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Audit Report

**AUDIT OF THE COURT MANAGEMENT SYSTEM
AND TECHNOLOGY FUND**
(Report No. A08-006)

February 8, 2008

City Auditor

Craig D. Kinton

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Executive Summary

Adequate controls have not been put in place to ensure that the Department of Court and Detention Services (CTS) monitors the State Statute and requests changes to the Fund Ordinance as necessary to comply with the State Statute.

Additionally, adequate financial controls were not in place to ensure the collection and accounting for the Technology Fund assets.

The current Court Management System (CMS), furthermore, does not have adequate application controls to assist management to control fees flowing into the Technology Fund and the purchases from the Technology Fund.

Background Summary

In September 1999, the State Legislature added Article 102.0172 to the Texas Code of Criminal Procedure, which enables the governing body of a municipality to create a Technology Fund (Fund) by ordinance and require those convicted of a misdemeanor to pay a fee not to exceed \$4 as a cost of court. The State Legislature initially required this Fund to expire on September 1, 2005, but in 2003, this requirement was repealed to allow municipalities to establish the Fund and continue to collect the Fee beyond September 1, 2005. The Fund was designed to finance the purchase of or to maintain technological enhancements for a municipal court or municipal court of record. As of September 24, 2007, the Fund shows a fund balance of \$3,151,106.93.

The Court and Detention Services Department (CTS) manages and operates the Dallas Municipal Court that adjudicates Class C misdemeanors, ordinance violations, and civil cases.

Summary of Recommendations

The Director of CTS should develop procedures to review the State Statute for changes after each legislative session, request the City Attorney to update the Fund ordinance as necessary to comply with the State Statute, and to determine the appropriate disposition of the fees collected since September 2, 2005 until the date of the new ordinance.

The Director of CTS should also:

- Develop a process to timely reconcile fees charged to fees collected;
- Conduct periodic inventories of items procured by the Technology fund;

- Review the security of assets in public access locations and take appropriate steps to mitigate the risk of loss;
- Ensure that justification for each procurement using Technology Fund revenues are documented and meet the requirements of the State Statute; and,
- Ensure that adequate application controls are in place in the new Court Management System to assist in the administration and control of the Technology Fund.

Summary of Management’s Response

The Director of Court and Detention Services and the City Manager’s Office fully agree with all of the recommendations and intend to take timely actions to address the issues noted in this report. The complete responses are included as Appendix III to this report.

Summary of Objectives, Scope and Methodology

The objectives of the audit were to: (1) perform an application review of the Court Management System; and, (2) ensure the Technology Fee was collected and expended appropriately according to the State Statute.

The scope of the audit covered the application controls (input, processing, and output) for the Technology Fund (Fund) to ensure that fees were collected, accounted for, and expended appropriately according to the State Statute for the period October 2004 through September 2006. The manual controls that were in place regarding the processing and disposition of Fund assets were also evaluated. The audit methodology included: (1) interviewing representatives from CTS, the City Attorney’s Office, Communication and Information Services (CIS) and the City Secretary’s Office; (2) reviewing departmental documentation related to the Technology Fund and Court Management System; and, (3) testing a statistical random sample of expenditures from the Technology Fund.

Audit Results

Overall Conclusions

Court and Detention Services (CTS) does not have adequate controls over the administration and collection of the Technology Fees (Fees). There was also no evidence of periodic review of the enabling statute and ordinances, policies and procedures governing the accounting and use of the Fees, or application controls that would provide management with the means to reconcile, monitor, and control the Technology Fund (Fund). The current Court Management System (CMS), furthermore, does not have adequate application controls to assist management to control fees flowing into the Technology Fund and the purchases from the Technology Fund.

Administrative controls over the Technology Fund were not in place for ensuring that the enabling ordinance is monitored, timely reviewed, and updated.

CTS did not have adequate policies and procedures in place to monitor the State Statute and ensure that requests are made to the City Attorney to update the Fund Ordinance as necessary to comply with the State Statute.

To enable the collection of the Fee, the State Statute required municipalities to pass enabling ordinances. The City passed Ordinance 23986 (Ordinance) on August 25, 1999, which established a Municipal Court Technology Fund and its administration, funding, and use in accordance with the State Statute. The Ordinance authorized CTS to charge a \$4 fee from those convicted of a misdemeanor offense in a court of record and to deposit the fee into a separate account, the Technology Fund.

The original State Statute authorizing the establishment of the Technology Fund included a provision requiring expiration of the Fund on September 1, 2005. This provision was repealed by the Texas Legislature in 2003. City Ordinance 23986, which established Section 13-28.2 of the Dallas City Code, and enabled the Fee to be collected, contained language that the Ordinance would expire on September 1, 2005 in accordance with the applicable State Statute, as amended. Since the State repealed the section requiring the expiration date, it is unclear whether the City's ordinance expired on September 1, 2005.

To clarify the City's authority to collect the fee going forward, on October 10, 2007, the Council approved an amendment to Chapter 13 of the Dallas City Code to re-establish the municipal court Technology Fund and municipal court Technology Fee (Ordinance number 26967, *Section 13-28.2, Dallas City Code*).

Collections between September 1, 2005, (the referenced expiration date) and October 10, 2007 (the date of the new ordinance) are estimated at \$899,565.

Recommendation I:

The Director of CTS should develop procedures to review the State Statute for changes after each legislative session and to request the City Attorney to update the Fund ordinance as necessary to comply with State Statute. The Director of CTS should also request the City Attorney to determine the appropriate disposition of the fees collected since September 2, 2005 until the date of the new ordinance.

Management's Response:

Agree. The Director of CTS concurs with the recommendation and has developed and implemented procedures to bi-annually review legislative changes and request the City Attorney's Office to update ordinances to comply with statutes as needed. Any ordinance review requests are to be provided to the City Attorney within 60 days of effective date of the Statute.

Further, CTS has consulted with the City Attorney's Office regarding the disposition of fees collected since September 2, 2005 and been advised that these funds should be utilized in the same manner as all other municipal technology fees collected.

Controls are not in place to ensure that the Technology Fund is periodically reconciled and items purchased are periodically inventoried.

Review of CTS policies and procedures for the Technology Fund (Fund) showed that currently there is no requirement to periodically reconcile the Fund nor produce and review management reports needed to administer and control the Fund.

Controls that should have been addressed in the policies and procedures would include:

- The appropriate use of the Fees received;
- Accounting procedures for the Fund; both receipts and expenditures;
- Procedures to safeguard assets obtained through use of the Fund; and,

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- Procedures to generate management reports from the existing Court Management System to be used to periodically reconcile, and effectively monitor and control the Fund.

The policies and procedures defined the appropriate use of the Fund and referenced the State Statute requirements and limitation for the use of the Fund. CTS procedures, however, have not defined the frequency for reconciling the Fund, nor the development of management reports needed to administer and control the Fund.

CTS management stated that the only reconciliation routinely performed is the daily reconciliation of all cashier transactions. During this reconciliation, the collection deposits of all Class C citations are checked to verify that the total deposit amount matches the transaction totals for that day. Although this is a necessary control to have in place, it does not facilitate accounting for the total revenue received by the Department for the Fund.

CTS was further requested to produce a list of items purchased from the Fund for testing to determine if the assets were appropriate, present, and were adequately safeguarded. At the time of the request, CTS had not completed an inventory of assets and had to search for the location of the items. A sample of 23 was taken from the 118 items purchased during fiscal years 2004 through 2006. After several weeks, all 23 items in the sample were accounted for; however, the review identified four exceptions on the list of 118 items. These exceptions were:

- Two items totaling \$2,194 were identified by CTS as stolen and CTS notified the Dallas Police Department of the two thefts; and,
- Two televisions were procured by CTS in January 2006 totaling \$5,430. The justification for the procurement of this equipment was to enable the display of docket information as required by a new State Statute that went into effect on September 1, 2007. Through observation by the audit staff and the review of documentation, the display of docket or other court related information on the televisions could not be substantiated since the televisions were purchased over one and one-half years ago.

Recommendation II:

The Director of CTS should:

- Develop a process whereby citations charged the Fee are reconciled on a timely basis. A period of one to a maximum of three months should be the interval between reconciliations;

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- Develop policies and procedures to conduct and perform periodic inventories of items procured by the Fund;
- Review the security of assets in public access locations and take appropriate steps to mitigate the risk of loss; and,
- Ensure that justification for each procurement using Fund revenues is documented and meets the requirements of the State Statute.

Management's Response

Agree. Currently, there is no automated system to reconcile the Fee. The CTS will continue to work with the Department of Communication and Information Services (CIS) to provide an interim solution of reconciling the Fees collected through this fund. The specs for the new court case management system (CCMS) RFCSP include this report feature. The new CCMS is scheduled for City Council consideration this summer.

The CTS department has consulted with the City Controller's Office regarding this requirement. By February 28, 2008, CTS will develop procedures for performing periodic reviews of items purchased with this fund that remain within the department.

The CTS department will develop procedures by February 29, 2008 to require that equipment be acquired with the Technology Fund and, in areas accessible to the public, be secured by City staff after use daily. Private security staff patrolling the Municipal Court at 2014 Main Street will be required to include a report of items such as the court docket monitors on the daily patrol schedule.

Each purchase from technology funds is made in accordance with eligible purchase categories as specified by State law. In particular, the department has completed installation of the two video displays (referred to as "televisions" in the audit report) in order to provide court information, including rules for conduct, dress code, magistrate court rules, and citation- and docket-related information.

For future purchases using the fund, CTS will include a written justification with the requisition.

The current Court Management System application controls could be more effectively used to manage fees received for the Technology Fund.

Reports are not routinely produced by the software application to allow control of receipts and expenditures. During the audit, CTS was requested to provide the number of citations eligible for collecting the Technology Fee and the

corresponding collections that had been made on the issued citations. After several weeks, it was determined by CTS Department representatives and the Director of Communication and Information Systems (CIS) that the data was not readily available and that CIS would have to develop a special report to identify the total population of citations for which the Fee had been paid. Data to show the differences between citations issued and amounts collected was also requested to ensure that all citations were accounted for and disposed of appropriately. This data was not provided.

Furthermore, a review of the specifications for the new CMS did not show where adequate output application controls were included in the design specifications. Specific output from CMS to assist management in controlling the Fund could include:

- Daily processing reports that identify the number of citations collected that could be used in reconciling daily cash collections. This information would then be used to reconcile cash receipts to entries made in the accounting system;
- Monthly and annual reports showing the number of citations issued and the current disposition of those citations, as they pertain to the Fund; and,
- Reports that show the aging of the citations to ensure that they are classified appropriately and to evaluate the likelihood of collection.

Without adequate output in the form of management reports, the new system will not be routinely providing information to account for all revenue of the Fund. Effective controls provide the foundation to assist management in the administration, reporting, monitoring, and controlling the activities of the Fund.

Recommendation III:

The Director of CTS should define the application controls necessary (input, processing, and output) and ensure that these controls are in place in the design, development, and implementation of the new Court Management System. Once the system is deployed, CTS should test the controls to ensure that the controls are functioning as expected.

Management's Response

Agree. The Request for Competitive Sealed Proposals (RFCSP) for the new court case management system specifically includes requirements to ensure that the technology fee, and other court fees, are properly assessed and collected. Report requirements are detailed in Section 6.6 (pages 146 to 152) of the

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RFCSP. Item 6.6.34 (page 151) specifically includes the requirement that the “(s)olution should support the reporting of each and every fine, court cost, and fee whether assessed, paid, dismissed, the original amounts and any reductions.” Accounting functionalities of the proposed system are documented in Sections 6.23 to 6.28 (pages 219 to 252).

Appendix I

Background, Objective, Scope and Methodology

Background

In September 1999, the State Legislature added Article 102.0172 of the Texas Code of Criminal Procedure which enables the governing body of a municipality to create a Technology Fund (Fund) by ordinance and require those convicted of a misdemeanor to pay a fee not to exceed \$4 as a cost of court. The Fund was designed to finance the purchase of or to maintain technological enhancements for a municipal court or municipal court of record, including:

- Computer systems;
- Computer networks;
- Computer hardware;
- Computer software;
- Imaging systems;
- Electronic kiosks;
- Electronic ticket writers; and,
- Docket management systems.

The original statute was set to expire on September 1, 2005, but this provision of the Statute was later repealed by the State Legislature in 2003.

The City of Dallas approved Ordinance 23986 on August 25, 1999, which established a Municipal Court Technology Fund and its administration, funding, and use in accordance with state law. Section 13-28.2(c) of the Dallas City Code states that “Each defendant convicted of a misdemeanor offense in the municipal court of record shall pay a municipal court technology fee of \$4, in addition to any other fines, penalties, or court costs required by city ordinance or state or federal law.”

The Court and Detention Services Department (CTS) manages and operates the Dallas Municipal Court that adjudicates Class C misdemeanors, ordinance violations, and civil cases. The department, therefore, is limited to collecting the Fee on Class C Misdemeanors.

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In 1999 when the Fund was established, the Fund was estimated to receive \$460,800 for fiscal year 1999/2000. The revenue estimate for the Fund for fiscal year 2006/2007 is \$440,000 which is approximately two percent of CTS total estimated revenue for fiscal year 2006/2007. As of September 24, 2007, the Fund shows a fund balance of \$3,151,106.93. Communication and Information Services (CIS) Department is currently preparing to procure a new Court Management System (CMS) with resources from the Fund. CIS estimates that the cost for the new system will be approximately \$6 to \$10 million dollars.

Objective, Scope and Methodology

This audit was conducted under authority of City Charter, Chapter IX, Section 3 and in accordance with generally accepted government auditing standards. The audit covered the period of October 2004 through September 2006; however, we also reviewed any related records, procedures, and events occurring before and after this period.

Our audit objective was to perform an application review of the CMS and ensure the Fund was collected and expended appropriately according to the State Statute. In performing this review, we focused on the application controls (input, processing, and output) for the Fund to determine what controls are in place in the CMS to ensure that fees were collected, accounted for, and expended appropriately according to the State Statute. We also evaluated the manual controls that were in place regarding the processing and disposition of Fund assets.

To develop an understanding of relevant internal controls, we:

- Interviewed representatives from CTS, the City Attorney’s Office, CIS and the City Secretary’s Office;
- Reviewed departmental documentation related to the Fund, and the CMS as the basis for determining the City’s compliance; and,
- Took a statistical random sample from the Fund and tested the items to ensure:
 - CTS had control of the assets; and,
 - The purchases were made in compliance with the State Statute.

Appendix II

Major Contributors to this Report

Paul T. Garner, Assistant City Auditor
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Theresa Hampden, CPA, Quality Control Manager

Management's Response to the Draft Report

Memorandum

RECEIVED

FEB - 8 2008



CITY OF DALLAS

CITY AUDITOR'S OFFICE

DATE January 31, 2008
TO Craig Kinton, City Auditor
SUBJECT Management Response for Technology Fund Audit

Recommendation 1: The Director of CTS should develop procedures to review the State Statute for changes after each legislative session and to request the City Attorney to update the Fund ordinance as necessary to comply with State Statute. The Director of CTS should also request the City Attorney to determine the appropriate disposition of the fees collected since September 2, 2005 until the date of the new ordinance.

Management Response: The Department of Court & Detention Services concurs with the recommendation and has developed and implemented procedures to bi-annually review legislative changes and request the City Attorney's Office to update ordinances to comply with statutes as needed. Any ordinance review requests are to be provided to the City Attorney within 60 days of effective date of the Statute.

Further, Court & Detention Services has consulted with the City Attorney's Office regarding the disposition of fees collected since September 2, 2005 and been advised that these funds should be utilized in the same manner as all other municipal technology fees collected.

Recommendation 2.1: Develop a process whereby citations charged the Fee are reconciled on a timely basis. A period of one to three months should be the interval between reconciliations.

Management Response: Court & Detention Services concurs. Currently, there is no automated system to reconcile the Fee. Court & Detention Services will continue to work with the Department of Communication & Information Services (CIS) to provide an interim solution of reconciling the Fees collected through this fund. The specs for the new court case management system (CCMS) RFCSP include this report feature. The new CCMS is scheduled for City Council consideration this summer.

Recommendation 2.2: Develop policies and procedures to conduct and perform periodic inventories of items procured by the fund.

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Management Response: The Department of Court and Detention Services concurs with this recommendation and has consulted with the City Controller's Office regarding this requirement. By February 28, 2008, Court & Detention Services will develop procedures for performing periodic reviews of items purchased with this fund that remain within the department.

Recommendation 2.3: Review the security of assets in public access locations and take appropriate steps to mitigate the risk of loss.

Management Response: Court & Detention Services will develop procedures by February 29, 2008 to require that equipment acquired with the Technology Fund and in areas accessible to the public, be secured by City staff after use daily. Private security staff patrolling the Municipal Court at 2014 Main Street will be required to include a report of items such as the court docket monitors on the daily patrol schedule.

Recommendation 2.4: Ensure that justification for each procurement using Fund revenues is documented and meets the requirements of the State statute.

Management Response: Each purchase from technology funds is made in accordance with eligible purchase categories as specified by State law. In particular, the department has completed installation of the two video displays (referred to as "televisions" in the audit report) in order to provide court information, including rules for conduct, dress code, magistrate court rules and citation-and docket-related information.

For future purchases using the fund, Court & Detention Services will include a written justification with the requisition.

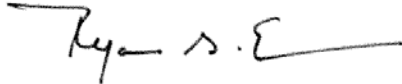
Recommendation 3: The Director of CTS should define the application controls necessary (input, processing, and output) and ensure that these controls are in place in the design, development and implementation of the new Court Case Management System. Once the system is deployed, CTS should test the controls to ensure that the controls are functioning as expected.

Management Response: Court & Detention Services concurs with this recommendation. The Request for Competitive Sealed Proposals (RFCSP) for the new court case management system specifically includes requirements to ensure that the technology fee, and other court fees, are properly assessed and collected. Report requirements are detailed in Section 6.6 (pages 146-152) of the RFCSP. Item 6.6.34 (page 151) specifically

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includes the requirement that the “[s]olution should support the reporting of each and every fine, court cost, and fee whether assessed, paid, dismissed, the original amounts and any reductions”. Accounting functionalities of the proposed system are documented in Sections 6.23 -6.28 (pages 219-252).



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