencies of towing/booting list. The disposition would still allow for payment if it is received, but will reduce the list size that would be sent to handheld units. 5. Recommend adding to the requirements for the hand-held ticket writers the capability for a device/data to do a near real-time check against TCIC/NCIC (see attached matrix of requirements gathered to date). The requirements already have an item listed for a bar-code reader to allow scanning of the VIN to the hand-held unit. 				
5.	<p>Safeguarding of Cash MCD should limit the safe combination access and change the safe combination on a periodic basis. Keep the safe locked when it is not in use.</p> <p>Action plan: In the last year, immediate changes took place in securing the safes in the Accounting Office:</p> <ul style="list-style-type: none"> ➤ A half door was installed and is always closed separating the Accountants/Clerks from the cashier open area ➤ An electronic buzzer was installed for cashiers/staff to press to enter the Accounting Office ➤ A motion detector was installed to secure the safes after working hours ➤ A written policy and procedure was implemented to ensure staff documents the dates the combination safes are periodically changed throughout the year. Also, immediate change is required when an employee departs from the Accounting Office. 	23	Accept	Presiding Judge	Immediate

Recommendation					
#	Description	Audit Report Page	Accept, Partially Accept, Decline	Responsible Person's Name/Title	Completion Date
	As per cash handling procedures and guidelines, we understand the principle of limiting the safe combinations to two employees; however that is a challenge to comply with since there are two work schedules for the Accounting Office staff. Therefore, we have a primary person and a backup for each shift, totaling four employees with access to the safes.				
6.	Ticket Matching by Texas Vehicle Information and Computer Services (TVICS) MCD should: <ul style="list-style-type: none"> • Perform a buy or lease cost/benefit analysis of the vehicle registration database. 24 Accept Presiding Judge 12/31/06 • Follow the competitive bidding requirements to find a suitable vendor, if it continues to outsource collection services. 24 Accept Presiding Judge 12/31/06 • Negotiate the current fee structure to be based on "matched items," rather than input items so that it will provide incentives for TVICS to find and match owner information, if it continues the business with TVICS. 24 Accept Presiding Judge 12/31/06 • Actively manage operational results by utilizing reports provided by the vendor. 24 Accept Presiding Judge Upon Contract Award • Always reconcile monthly billing data to services provided by the vendor to ensure the accuracy of billing. 24 Accept Presiding Judge Upon Contract Award <p>Action plan: Municipal Courts Department Response: In reference to the skip tracing component and to address delinquent parking citations recorded in the Municipal Court Parking System (mainframe based) with no names and addresses, Municipal Courts will address this issue as follows:</p> <ul style="list-style-type: none"> ➤ An immediate review and assessment of our business relationship with Texas Vehicle Information and Computer Services (TVICS) is underway regarding its database(s) utilized to find vehicle owner information on parking citations entered in the Municipal Court Parking Ticket System. ➤ Reports have been requested from TVICS in an effort to analyze specific performance measures of their services. TVICS monthly billings are reconciled to our Municipal Court Parking System records and proper documentation has been implemented to capture the reviewer's signature ensuring accuracy of the billing in the disbursement process. ➤ A Request for Proposal may be required to comply with State and City's competitive bidding requirements (Proposed Implementation date is FY 2006) 				

Recommendation					
#	Description	Audit Report Page	Accept, Partially Accept, Decline	Responsible Person's Name/Title	Completion Date
Part II. Audit of Collection Service Contract for Delinquent Capias Warrants					
Sec. I Municipal Courts Department Internal Controls and Business Processes					
1.	Address Input and Mailing Letters MCD should:				
	• Utilize the Geobase System for address validation to reduce the number of invalid record.	9	Accept	ACM/CIO and CTO of Enterprise Applications, ITSD	7/01/06
	• Replace manual data entry of citations with automated processes to reduce inefficiencies and errors.	9	Accept	ACM/CIO and CTO of Enterprise Applications, ITSD	12/31/06
	• Assess the costs/benefits related to processing and collecting citations written to the homeless, and recommend more effective alternatives.	9	Accept	Presiding Judge	Completed
	Action plan:				
	Municipal Courts Department Response: MCD is taking the following steps:				
	<ul style="list-style-type: none"> ➤ MCD will work with SAPD and ITSD to assess the Geobase address validation system. ➤ Currently working with ITSD regarding the assessment of handheld devices. Upon the completion of the assessment of the handheld ticket writers, an evaluation of available funds will occur and determination of implementation would be coordinated by Judicial and Administrative staff. ➤ MCD is no longer mailing delinquent warrant notices to a 'homeless' addresses. Specific addresses have been identified and flagged. ➤ A "Pilot" Community Court may be implemented in FY 2006 to address social services ➤ Investigating avenues to proceed with a skip tracing vendor. 				
	Information Technology Services Department Response: ITSD has been participating in implementing the above recommendations. The department will take the following steps:				
	<ol style="list-style-type: none"> 1. As of 11/10/2005 ITSD has been gathering requirements from Asset Management – Parking Division, SAPD – Traffic Division and Municipal Court for new handheld ticket writers. One of the requirements listed in the RFP will be the ability to utilize the magnetic stripe on driver's license to gather all pertinent information for the ticket (name, dob, address). GPS is also listed in the requirements to gather information for the location of the violation (addresses). This particular requirement will require further investigation to ensure that it will meet the needs of the Police Department and MCD (see attached matrix of requirements gathered to date.) 2. With direction from MCD staff ITSD can implement batch geo-validation of defendant addresses. Also with direction MCD provide the appropriate reports for defendant addresses that do not geo-validate for further researching. If MCD decides to do so, can also implement logic into batch programs when developing lists, letters, etc, if address flag is checked as being validated , create list, print letters, etc 3. Further meetings will need to be held to discuss a tracking system for mailing letters and adding of efficiencies when producing letters. For example: 				

Recommendation					
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	<ul style="list-style-type: none"> • Pre-sort mail by zip code • Add bar code for address • Add Route Smart logic • Create tracking number and logs to record if mail is sent back and the reason, to avoid re-sending 'bad' addresses. <p>City Attorney's Office Response; The City Attorney's Office will assist with the RFP for handheld devices and is assisting MCD with the implementation of Community Court, with an emphasis on reducing recidivism.</p>				
2.	<p>Warrant Processing Internal Control Weaknesses MCD should:</p> <ul style="list-style-type: none"> • Ensure that only valid codes associated with active Judges are used, and restrict the ability to add or delete Judge codes to ITSD security personnel. • Update and obtain approval for the MCD Procedures Manual. Provide training for the new procedures to ensure that Department objectives will be met. <p>Action plan: Municipal Courts Department Response: MCD has implemented immediate controls to ensure the use of Judge's codes are properly monitored and that only authorized personnel from MCD have the ability to add or delete judges codes in the Municipal Court System.</p> <p>Since the completion of the reorganization at MCD, the Warrant Section now is under the direction of the Presiding Judge. In the upcoming months, judicial staff will create an updated manual addressing all the variables involved in the warrant process. After approval of this manual by the Presiding Judge, appropriate training will be scheduled for judicial and administrative staff for FY 2006.</p> <p>Information Technology Services Department Response: ITSD will participate in implementing the above recommendations. The department currently has the following available capabilities in place:</p> <ol style="list-style-type: none"> 1. A security option is currently in place to activate/deactivate judges available to the MCD's DSS to make changes as required. ITSD can investigate other alternatives to streamline deactivation utilizing updates from LIDS. ITSD strongly recommends that the authorization to deactivate a judge code needs to reside in MCD. ITSD can add the capability to have start/end dates of when the judge's number is active. A routine would need to be added to check if the information being entered for the judge falls within the period the judge served at Municipal Court. We have provided an option in the application for MCD staff to use due to the need for quick response time for the action to be done. If the request is sent to ITSD, it will be placed in the work queue to create the request and may not be processed in a timely manner. 2. Discussions have been taking place with the Presiding Judge and Administrative Staff to create an automation feature to process warrants in a timely manner. As requirements are defined the necessary programming will be done. 	11	Accept	Presiding Judge	Completed
		11	Accept	Presiding Judge	12/31/06

Recommendation					
#	Description	Audit Report Page	Accept, Partially Accept, Decline	Responsible Person's Name/Title	Completion Date
3.	Weak Access Controls				
	<ul style="list-style-type: none"> The City's Chief Information Officer and Chief Technology Officer should evaluate the current mainframe system to determine what security improvements can be made, such as stronger access controls and CoBit standards. Reassign responsibility for administering system security from the MCD to ITSD. 	12	Accept	ACM/CIO and CTO of Enterprise Applications, ITSD	6/01/06
	<ul style="list-style-type: none"> MCD should segregate the conflicting duties performed by the Revenue Accountants. 	12	Accept	Presiding Judge	Completed
	<p>Action plan:</p> <p>Municipal Courts Department Response: If and when the MCD replaces the mainframe system, as per upcoming budget approvals, MCD will assist ITSD in taking an active role in sharing its operational expertise and experience to determine the effectiveness of a new system with a strong access control environment.</p> <p>MCD has reviewed its ERM/SAP roles with the Finance Department and is now in compliance.</p> <p>Information Technology Services Department Response: ITSD will participate in implementing the above recommendations and request clarifications:</p> <ol style="list-style-type: none"> There have been numerous changes to the MCRT system to implement safeguards. It has been through the request of MCD to deactivate or modify these requests. The statement, "The issues identified suggest that security was not a priority when the mainframe system was developed." requires clarification. ITSD had done its part to implement stricter controls. Some changes have been deactivated to increase processing time in data entry; ITSD has no control over these decisions. ITSD does agree that the original security model is outdated and can be rectified. Due to the nature of the business, all applications for Municipal Court are required to be up 24 hours a day/7 days a week, which leaves very little room to make major modifications, as we are talking about in this risk. The effort would include file changes, program changes and coordination for testing to ensure no functionality is lost. There are work around to avoid major file changes, but will need to be discussed further to assure that MCD staff is in agreement with the approach. It will ultimately be MCD's decision on how to proceed. ITSD can make recommendations to MCD staff but that does not ensure that ITSD will be granted the authority to proceed. ITSD will discuss with MCD the ability to tie deactivation of user accounts into the current and any future applications used by MCD. ITSD will ensure that the most current security standards are addressed in the proposal for a new or enhanced system for MCD. ITSD strongly recommends that the authorization for security access needs to reside in MCD. We have provided online application tools for them to use due to the quick turnaround time to get the action done. It is MCD's responsibilities to deactivate any users & judges operator ids when changes happen due to change in responsibility and/or termination. If sent to ITSD it will be placed in the work queue to create the request and may not be processed in a timely manner. When the Business Analyst is hired and on-board and begins to document the SAP business processes at MCD, we can determine if there is an automation process that can be implemented to ensure that the preparing of journal entries and posting of journal entries can be done in a secured fashion. For example, prior to SAP, the nightly batch job for cashiering would build a record in MARR of the revenues collected. The accounting division of Municipal Court would then update these journal entries after reconciling and post the final entries to MARR. A similar process could be done with SAP. 				

Recommendation					
#	Description	Audit Report Page	Accept, Partially Accept, Decline	Responsible Person's Name/Title	Completion Date
4.	<p>Inadequate Stakeholder Involvement MCD Administration should provide the Judiciary an opportunity to participate in significant MCD management decisions that affect warrant processing and collection. When appropriate, consult other stakeholders such as ITSD, Finance, Code Compliance, or the Police Departments.</p> <p>Action plan: Municipal Courts Department Response: Since the completion of the reorganization at MCD, the Warrant Section now is under the direction of the Presiding Judge. In an effort to comply with legal requirements for upcoming warrant drives, the Presiding Judge and his staff will take an active role in planning and assisting administrative staff in carrying out successful warrant drives. One important point to illustrate is that all appropriate stakeholders have been involved in the warrant processing for prior years. Collaborative efforts will continue with SAPD, ITSD, Bexar County, and other outside agencies.</p>	12	Accept	Presiding Judge	Completed
5.	<p>Warrant Drives MCD should develop a process to analyze warrant data for use by SAPD and Municipal Court Marshals.</p> <p>Action plan: Municipal Courts Department Response: MCD has created a weekly report identifying the top offenders with multiple warrants outstanding. The Deputy Marshal identifies the top ten warrants on a daily basis. The Deputy Marshal along with the Judiciary Office is planning a meeting with the SAPD and 311/Customer Service for an upcoming warrant drive in August 2006.</p> <p>Information Technology Services Department Response: ITSD has been participating in implementing the above recommendations. The department has taken the following steps:</p> <ol style="list-style-type: none"> 1. Process requests for changes to existing applications (see attached list of projects completed, cancelled and in process). 2. Offer guidance and recommendations for enhancements to manual processes currently in place. Waiting on direction from MCD and judicial staff on how to proceed. For example: <ul style="list-style-type: none"> • Provide a list of warrants by address. This will allow the City Marshal to make a 'sweep' in one area. • Provide a list by driver's license number. This will assist in two problem areas; defendant in the system multiple times with different MIDs. Merging of duplicate MIDs into one 'master' record 3. The Business Analyst will also be able to assist in making the Warrant Drives more successful by identifying weaknesses and providing solutions for the current method of preparing and executing these drives. 	13	Accept	Presiding Judge	Completed
6.	<p>Renewal of Drivers' Licenses and Vehicle Registrations MCD should establish agreements with the Texas Department of Public Safety and Bexar County which would result in the denied renewal of drivers licenses and auto registrations for warrant holders.</p>	13	Partially Accept	Presiding Judge	TBD

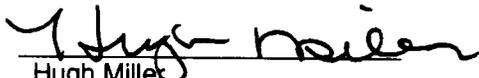
Recommendation					
#	Description	Audit Report Page	Accept, Partially Accept, Decline	Responsible Person's Name/Title	Completion Date
<p>Action plan: Municipal Courts Department Response: In FY 2006, a comprehensive analysis will be conducted by administrative and judicial staff regarding the feasibility of initiating the denial of renewal of driver's license to defendant that failed to appear to court orders.</p> <p>In Summer 2005, MCD met with Sylvia Romo, Bexar County Tax Assessor, requesting implementation of an interlocal agreement for the denial of vehicle registration for individuals that have delinquent traffic violation warrants. Unfortunately, no commitment was made on behalf of the County. For the 2007 Legislative Session, MCD plans to coordinate with the Intergovernmental Relations Department and the Office of Court Administration in changing State law to require the local County Tax Assessor to contract with local municipalities.</p> <p>City Attorney's Office Response: The City Attorney's Office will assist the Intergovernmental Relations Department as needed to engage the Office of Court Administration in dialogue and action in pursuit of legislative change.</p>					
Sec. II Data Reliability Issues					
1.	Programming Errors				
	<ul style="list-style-type: none"> MCD should perform diligent analysis of program change requests prior to their submission to ITSD. 	14	Accept	Presiding Judge	In Process
	<ul style="list-style-type: none"> ITSD should establish procedures to ensure appropriately controlled application changes. 	14	Accept	ACM/CIO and CTO of Enterprise Applications, ITSD	6/01/06
<p>Action plan: Municipal Courts Department Response: MCD will establish a procedure to ensure ITSD program changes are comprehensively analyzed prior to their submission to ITSD. The Presiding Judge and the ACM/CIO will cooperate in improving the coordination and necessary communication in completing program change requests.</p> <p>Information Technology Services Department Response: ITSD has been participating in implementing the above recommendations. The department has taken the following steps:</p> <ol style="list-style-type: none"> Meetings have been taking place with each new area due to the reorganization (MCD Administrative staff and Judicial staff). ITSD has stressed the need for these two entities to discuss work requests and the impact to each other's area prior to sending the requests to ITSD. ITSD will setup a meeting with both entities to discuss list of outstanding projects, obtain prioritization and coordination of user acceptance prior to implementing programming requests (see attached list of projects completed, cancelled and in process). ITSD is in the beginning phase of implementing CMM and ITIL methodologies, but will strive to put in as many quality control checks/checkpoints as soon as possible. Once the Business Analyst has been hired one of their duties will be to facilitate work requests sent to ITSD to ensure that they are discussed with all divisions of Municipal Court. ITSD is recommending that a Change Control Board be established at MCD to assist in this endeavor. <p>Note: Meetings have been held with MCD staff to discuss enhancements to the various applications but there has not been any of the required ISD2s created for us to proceed with the work.</p>					

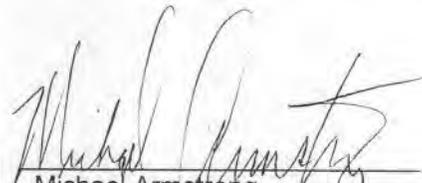
Recommendation					
#	Description	Audit Report Page	Accept, Partially Accept, Decline	Responsible Person's Name/Title	Completion Date
2.	<p>Incomplete Data File Transfer MCD should develop reconciliation procedures to ensure that the Contractor receives all cases referred to it.</p> <p>Action plan: Municipal Courts Department Response: If the City decides to contract with a vendor for the collection of delinquent warrant fines, MCD will work closely with Contract Services Department, ITSD and the selected vendor to establish appropriate procedures in transferring cases electronically. Another key component in this process is to identify and designate the responsibility of monitoring the contract to ensure compliance. This can be accomplished by either designating a trained staff person in MCD or appoint a centralized contract committee. In addition, it is recommended that this contract be considered a "high risk" per City standards.</p> <p>Information Technology Services Department Response: ITSD will be participating in implementing the above recommendations. The department can take the following steps:</p> <ol style="list-style-type: none"> 1. When creating the contract/RFP for a collection agency, ITSD will document the requirements for ensuring that there is an audit trail for all records sent and records not sent and the reason why they were not selected. 2. For future extracts, ITSD can add a date stamp to a record that is forwarded to a collection agency. This will allow for tracking of the record. Currently there are control records with how many records have been sent to the agency. We will need to include in any future collection agencies a return confirmation of how many records were received, processed, matched and not matched. 	15	Accept	Presiding Judge	Upon Contract Award
3.	<p>Inaccurate Account Status MCD should develop coding/classification procedures to ensure that Contractors properly map COSA status codes to their proprietary status codes.</p> <p>Action plan: Municipal Courts Department Response: If the City decides to contract with a vendor for the collection of delinquent warrant fines, MCD will establish procedures with ITSD, Contract Services Department and the selected vendor to map out status codes. To ensure cases are coded accurately, proper documentation will be required by MCD in the initial testing phase and monitored throughout the term of the contract.</p> <p>Information Technology Services Department Response: ITSD will be participating in implementing the above recommendations. The department may take the following steps:</p> <ol style="list-style-type: none"> 1. When creating the contract/RFP for a collection agency, ITSD will document the requirements for ensuring that there is an audit trail for all records sent and the status coding structure for tickets sent to the collection agency. Currently if a ticket is closed due to 'jail time served', MCD considers the ticket as 'dismissed'. ITSD will ensure that the each status is accounted for when creating the transformation rules. 2. Appropriate sign-off forms will be created to ensure that MCD staff accepts the audits developed and will adhere to following-up with any discrepancies with the vendor. 	15	Accept	Presiding Judge	Upon Contract Award

Recommendation					
#	Description	Audit Report Page	Accept, Partially Accept, Decline	Responsible Person's Name/Title	Completion Date
Sec. III	Contract Administration MCD should:				
	• Ensure that personnel are trained and that procedures are established for contract administration.	19	Accept	Presiding Judge	Completed
	• Consider making site visits to facilities before selecting a vendor.	19	Accept	Presiding Judge	Prior to Awarding of Contract
<u>Action plan:</u>					
Municipal Courts Department Response: We concur with your recommendations. Municipal Court staff has obtained immediate training in contract administration within this last year. Two employees have received contract law certificates in the last year. If the Court decides to contract with a collection vendor in the future, it will work very closely with the Contract Services Department and ITSD to comply with all elements regarding contract administration and especially the monitoring aspect.					

We appreciate the City Internal Auditor's comments on contract management for delinquent parking fines and capias warrants. We are committed to address the audit observations in the report and have devised a plan of action for each recommendation. Comments include plan of action, targeted completion date and the status of implementation.

Sincerely,


 Hugh Miller
 Chief Technology Officer
 Enterprise Applications, ITSD


 Michael Armstrong
 Assistant City Manager/
 Chief Information Officer


 John Bull
 Presiding Judge


 Sheryl Sculley
 City Manager