



CITY OF SAN ANTONIO

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June 5, 2012

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Councilman, District 10

SUBJECT: Audit of Municipal Court Fines, Fees, and Cash Management

Mayor and Council Members:

We are pleased to send you the audit report of Municipal Court Fines, Fees, and Cash Management. This audit began in December 2011 and concluded with an exit meeting with department management in May 2012. Management's verbatim response is included in **Appendix B** of the report. Municipal Court should be commended for its cooperation and assistance during this audit.

The Office of the City Auditor is available to discuss this report with you individually at your convenience.

Respectfully submitted,

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
City of San Antonio

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CITY OF SAN ANTONIO
OFFICE OF THE CITY AUDITOR



Audit of Municipal Court

Fines, Fees, and Cash Management

Project No. AU12-010

June 5, 2012

Kevin W. Barthold, CPA, CIA, CISA
City Auditor

Executive Summary

As part of our annual Audit Plan, we conducted an audit of Municipal Court (“the Court”) cash management processes and controls over fines and fees. The audit objective, conclusions, and recommendations follow:

Is Municipal Court adequately managing cash collections and accounting for the fines and fees it receives?

Yes, the Court is adequately managing cash collections and accounting for fines and fees it receives. Court costs were appropriately charged based on state laws. Additionally, the fines and fees collected on a daily basis were accurately reported in SAP. Finally, internal controls were adequate to ensure cash collections are safeguarded.

However, the Court does not adequately identify, manage or monitor user roles and authority in the Tyler Incode system¹. The department does not have written policies and procedures to grant and manage user access. We also noted the Court did not perform periodic cash counts and has not obtained Finance Department approval for performing cash collections in the field.

We recommend that the Presiding Judge at the Municipal Court should:

- Obtain an understanding of user roles and authority to ensure staff has the appropriate privileges within the Tyler Incode system based on individual job responsibilities.
- Develop policies and procedures to provide guidance concerning responsibilities on how to grant, manage, and monitor user access and permissions.
- Comply with Administrative Directive 8.1 by performing and documenting periodic cash counts and obtaining approval from Finance for field collections.

Management concurred with our recommendations and has developed a positive action plan. Municipal Court Management’s verbatim response is in Appendix B on page 8.

¹ Tyler Incode is a case management system, which facilitates court processes by using electronic orders and work assignments. The system interfaces with the City’s accounting system, SAP.

Other Matter Noted:

Municipal Court and the Finance Department have differing methodologies to calculate the Court's net accounts receivable. At the end of every fiscal year, the Court provides an interdepartmental memo to Finance, which illustrates its accounts receivable balance prior to any deductions for doubtful accounts. The Finance Department then recalculates the balance by eliminating a portion of the gross receivables and applying an uncollectible rate of 91% to the balance given by the Court; however, the Court was not aware of these balance adjustments performed by Finance and does not agree with eliminating a portion of gross receivables. During the course of our audit, we noted that the 91% allowance for doubtful accounts is not adequately supported. Therefore, the Court and Finance should perform a collectability study to support the adequacy of this adjustment. Prior to fiscal year end 2012, the Court and Finance should agree on a consistent methodology for reporting the net accounts receivable.

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Background

The San Antonio Municipal Court (“the Court”) represents the third branch of government for the City of San Antonio. Judicial authority resides in the eight Municipal Courts of Record, which are responsible for the interpretation and adjudication of City ordinances as well as other Class “C” misdemeanors enacted by the Texas Legislature. The Court’s activities include conducting court proceedings, the hearing and adjudication of parking citation disputes, and 24-hour detention services for area municipalities and Bexar County.

The Court was created by the City Charter. Its jurisdiction and authority are prescribed by Article 4.14 of the Texas Code of Criminal Procedure and Section 30.080 of the Texas Government Code. In general, the Court has jurisdiction over offenses occurring within the city limits which are violations of municipal ordinances or violations of a state statute. The City of San Antonio also operates a Magistrate Court, which informs arrested persons of their constitutional rights and statutory rights and sets bail for those persons entitled to bail.

The Court reports directly to the Mayor and City Council; however, it operates administratively under the guidance of City Management and the related administrative directives.

Currently, the Court utilizes two different case management systems. MCRT is used to process older cases and is in the process of being phased out. As of September 2009, the Court began implementing the Tyler Incode case management system to facilitate new cases by using electronic orders and work assignments. This system maximizes efficiencies in the creation, processing, adjudication, collection and reporting of cases.

The Court is increasing efficiency by improving citizen experience through a pilot Video Court System. The system provides a video link to a judge at remote locations in the City known as Community Link Centers. Citizens can conduct Municipal Court business such as speaking with a judge and making court payments.

For fiscal year 2011, the Court recorded \$21 million in fines and fees. It receives the majority of its payments for fines and fees from moving and parking violations as well as deferred dispositions.

Audit Scope and Methodology

The audit scope included the Court's cash management processes and collections of fines and fees for fiscal year 2011 and information system access controls in place for fiscal year 2012.

We interviewed personnel from the Court's Fiscal Operations Division as well as the Assistant Director of Finance. We observed processes and reviewed City Administrative Directives (AD's), along with departmental policies and procedures, to obtain an understanding of the cash collections and accounting for fines and fees. We also reviewed the Control Objectives for Information and related Technology (COBIT), an information technology (IT) framework that enables clear policy development and good practice for IT control throughout organizations.

We reviewed relevant information technology AD's (i.e. 7.8.1 Information Security Program, 7.8D Account Access Management and 7.8E User Account Manager) to ensure the Court's compliance with managing user access in the Tyler Incode system. We also obtained a list of all system users and corresponding roles and authority to verify appropriate segregation of duties.

We reviewed cash handling procedures for compliance with AD 8.1 Cash Handling. We also performed an unannounced cash count of cashier operations and the department's change fund.

We verified that fines and fees recorded in MCRT and Tyler system applications were accurately charged and recorded in SAP. We judgmentally selected a sample of business days from each month of fiscal year 2011 and performed the following steps:

- Reconciled each cashier's end of day sheet to the corresponding register report from MCRT and Tyler
- Identified and analyzed discrepancies
- Ensured that amounts collected were correctly posted in SAP
- Verified amounts were deposited accurately

Finally, we reviewed support documentation for 25 refunds processed to ensure they were appropriately approved and adequately supported.

We relied on computer-processed data in SAP to obtain populations of the refund transactions. Our reliance was based on performing direct tests on the data rather than evaluating the system's general and application controls. Our direct testing included review of supporting documents for the refund transactions. We do not believe that the absence of testing general and application controls had an effect on the results of our audit.

We conducted this audit from December 2011 to April 2012 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our audit results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our audit results and conclusions based on our audit objectives. Our audit included tests of management controls that we considered necessary under the circumstances.

Audit Results and Recommendations

A. Revenue Properly Recorded in SAP

Municipal Court is accurately recording daily fines and fees collections in SAP. The fines and fees processed through MCRT are manually entered into the SAP system the next business day after reconciling all end of day transactions. In comparison, fines and fees processed in the Tyler Incode system are reconciled and then automatically uploaded to SAP. We reviewed a judgmental sample of 25 end of day reconciliations. For each day, we traced the fines and fees collected from the end of day reports to MCRT or Tyler Incode system and then to SAP. We determined that all fines and fees were properly reconciled and accurately recorded in SAP.

Recommendation

None.

B. User Access, Roles and Authority

Municipal Court did not adequately manage or monitor its user access to the Tyler Incode system. We identified the following issues:

B.1 User roles and authority were not clearly identified, managed or monitored. During testing, we were provided with a listing of group users and assigned roles; however, staff could not provide what authority the assigned roles allow the user. Staff assigned to manage user roles and authority in the Tyler Incode system did not have adequate knowledge or training to ensure proper segregation of duties. Per COBIT DS5.3 Identity Management, user roles and authority to systems and data should be in line with defined and documented business needs. COBIT continues that job requirements should be attached to user identities. Without effective access controls, sensitive data may be compromised and the ability to execute changes may exist outside the appropriate scope of users' authority and responsibility.

B.2. Municipal Court did not have policies and procedures to grant and manage user access and did not perform periodic review of user access and authority. Per AD 7.8E User Account Management, business system owners should create and document the process they use to grant and manage user access and permissions (e.g., user accounts) to systems under their administration. Additionally, access privileges shall be reviewed on a regular basis to ensure that users have the least privileges they need to fulfill their duties.

The Court's staff was not aware of City requirements to have documented policies and procedures or perform periodic review of system users. Consequently, the system is vulnerable to excessive user access, which could

hinder the Court's ability to protect the integrity and confidentiality of financial data.

Recommendations

The Presiding Judge at Municipal Court should:

B.1. Ensure IT staff obtains an understanding of user roles and authority and ensure staff has only the necessary access within the Tyler Incode system to perform individual job responsibilities.

B.2. Develop policies and procedures to provide guidance concerning responsibilities on how to grant, manage, and monitor user access and permissions for systems under the Court's administration.

C. Cash Handling

We conducted a surprise cash count and did not identify any material discrepancies. Additionally, we confirmed the Court had the appropriate change fund. Finally, we conducted a cash management control questionnaire with Court management.

Overall, internal controls were adequate to ensure cash collections are safeguarded; however, we did identify that management does not perform periodic cash counts. According to the City's Administrative Directive 8.1 Cash Handling, "authorized personnel within the department that do not have custodial, accounting, or recording duties and responsibilities shall conduct periodic examination, count, or other review of cash." The Court claimed it does the periodic cash counts but could not provide support documentation. The periodic cash counts act as a deterrent to potential theft and can minimize cashier end of day discrepancies.

Additionally, the Court has not obtained approval from Finance for officers to perform cash collections in the field. The Court did send a memo to Finance requesting approval and subsequent discussions occurred, but no approval was formalized in writing.

Recommendation

The Presiding Judge at Municipal Court should ensure management complies with Administrative Directive 8.1 by performing and documenting periodic cash counts and obtaining approval from Finance for field collections.

Appendix A – Staff Acknowledgement

Andre DeLeon, CPA, Audit Manager
Danny Zuniga, CPA, CIA, Auditor in Charge
Claudia Peña, CFE, Auditor

Appendix B – Management Response



CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

May 30, 2012

Kevin W. Barthold, CPA, CIA, CISA
 City Auditor
 San Antonio, Texas

RE: Management's Corrective Action Plan for the Audit of Municipal Court
 Fines, Fees, and Cash Management.

Municipal Court has reviewed the audit report and has developed the Corrective Action Plans below corresponding to report recommendations.

Recommendation					
#	Description	Audit Report Page	Accept, Partially Accept, Decline	Responsible Person's Name/Title	Completion Date
	User Access, Roles and Authority				
	Recommendation The Presiding Judge at Municipal Court should:				
B.1	Ensure IT staff obtains an understanding of user roles and authority and ensure all staff has only the necessary access within the Tyler Incode system to perform individual job responsibilities.	5,6	Accept	Jason Tabor, Court Manager	June 30, 2012
B.2	Develop policies and procedures to provide guidance concerning responsibilities on how to grant, manage, and monitor user access and permissions for systems under the Court's administration.	5,6	Accept	Jason Tabor, Court Manager	June 30, 2012

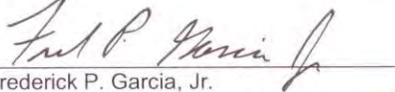
Audit of Municipal Court Cash Management

Recommendation					
#	Description	Audit Report Page	Accept, Partially Accept, Decline	Responsible Person's Name/Title	Completion Date
Action plan:					
B.1	The Municipal Court is migrating away from a legacy mainframe case management system to Tyler Technologies-Incode (Tyler) case management system. The Security Administration module establishes 13 predefined Program groups and 19 User groups. The User groups are organized on a functional level and are comprised of 1 or more Program groups with the Program groups ultimately defining the privilege level. The Court with assistance from Tyler has acquired knowledge of proper role descriptions and assignments. Staff is reviewing all users for correct functional job roles for proper assignment in various group and user accounts. Modifications are being made to user privileges to assure and meet properly defined business needs requirements.				
B.2	Municipal Court is currently working on writing policies and procedures to grant, manage and monitor user access in accordance with Administrative Directive 7.8D User Account Management. Once the policies and procedures are accepted and approved, Municipal Court will ensure that all current and future city personnel Tyler users formally acknowledged that they read, understand and agree to the policy and procedures. Additionally, staff will review assess privileges on a regular basis to ensure that court and non-court users have the least privileges they need to fulfill their work duties.				
Cash Handling					
Recommendation					
C	The Presiding Judge at Municipal Court should ensure management complies with Administrative Directive 8.1 by performing and documenting periodic cash counts and obtaining approval from Finance for field collections.	6	Accept Accept	Kristie Blust, Legal Admin Rumaldo Abonce, City Marshal	Completed June 30, 2012

Recommendation					
#	Description	Audit Report Page	Accept, Partially Accept, Decline	Responsible Person's Name/Title	Completion Date
	<p>Action plan:</p> <p>Periodic Cash Counts</p> <p>Municipal Court currently conducts periodic examinations, counts and review of cash of cashiers who handle city funds in accordance to Administrative Directive 8.1 Cash Handling. Staff will maintain electronic and hard copy records of each periodic cash count conducted.</p> <p>Field Collections Approval</p> <p>The Court's Marshal Unit has engaged with the city's Finance Department to inspect, review and approve deputy marshals' collection of monies from defendants in the field in accordance with Administrative Directive 8.1 Cash Handling. Finance Department personnel have conducted ride-a-longs with deputies from the Marshal Unit to observe their business process. The court in seeking approval for in field cash handling procedures will follow and implement recommendations from the finance department.</p>				

We are committed to addressing the recommendations in the audit report and the plan of actions presented above.

Sincerely,



Frederick P. Garcia, Jr.
Clerk of the Court
Municipal Court

5-30-12
Date



Judge Bull
Presiding Judge
Municipal Court

5-30-12
Date