



MUNICIPAL COURT OPERATIONS INTERNAL AUDIT

August 2017





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Finance and Administration Committee
City of Springfield
840 Boonville Ave.
Springfield, Missouri 65802

Re: Municipal Court Operations Internal Audit

Dear Committee Members:

In conjunction with our overall engagement to provide internal audit services to the City of Springfield ("City"), we have completed our internal audit of the Municipal Court ("Court") operations process and the associated internal controls. Our services were performed in accordance with the International Standards for the Professional Practice of Internal Auditing, as promulgated by the Institute of Internal Auditors (IIA).

The accompanying report includes an Executive Summary, our Observations and Recommendations, Process Improvement Opportunities, and a supporting Appendix. Because the procedures performed in conjunction with the review are more limited than would be necessary to provide an opinion on the system of internal accounting controls taken as a whole, such an opinion is not expressed. In addition, the engagement did not include a detailed audit of transactions that would be required to discover fraud, defalcations or other irregularities.

This report is intended solely for the information and use of management and the City Council and is not intended to be, and should not be, used by anyone other than the specified parties. City of Springfield external auditors may be provided with a copy of this report in connection with fulfilling their responsibilities. In addition, we understand that the City may be required to make our report, once finalized, available under sunshine laws.

We would like to express our gratitude to all employees involved with this project. Each person involved was accessible and responsive to our requests for information.

Sincerely,

RUBINBROWN LLP

A handwritten signature in black ink that reads "Christina Solomon".

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Enclosures

cc: Deanna Farley
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CITY OF SPRINGFIELD
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Executive Summary

Project Overview and Scope

We completed our audit of the Municipal Court operations process and the associated internal controls. The objectives of our audit were to:

- Ensure adequate internal controls exist over the Municipal Court processes and are operating effectively.
- Evaluate the Municipal Court process for operating efficiencies and applicability of best practices.

Our audit included transactions from July 1, 2016 through June 30, 2017. We completed the following procedures:

- Identified and reviewed existing policies and procedures in place for the Court.
- Performed in-person interviews with Court personnel. The objective of these interviews was to gain an understanding of Court processes.
- Observed the Court cash reconciliation and cash collection procedures to assess the effectiveness and efficiency of the processes.
- Reviewed segregation of duties within the Court.
- Reviewed a sample of the following:
 - Monthly Office of State Courts Administration (OSCA) summaries prepared by the Court Administrator;
 - Outgoing bond checks;
 - Payments in suspense;
 - Voids and refunds;
 - Over/under payments; and
 - Waived fines and costs.
- Evaluated the calculation of the Court's annual performance metrics published in the City's annual budget report.
- Performed data analysis on the types of cases processed by the Court in fiscal year 2017.

Background

The City of Springfield Municipal Court is a division of the 31st judicial circuit of Greene County. The Municipal Court Judges are appointed by the City Council. Currently, the court employs approximately 27 employees, including one full-time Judge and three part-time Judges. The annual budget of the City of Springfield Municipal Court is about \$2 million, or 2% of the general fund budget. As shown in the appendix to this report, the majority of violations seen by the Court are traffic related.

Best Practices

Based on our review, Municipal Court operations have adequate internal controls, except as provided in our observations below. The following are some examples of the Court's best practice internal controls:

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- The Accounting Services Representative has several controls in place during the daily close process to ensure all funds are captured and the deposit is prepared correctly. Daily reconciliations are performed to the penny.
- The Court Administrator, Chief Judge, and Finance Department personnel perform adequate reconciliations that are independent of the Cashier and are designed to ensure that all funds collected by the Court reach the bank and are recorded in Oracle.
- The Court utilizes two-person control for access to sensitive supplies; no key holder to the Accounting office has access to the safe combination and vice versa.
- The Court Administrator performs a variety of periodic audits designed to identify unusual or incomplete transactions, as well as unauthorized changes to the system of record.
- The Accounting Services Representative maintains a physical log for the cash drawers and bond check stock that Cashiers are required to sign whenever they receive cash or check stock.

Observations and Recommendations

We noted the following observations during our review:

- The Court has a substantial key-man risk related to its Application System 400 ("AS/400") System Administrator.
- The time period used to calculate the Municipal Court performance measures in the City's annual budget was not stated.
- A portion of online payments made by defendants does not automatically upload to AS/400.

Additionally, we provided five process improvement opportunities related to system improvements and reporting methodology. All observations, recommendations, and process improvement opportunities were discussed with management. Details are noted in the tables attached immediately hereafter.

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OBSERVATIONS AND RECOMMENDATIONS



	Process/Procedure	Observation and Risk	Recommendation	Management Response
1	<p>AS/400, developed by IBM, is the server utilized extensively by the Municipal Court. The programs in use on AS/400 were internally developed and customized by the System Administrator on staff at the Court. The System Administrator position has been held by the same person since 1992.</p>	<p>Observation: Through observation of the Court’s procedures and interviews with Court personnel, we noted the System Administrator has unique knowledge of AS/400 and is the only person who knows how to complete certain tasks.</p> <p>Risk: The retirement of the System Administrator would significantly hinder daily operations of the Court.</p>	<p>Seek out a qualified employee from the City’s Information Technology (IT) department to shadow the System Administrator on an ongoing basis as soon as possible.</p> <p>Conduct a risk assessment of the AS/400 functions. Determine which areas are of highest risk and least understood by others within the department and document high risk areas.</p> <p>Consider engaging an independent IT Professional Consulting Firm or resources available from the State of Missouri to analyze the AS/400 or potential new system and assist with process documentation.</p>	<p>Court Administrator The court will seek a qualified employee from the City IT department to perform the recommended shadow function if not in violation of Missouri Supreme Court Operating Rule 1.10.</p> <p>The court will conduct a risk assessment of AS/400 functions in the areas of “highest risk” and “least understood” through utilization of the contracted third party hardware provider support and internal analysis. “High risk areas” will be documented.</p> <p>The court will explore engaging independent resources or state resources to analyze the AS/400 system and to assist with process documentation.</p> <p>Target date: August 31, 2018</p>

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OBSERVATIONS AND RECOMMENDATIONS



	Process/Procedure	Observation and Risk	Recommendation	Management Response
2	<p>Each year, the Municipal Court provides the Director of Finance with performance measures of the Court to be presented in the City's annual budget. Among the performance measures reported is the percentage of Driving While Intoxicated and Blood Alcohol Concentration (DWI/BAC) cases disposed within 270 days of filing with the Court. Another measure is the percentage of all other types of cases disposed within 120 days of filing with the Court.</p>	<p>Observation: Each year the Chief Judge calculates the performance measures manually using hardcopy AS/400 reports printed by the System Administrator. The calculation methodology is not formally documented in a procedure or policy.</p> <p>The time period used to calculate the performance metrics is October 1 to July 31 of each year. It is not disclosed in the annual budget report that the performance metrics were calculated using a time period other than the fiscal year.</p> <p>Risk: Errors due to manual calculation; inconsistent calculation due to lack of predefined procedures.</p>	<p>Create documented procedures that describe how performance measures are calculated. In addition, consider using Excel or another program to automate the process of calculating dates to disposal.</p> <p>Disclose on the City's Annual Budget the time period used to calculate the performance metrics when different than the fiscal year.</p>	<p>Chief Judge Calculation procedures utilized will be documented by the next proposed budget. Automation of calculations will be explored by the same date.</p> <p>The time period will be specifically stated in the next budget process.</p>

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	Process/Procedure	Observation and Risk	Recommendation	Management Response
3	<p>The Municipal Court accepts credit card payments on its website for parking tickets only. The Court Administrator, Accounting Services Representative, and Finance Department Accountant receive an e-mail notification from the online payment provider each time an online payment is made.</p> <p>The online payment provider automatically posts payments to a unique tray in the AS/400 system; at the end of each business day, the Accounting Services Representative reconciles the tray to the online payment e-mail notifications.</p>	<p>Observation: Through inquiry with the Accounting Services Representative and Court Administrator, we determined that previous daily reconciliations revealed some online payments do not automatically post to AS/400. When this happens the Accounting Services Representative must refund the original customer payment and instruct the customer to pay in person, by phone, or by mail. The City's IT department is aware of the issue.</p> <p>Risk: Increased cost due to additional labor hours for processing. Reputational risk when online payments need to be reprocessed.</p>	<p>In conjunction with the City's IT department, determine the root cause of the issue and determine why certain payments are being blocked from reaching AS/400.</p>	<p>Court Administrator</p> <p>The Court will work with the City IT department to determine the root cause of the issue and determine why certain payments are not reaching AS/400.</p> <p>Operating efficiencies and control procedures of accepting online payments rely heavily on IT support. The court will continue to review functionality of communication with the electronic payment system through City IT.</p> <p>City Finance has mandated that online payment system functionality be utilized through the MyVirtualMerchant provider.</p> <p>The Court strives to provide accessibility to online services for payment processing within technology constraints.</p> <p>Target date: August 31, 2018</p>

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PROCESS IMPROVEMENT OPPORTUNITIES



We noted the following process improvements during our review. These observations are not considered internal control weaknesses; however, we do recommend management consider each observation and take action where appropriate.

	Observation	Process Improvement	Management Response
1	<p>The Court Administrator is required to report the Court’s monthly revenue figures on the <i>Municipal Division Summary Reporting Form</i> submitted to the Office of the State Courts Administrator (OSCA). One of the required fields is the total bond refund activity for the month.</p> <p>In a sample of 3 monthly OSCA reports submitted in FY17, we determined the reported bond refund figure for one month was incorrect. Bond refunds were underreported by \$5,000 due to clerical oversight.</p> <p>The risk of submitting incorrect reports to the state is limited. The court rules require the report to be corrected and resubmitted if the data is incorrect. The risk of submitting incorrect reports to the state is limited. The court rules require only that the report to be corrected and resubmitted if the data is incorrect. Per the management response, this was done by the court administrator.</p>	<p>Agree the monthly bond refunds figure to the bond check listing to double-check the accuracy of the reported total. Ensure the Court Administrator is accounting for all lines of activity when creating reports from the AS/400 system.</p>	<p>Court Administrator</p> <p>A review of bond refund reporting on the Municipal Division Summary report was completed. A corrected report was submitted to OSCA, City of Springfield, and Municipal Court management.</p> <p>Procedural change: The Court Administrator will utilize the monthly bond check list report to supplement the accuracy of the reported bond refund total on the Municipal Division Summary Report effective immediately.</p>

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	Observation	Process Improvement	Management Response
2	<p>Citations (“tickets”) issued by the Springfield Police Department are entered into the <i>Niche</i> record management system by the Police Officer. A physical copy is routed to the Prosecutor’s Office for review. Upon completion of the review, the Prosecutor will file the ticket with the Court by routing a physical copy of the ticket to the Court. A Data Entry Clerk within the Court must enter all of the ticket information manually into the Court’s system of record, AS/400.</p>	<p>Significant manual processes are required to enter data into the systems of record. Because the systems do not interface between departments, the same ticket information must be manually entered twice. Manual routing and data entry increases the risk of clerical error or omission.</p> <p>Explore opportunities to purchase or develop a system that will process citations electronically from police to payment at the Court. Consider the effects of state mandates on the Municipal Court regarding record management systems.</p>	<p>Chief Judge Such opportunities will be explored in conjunction with and in compliance with: the Missouri Court Automation Committee’s (MCA) July 20, 2017 mandate that all municipal divisions shall implement Show-Me Courts, the MCA/OSCA (Office of State Court Administrator) developed court automation system; Missouri Supreme Court Operating Rule 1, “State Court Automation,” and; Missouri Supreme Court Rule 37.04, Appendix A, Minimum Operating Standard #7, prohibiting judicial personnel from performing work “on behalf of law enforcement or the prosecuting attorney.”</p> <p>The date for implementation is dependent on the date of Show-Me Courts implementation which is currently unknown.</p>

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	Observation	Process Improvement	Management Response
3	<p>By law, the Court is not permitted to issue arrest warrants for unpaid fines and costs. Therefore, payment plans for defendants must be reissued periodically.</p> <p>Every six months the Court Administrator and Court staff prepare an extended payment plan document to replace each previously expired and unpaid payment plan; Each new payment plan is approved by the Chief Judge.</p>	<p>Consider purchasing a software solution (separate or in conjunction with Process Improvement Opportunity #1) that is capable of tracking and automating payment plans issued by the Court.</p> <p>Request that the Chief Judge prepare a standard order that would allow Court personnel to extend payment plans to keep them current. This would greatly reduce the amount of time needed to extend payment plans because Court personnel would no longer need to obtain individual approvals from the Judge.</p>	<p>Chief Judge</p> <p>Consideration will be given to such a solution in conjunction with the “management response” to Process Improvement Opportunity #1.</p> <p>If not in conflict with the Missouri Code of Judicial Conduct and Missouri Supreme Court Rules, including but not limited to Rules 37.10(b) and 37.65, such an order will be prepared. A request was submitted to the Commission on Retirement, Removal, and Discipline on September 14, 2017 asking whether this “process improvement” idea is violative of the Supreme Court of Missouri’s Rules of Procedure and/or the Canons of Judicial Conduct. To date, no response has been received.</p>

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	Observation	Process Improvement	Management Response
4	<p>The Court collects payment for “violations bureau” tickets; these are tickets that may be paid directly by the defendant without appearing before the Judge. Violations bureau tickets may not be paid online at this time.</p>	<p>Consider expanding allowable online payments to include violations bureau tickets, but only after the finding related to online payments (finding #4 above) is resolved. Additional online payments, when working correctly, will reduce the costs of collection while increasing the convenience for customers/defendants.</p>	<p>Court Administrator</p> <p>Operating efficiencies and control procedures of accepting online payments rely heavily on IT support. The court will continue to review functionality of communication with the electronic payment system through City IT.</p> <p>City Finance has mandated that online payment system functionality be utilized through the MyVirtualMerchant provider.</p> <p>The Court strives to provide accessibility to online services for payment processing within technology constraints.</p>

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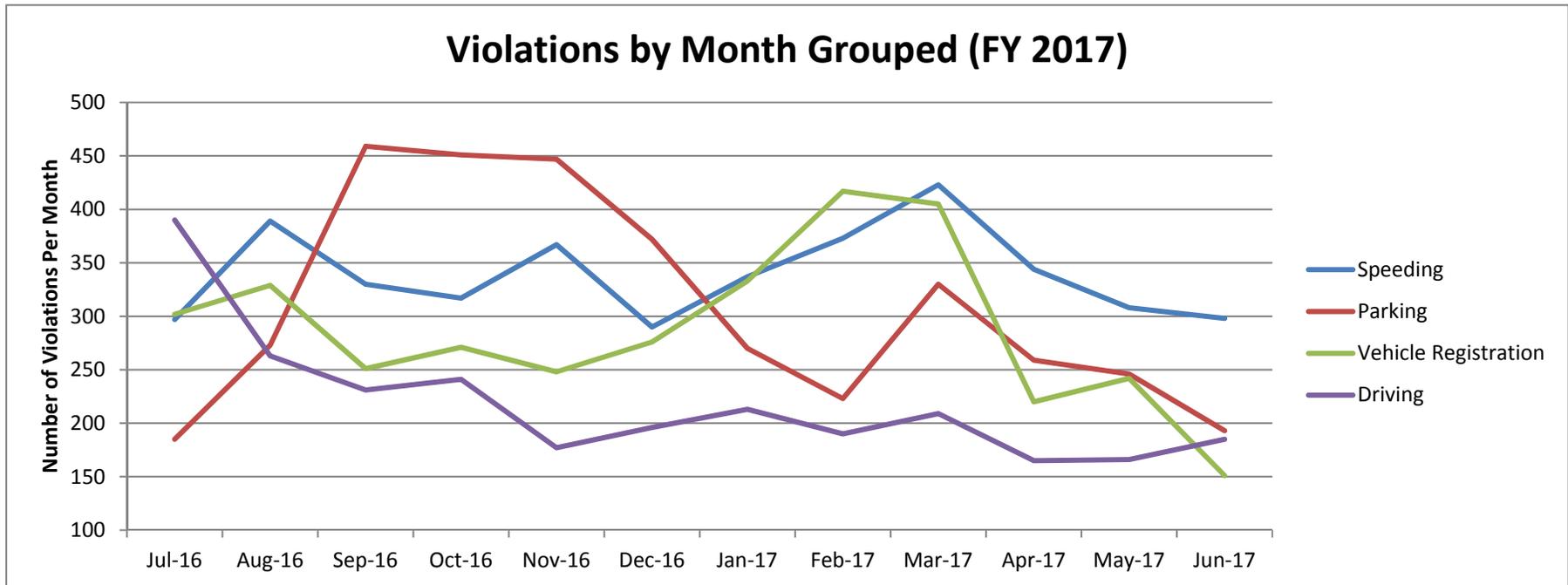


	Observation	Process Improvement	Management Response
5	<p>On the <i>Municipal Division Summary Reporting</i> form submitted monthly by the Court Administrator to OSCA, a subtotal for disbursements of costs, fees, surcharges, and bonds forfeited is presented. This subtotal was presented in an inconsistent manner throughout FY 2017; seven months did not include the category "other disbursements".</p> <p>This subtotal of the categories described above is shown as total court revenue on a separate annual document given to the Director of Finance, but does not affect the total violations from minor traffic figure reported to the Director of Finance for compliance with Missouri Senate Bill 5 (2015).</p> <p>For a sample of 3 months in FY 2017, we agreed the minor traffic revenue figure determined by the Court Administrator to the <i>Municipal Division Summary Reporting</i> form and to the annual document given to the Director of Finance without exception.</p>	<p>Determine which method of displaying totals and subtotals is most appropriate for reporting to OSCA; consult the help desk at OSCA and revise prior reports if necessary.</p> <p>Ensure that revenue figures presented to the Director of Finance, OSCA, or elsewhere are being calculated in a consistent manner month-to-month.</p>	<p>Court Administrator</p> <p>A review of FY17 Municipal Division Summary reports was completed. Corrected reports regarding the subtotal figure were submitted to OSCA, City of Springfield, and Municipal Court management.</p> <p>We agree completely with the recommendation and strive to ensure that revenue figures presented are accurate.</p>

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APPENDIX – DATA ANALYSIS



The following charts were compiled from monthly violation revenue data generated by AS/400. We grouped similar violation codes for presentation purposes. These charts show the most frequent violation types that occurred in the City of Springfield from July 1, 2016 through June 30, 2017.



Top 10 Violations Grouped (FY 2017)

