

**Fort Worth**



1964 • 1993 • 2011

**Mayor**

Betsy Price

**Council Members**

Carlos Flores, District 2

Brian Byrd, District 3

Cary Moon, District 4

Gyna Bivens, District 5

Jungus Jordan, District 6

Dennis Shingleton, District 7

Kelly Allen Gray, District 8

Ann Zadeh, District 9

**Delinquent Accounts  
Collections Audit**

September 8, 2017



**City of Fort Worth  
Department of Internal Audit**

200 Texas Street  
Fort Worth, Texas 76102

**Audit Staff**

Patrice Randle, City Auditor

Terry Holderman, Assistant City Auditor

James Martin, Audit Manager

Nicole Lugo, Internal Auditor

Diane Hinojoza, Senior Auditor

Tom Wilson, Information Technology Auditor



**The Delinquent Accounts Collections Audit was conducted as part of the Department of Internal Audit's Fiscal Year 2016 Annual Audit Plan.**

**Audit Objectives**

The objectives of this audit were to evaluate the effectiveness and efficiency of the City's delinquent accounts collections process and to determine whether internal and third party collection efforts comply with applicable City policy and external regulations.

**Audit Scope**

Our audit included a review for FY2015 and FY2016.

**Opportunities for Improvement**

Executed contract to govern delinquent accounts collections by the third party vendor

Contracts to include all applicable exhibits and attachments

Collection service fees waived in accordance with established policy

Routine reconciliation of vendor invoices

Consistency between authorized fees and fees charged

Accurate referral of delinquent accounts to the third party vendor

Proper report submittal

Prioritization of payments across multiple court cases

---

**Executive Summary**

---

As a part of our FY2016 Annual Audit Plan, the Department of Internal Audit conducted a Delinquent Accounts Collections Audit that covered Library and Municipal Court accounts processed during FY2015 and FY2016.

*Library*

The Fort Worth Public Library contracted with an outside vendor to provide debt collection services for library fines and unreturned library materials collection services under a one-year contract with four executed renewals. We concluded that the vendor continued to provide collection services although the contract had expired. Additionally, for the period in which there was a contract, that contract did not include a Statement of Work which would have included performance measures.

The City of Fort Worth (CFW) waives library fees based on certain circumstances. However, audit testing indicated that library fines were sometimes waived contrary to the department's written policy. Also, vendor invoices were not verified for accuracy and were not reconciled to the Library software prior to payment authorization. Service fees were not assessed as publicized. Additionally, fees charged were inconsistent with Mayor and Council communications that support City Council action.

*Municipal Court*

The Municipal Court contracts with an outside vendor for the collection of court fines and fees. Due to internal control weaknesses surrounding the transmittal of municipal court delinquencies via an electronic feed, we were unable to verify the accuracy of municipal court delinquency data communicated to the vendor. There were also instances where collection efforts were ceased when defendants entered into bankruptcy. However, collection efforts were not reinstated upon bankruptcy dismissal or discharge.

We concluded that the CFW submitted quarterly reports to the vendor, and the vendor submitted quarterly reports to the CFW. However, those reports did not contain all relevant information as was required by the contract.

Also, there did not appear to be a standardized process or prioritization by which payments were applied to multiple cases.

These findings are discussed in further detail within the [Detailed Audit Findings](#) section of this report.

# Table of Contents

---

Background.....	1
Objectives .....	4
Scope.....	4
Methodology.....	4
Audit Results.....	5
Overall Evaluation .....	6
Detailed Audit Findings.....	7
Acknowledgements.....	18
Example: Municipal Court Interface File .....	Exhibit I
Example: Application of Time Payment Plan .....	Exhibit II



## Background

---

The City of Fort Worth (CFW) provides services to Fort Worth citizens and to other patrons living outside of the Fort Worth city limits. The CFW assesses fees to cover the cost of services provided, and imposes fines as required by City policy and/or state law.

### *Property Taxes and Sales Taxes*

Property and sales taxes are the primary sources of revenue within the General Fund, the primary operating fund of the City.

- On June 6, 1992, the CFW entered into an agreement with the Tarrant County Tax Assessor/Collector to collect ad valorem taxes levied by the CFW. Under the agreement, the Tarrant County Tax Assessor/Collector's responsibilities include: transmitting tax statements; payment processing; annual printed tax, delinquent and paid rolls; and monthly data processing of delinquent accounts as provided to the law firm with whom the County contracts.

During FY2015 and FY2016, the CFW collected approximately \$414.4M and \$424.5M in property tax revenue, respectively. The Management's Discussion and Analysis section of the FY2015 and FY2016 Comprehensive Annual Financial Reports indicate a 98.5% property tax collection rate. Property tax delinquencies were, therefore, not considered high risk and were not included as a part of this audit.

- The CFW imposes a sales and use tax on retail sales and other taxable services. Taxed businesses remit their taxes to the Texas State Comptroller, who remits the City's portion directly to the CFW. Sales tax delinquencies were, therefore, not applicable for this audit. During FY2015 and FY2016, the CFW collected approximately \$190.5M and \$203.5M in sales tax revenue, respectively.

### *Library Fees*

The CFW operates 16 library branches throughout Fort Worth. Library revenue, from fees and services, totaled \$558,026 during FY2015 and \$570,490 during FY2016.

The Fort Worth Public Library contracts with GIS Information Systems, Inc. d/b/a Polaris Library Systems (Polaris) to provide an integrated library system that manages the major aspects of library operations, including the on-line catalog, customer accounts, check-out and check-in, fines and overdue materials, holdings information and management statistics. The most recent agreement with Polaris was approved by the City Council on July 22, 2014. The authorized implementation cost was not to exceed \$250,290, plus annual maintenance service for four years not to exceed \$175,000 each year.

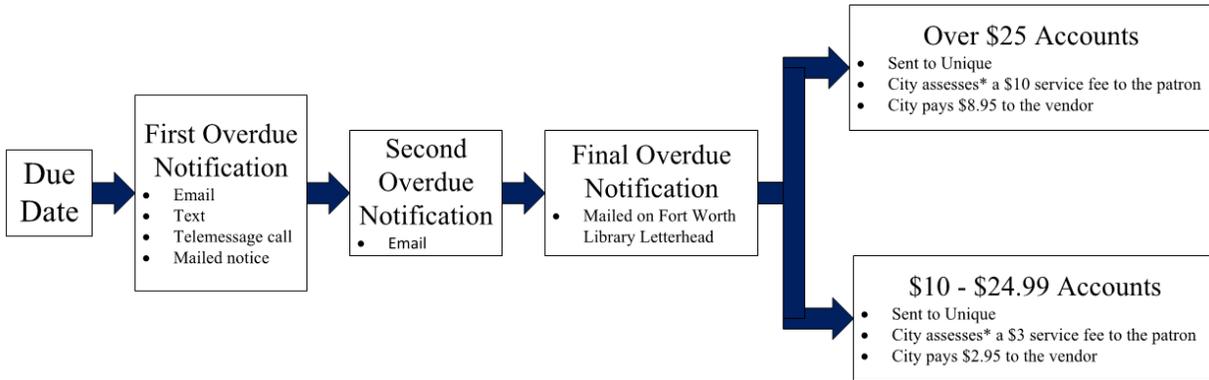
The Fort Worth Public Library uses TALKINGTECH to provide automated telemessage calls notifying patrons of overdue materials, and contracts with an outside firm for the collection of delinquent library accounts. During our audit period, the Library utilized the collection services of Unique Management Services, Inc., (UMS) to which the City was authorized to pay \$230,000 annually, over a five-year period.

Polaris is currently used to generate files that are sent to UMS. UMS processes delinquent accounts data, provided by the Fort Worth Public Library, in order to identify duplication and help prevent library patrons from receiving multiple notices and/or bills. Prior to sending the first notice, UMS acquires new address information by processing patron data through the National Change of Address (NCOA) database. A new address data file is then made available to the Fort Worth Public Library, each month, from UMS' website so Library staff can update the customer database.



The processing of delinquent library accounts is noted in the following illustrations. Two illustrations are presented because the process noted within written policy differed from that described by Library staff. Library staff acknowledged that information within the Circulation Policy is incorrect and needs to be updated.

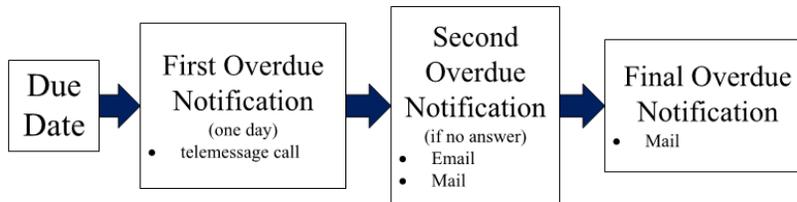
**Illustration 1:**



Source: CFW Library Staff

\*Intent is to recover the City's payment to vendor for notification services

**Illustration 2:**



Source: CFW Circulation Policy

Delinquent library accounts are administered by UMS, based on the type of services being provided. For example, the contractor provides collection services for three programs.

- *Standard Collection Program* - Program for accounts owing balances of \$25 more.
- *Small Balance Collection Program* - Program for accounts owing balances of \$10 to \$24.99 in library materials, fines and fees.
- *Circulation Notice Printing Services Program* – Program that provides notification services for overdue accounts.

The following chart depicts total payments to Library overdue and delinquent collection account vendors during FY2015 and FY2016.



<b>Fiscal Year</b>	<b>Unique Management Services, Inc.</b>	<b>TALKINGTECH (telemesssage calls)</b>	<b>Totals</b>
2015	\$73,394.17	\$0.00	\$73,394.17
2016	68,331.94	4,582.00	72,913.94
<b>Totals:</b>	<b>\$141,726.11</b>	<b>\$4,582.00</b>	<b>\$146,308.11</b>

Source: BuySpeed Procurement Software

*Fort Worth Municipal Court*

The Fort Worth Municipal Court contracts with an outside firm for the collection of delinquent municipal court accounts. During our audit period, the Municipal Court utilized the collection services of Linebarger Goggan Blair and Samson, LLP, with whom the City executed a 60-month contract ending July 31, 2017.

Municipal Court revenue, generated from fines and fees, exceeded \$16M in FY2015 and was approximately \$16M in FY2016. The Fort Worth Municipal Court is authorized to calculate and assess a 30% collection fee on all eligible debts. Since the collection fee is an “add-on” to the fine amount, the CFW does not incur expenses related to their third party vendor’s collection efforts.

Municipal Court records indicate that the CFW received over \$5M in delinquent account collections during both FY2015 and FY2016.

<b>Fiscal Year</b>	<b>Net Revenue to CFW</b>	<b>Payments to Linebarger</b>	<b>Total Collected</b>
2015	\$ 5,231,690.22	\$1,766,804.56	\$ 6,998,494.78
2016	5,122,740.69	1,802,216.51	6,924,957.20
<b>Totals:</b>	<b>\$10,354,430.91</b>	<b>\$3,569,021.07</b>	<b>\$13,923,451.98</b>

Sources: Municipal Court Staff



## Objectives

---

The objectives of this audit were to:

- evaluate the effectiveness and efficiency of the City's delinquent accounts collections process; and,
- determine whether internal and third party collection efforts comply with applicable City policy and external regulations.

## Scope

---

Our audit included a review for the period October 1, 2014 through September 30, 2016.

## Methodology

---

To achieve the audit objectives, the Department of Internal Audit performed the following:

- interviewed key personnel within the Fort Worth Public Library and the Office of the Municipal Court regarding delinquent account collections within their respective departments;
- reviewed contract files retained by the City Secretary, Fort Worth Public Library and the Office of the Municipal Court;
- reviewed vendor invoices for compliance with contract stipulations;
- reviewed patron data within the Polaris software to analyze library delinquencies;
- reviewed defendant citation activity within CourtView to analyze municipal court delinquencies;
- analyzed data in an attempt to reconcile CourtView records to the third-party contractor's files;
- contacted third party contractors regarding delinquency reporting and processes;
- conferred with City Attorney's Office staff regarding the proper disposition of delinquent account holders in bankruptcy status; and,
- evaluated internal controls related to delinquent account collections within the Fort Worth Public Library and the Office of the Municipal Court.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



## Audit Results

---

The CFW makes an effort to collect delinquent accounts. Some efforts are performed by City staff and some collection efforts are contracted to outside vendors.

### *Fort Worth Public Library*

The most recent contract for the Library's delinquent account collections services was valid for one year, with four additional one-year renewals ending in May of 2015. Although the City's Purchasing Division processed an Annual Renewal Agreement for the period 4/13/15 – 4/12/16, there were no additional renewals available from the referenced contract. However, the current vendor continued to provide services under the prior contract's terms.

The initial contract for delinquent library account collections states that the Statement of Work included specific information concerning services to be provided by the contractor. However, there was no Statement of Work (noted to have been Exhibit A of the contract) attached to contract copies within the Library or the City Secretary's Office. The Statement of Work would have included performance indicators which would allow staff to monitor and evaluate contractor performance.

From our review of waived library fees, we determined that nine (9) of 25 accounts reviewed had fees waived for reasons other than those authorized by the Library's written departmental policy. We also concluded that although the Polaris software contained sufficient information to verify invoice accuracy, Library staff does not verify the accuracy of vendor invoices prior to authorizing payment.

The Library charges a \$10 service fee, which is in compliance with the Library Circulation Policy. However, the \$10 service fee is in conflict with the \$15 service fee communicated to the Mayor and City Council.

### *Municipal Court*

The Department of Internal Audit was unable to verify the accuracy of municipal court data communicated to the delinquent accounts collections vendor. Differences existed between account balances reported by the vendor and those captured within CourtView. Internal Audit also concluded that internal controls necessary to ensure that accurate information is communicated to the vendor via a systematic interface (i.e., control totals) are lacking.

The contracted vendor and the Municipal Court submitted quarterly reports. However, those quarterly reports did not contain all relevant information as required by the contract. There was also no established practice, within the Municipal Court, of consistently distributing time payments among multiple citations. For example, during our audit period, payments made by a defendant with multiple citations were not required to be applied to the oldest citation first.



## Overall Evaluation

---

### Fort Worth Public Library

High	Medium	Low
<a href="#">No written contract</a>		
<a href="#">Incomplete contract files</a>		
<a href="#">Inappropriate waiving of fees</a>		
<a href="#">Non-reconciliation of vendor invoices prior to payment</a>		
<a href="#">Publicized service fees inconsistent with Mayor and Council communications</a>		

### Office of the Municipal Court

High	Medium	Low
<a href="#">Inability to verify accuracy of delinquent accounts</a>		
<a href="#">Noncompliance with contract reporting requirements</a>		
	<a href="#">Inconsistent application of payments across multiple cases for a single defendant</a>	



## Detailed Audit Findings

---

Since the scope of our audit was limited to delinquent account collections within the Fort Worth Public Library and the Office of the Municipal Court, the following findings are separated by department.

---

### Fort Worth Public Library

**1. Debt collection of library fines and unreturned library materials is being conducted by an outside vendor without a written contract.**

On January 8, 2015, the City's Purchasing Division and UMS signed an Annual Agreement Renewal, which erroneously indicated that the City's existing contract with the vendor would expire on April 12, 2015. The Annual Agreement Renewal referenced a 4/13/2015 – 4/12/2016 renewal period. However, the Department of Internal Audit concluded that since the renewal options had been exhausted, there was no valid renewal option to be exercised.

On April 20, 2010, the Mayor and City Council authorized City management to contract with UMS for debt collection of fines and unreturned library materials. A professional services agreement (Contract No. 40210) was accepted and agreed upon by the CFW and UMS on May 7, 2010.

Section 2 of Contract No. 40210 between the CFW and UMS states that the agreement shall commence upon the last date executed by all parties and shall expire one year from that date, unless terminated earlier in accordance with the provisions of the agreement. The agreement further states that the City may renew the agreement for four additional one-year periods. The four additional one-year renewal period options were exercised.

City Library and Procurement staff considered the 4/13/2015 – 4/12/2016 renewal period to be valid, with the erroneous renewal expiring on April 12, 2016. Although no formal contract had been executed, UMS continued to provide debt collection services to the Fort Worth Public Library. Without an effective contract, expectations from both parties may be unclear. Also, disputes could result in unnecessary legal action and/or necessary changes in the scope of work and/or compensation may not be properly addressed.

It is good business practice to ensure that a written contract exists to support agreed-upon services. The Government Finance Officers Association's (GFOA's) publicized guide to procurement indicates that contracts should spell out the responsibilities of the supplier and the government, and should list terms and conditions to identify the requirements placed by the government on its contractors.

**Recommendation 1:** *The Library Director, in conjunction with the City Attorney's Office, should ensure that a written contract for the debt collection of fines and unreturned library materials is executed as authorized by the Mayor and City Council.*

**Auditee's Response:** Concur. The contract with Unique Management, Inc. was not renewed before the expiration date. The contract was renewed on 08/04/17; CSC #49471. The library has implemented a contract process to begin the renewal process for a contract three months in advance.



**Target Implementation Date:** Completed on August 4, 2017

**Responsibility:** Marilyn Marvin/Aaron Cummins

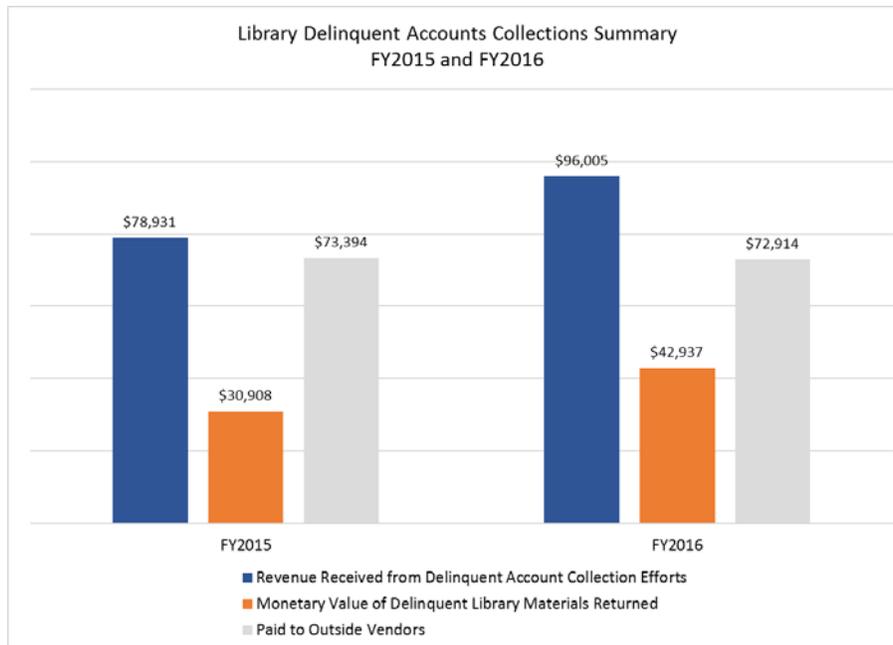
**2. Contract files, supporting collections of delinquent library fees, are incomplete.**

Contract No. 40210 references a Statement of Work (or Exhibit A), which should describe services that were to be provided under the professional services agreement between the CFW and UMS. However, there was no Statement of Work or Exhibit A attached to contract copies within the Fort Worth Public Library or the City Secretary’s Office.

Contract files, that are intended to be the official record of the City, should contain all pages of the binding agreement and should be retained as required by state law. Without a Statement of Work that describes expectations of both the City and the vendor, resolving contractual issues and evaluating contractor performance is challenging.

Since a Statement of Work (which generally includes performance indicators) did not exist, data required to determine whether it is in the City’s best interest to contract out the sending of first notices to library patrons was not available. Without complete and accurate data, the cost of using City staff to pursue delinquent account collections, versus outsourcing, cannot be determined. As a result, costs incurred by the CFW to pursue delinquent accounts could exceed the benefits received.

The following chart depicts FY2015 and FY2016 library delinquent accounts activity, based on the City’s procurement software and reports provided by UMS.



Source: CFW BuySpeed and Unique Management Services

Records obtained by Internal Audit included an Agreement Notice/Bill Outsourcing Service memo from UMS. Within that memo, UMS referenced a \$0.578 per notice or bill rate, plus an additional \$.05 for notices sent to process patron data through the NCOA. The memo also stated that prices would be



protected from any additional increases with the sole exception of postal prices, which the library would agree to pay. While increases due to corresponding postage increases are considered reasonable, the memo (which included signature and date lines for a Library and UMS representative) was not signed nor dated by a Library representative. Based on our audit results, the City paid UMS \$0.688 and \$0.671 during FY2016 for each notice sent to library patrons for bills, first overdue notices and holds.

During the audit, the Department of Internal Audit requested that UMS provide a summation of collection efforts made on behalf of the CFW. In response, UMS provided recovery totals, by the City's fiscal year, which included total dollars waived. Although the City does not pay based on what UMS reports as its recovery totals, such information could be used as performance indicators in subsequent contracts, which would be misleading.

The following table summarizes costs charged to the City for library delinquency collections.

Category	Description	Cost to CFW	FY2016 Expenditures
Telemessaging	Maintenance and support costs paid for telemessaging calls and to over-due library account holders from 8/2015 – 7/2016	\$4,582 annually	\$ 4,582.00
Transaction Fee	Paid to UMS for each delinquent account that is submitted for collection	\$8.95 per account	\$ 49,359.25
Small Balance Collection Program	Paid to UMS for each delinquent account with a balance between \$10.00 and \$24.99	\$2.95 per account	\$ 8,820.50
Notice Printing and Mailing	Paid to UMS for printing and mailing of overdue item notices in English and Spanish	\$0.688 per notice (11/2015 – 5/2016) \$0.671 per notice (6/2016 – 2/2017) \$0.675 per notice (3/2017 – 6/2017)	\$ 10,152.19
<b>Total</b>			<b>\$72,913.94</b>

As mentioned in Finding #1, the GFOA's publicized guide to procurement indicates that contracts should spell out the responsibilities of the supplier and the government. It is also good business practice to include performance measures in contracts to help monitor and evaluate vendor performance.

**Recommendation 2A:** *The Library Director, in conjunction with the City Secretary and the City Attorney, should ensure that contract files, executed on behalf of the City of Fort Worth, are complete and submitted to the City Secretary for filing as the official record of the City.*

**Auditee's Response:** Concur. The renewed contract (CSC #49471) submitted to the City Secretary and signed on 08/04/17 includes all documents mentioned in the contract. All contracts will be reviewed to ensure completeness.

**Target Implementation Date:** Completed on August 4, 2017

**Responsibility:** Marilyn Marvin/Aaron Cummins



**Recommendation 2B:** *The Library Director should ensure that Library staff begin gathering and retaining necessary data so that a determination can be made regarding the cost effectiveness of outsourcing delinquent collection activity.*

**Auditee's Response:** Concur. A process will be established and implemented to assess the amount of fines and value of materials recovered by the vendor versus the vendor cost per year allowing us to determine the cost effectiveness of outsourcing delinquent collection activity.

**Target Implementation Date:** October 1, 2017

**Responsibility:** Marilyn Marvin/Aaron Cummins

**3. Library collection fees were waived for reasons other than those authorized by departmental policy.**

During our review of waived fees, we concluded that nine (9) of the 25 sampled accounts had balances waived for reasons (i.e., patron dispute, volunteered off, etc.) other than those authorized by the Library's written departmental policy. Library staff confirmed that the nine waivers should not have been granted.

Section 15.23 of the Fort Worth Public Library's Circulation Policy (which is publicized on the City's webpage) states that a collection fee is added to the account, and that the fee cannot be volunteered off nor waived unless it is the Library's fault. Additionally, the Library's Cash Management, Reconciliation, and Reporting Policy states that debt collection fees may not be waived unless there was a library error or if the fee was accrued when the customer was a minor. That policy further states that only a Customer Service Representative II, Senior Customer Service Representative, supervisor, and manager may waive the debt collection fee incurred when the customer was a minor.

Since the Library has designated a specific code for account referrals, the Department of Internal Audit was able to identify the number and dollar value of accounts referred to collections. However, since no code was designated specifically for waivers, we were unable to relate waivers to specific collection fees that had been assessed. We, therefore, could not quantify the financial impact of erroneous waivers.

**Recommendation 3A:** *The Library Director should ensure that staff comply with existing policy or revise the policy.*

**Auditee's Response:** Concur. The library will review the circulation policy to address any errors or inconsistencies and will assess how the policy is being implemented by the library employees. A monthly review of waived fines will be conducted to validate employees are following the policy.

**Target Implementation Date:** October 31, 2017

**Responsibility:** Marilyn Marvin/Chris Dennis

**Recommendation 3B:** *The Library Director should determine the feasibility of adding specific codes, within Polaris, to designate fee waivers.*



**Auditee's Response:** Concur. Polaris does not allow for specific codes for fee waivers. The library will review and update the codes that can be placed in the comments field and staff will be re-trained in order to improve compliance of the Guidelines for Waiving Fines.

**Target Implementation Date:** October 31, 2017

**Responsibility:** Marilyn Marvin/Chris Dennis

#### 4. Vendor invoices are not reconciled for accuracy prior to payment authorization.

UMS invoices the CFW on a monthly basis. However, invoices are not reconciled to City data for accuracy prior to payment authorization. Furthermore, unit prices that are to be billed to the City were not stated within the contract.

- The CFW was billed \$8.95, per placement, for collection efforts associated with the *standard collection program*. Total placements noted on the invoices were sometimes summarized in two-week increments, and at other times, in weekly increments. The Department of Internal Audit conducted audit tests, and ensured that amounts billed agreed with data captured within Polaris. A total of \$49,359.25 was invoiced for standard placements in FY2016.
- The CFW was billed \$2.95, per placement, for collection efforts associated with invoices for the *small balance collection program*. Total placements were sometimes summarized in weekly increments, and at other times, by month. A total of \$8,820.50 was invoiced for small balance collections in FY2016. While there was no contract specifying the amount to be billed, the amount billed agreed with the amount noted in the authorizing Mayor and City Council Communications document.
- The CFW was billed \$.688 and \$.69, per placement, for collection efforts associated with the *circulation notice printing services program*. Total placements were summarized by day. Internal Audit noted multiple daily line items which could imply, but not guarantee, that the multiple lines of invoicing represented separate library branches. While there was no contract specifying the amount to be billed, the amount billed (\$.688 and \$.69 per placement) was comparable to the amount noted in an August 4, 2015 Mayor and City Council Communications document (\$.69). A total of \$10,152.19 was invoiced for circulation notice printing services in FY2016.

Internal Audit was informed that no reconciliation to Polaris occurs prior to the Library's authorization of vendor payments. However, vendor invoices should be verified for accuracy (i.e., item descriptions, number of units billed and unit billing rates) prior to payment authorization. The City could overpay and/or underpay vendors, without detection, when invoices are not reconciled for accuracy. Additionally, when unit price information is not stated within the contract, City staff do not have a source to verify that the City is paying the correct amount for services received.

**Recommendation 4A:** *The Library Director should require that monthly vendor invoices be reconciled to Polaris prior to authorizing vendor invoices for payment.*

**Auditee's Response:** Concur. Beginning with the next invoice received, the library will implement a process to conduct monthly reconciliation of vendor invoices to Polaris prior to sending the invoice to Library Administrative Services for payment.

**Target Implementation Date:** August 31, 2017



**Responsibility:** Marilyn Marvin/Deborah Duke

**Recommendation 4B:** *The Library Director should require that monthly vendor invoices are verified for accuracy (i.e. accurately calculated and billed in accordance with contract terms) prior to payment authorization.*

**Auditee's Response:** Concur. Beginning with the next invoice received, the library will verify the accuracy of the vendor's invoices prior to payment authorization.

**Target Implementation Date:** August 31, 2017

**Responsibility:** Marilyn Marvin/Aaron Cummins

**5. Service fees were charged as noted in the on-line circulation policy, but not as noted within Mayor and Council Communications that support City Council action.**

Based on our audit results, a \$10 service fee was charged as noted within the Library's on-line Circulation Policy that is published on the City's webpage. However, the discussion section of an April 20, 2010 and August 4, 2015 Mayor and City Council Communications document (which authorized the City to contract with UMS for collection management services and software for debt collection of fines and unreturned library materials) indicates a \$15.00 service fee. It is unclear as to whether the intent was to charge a \$10 or \$15 service fee. If the intent was to charge \$15, the City under-billed customers \$5.00 each.

The Department of Internal Audit was unable to determine which customer payments included the \$10 fee. However, we did note that 5,515 patrons were assessed a \$10 fee during FY2016. The difference between a \$10 and \$15 assessment to 5,515 patrons totals \$27,575, although a 100% collection rate is unrealistic.

Good business practice would dictate that assessed fees are consistent with amounts noted in internal and external publications, and within documentation provided to the Mayor and City Council for authoritative action.

**Recommendation 5:** *The Library Director should determine whether the service fee should be \$15 or \$10. If it is concluded that the service fee should be \$15, the Library Director should ensure that a \$15 service fee is charged and that the on-line Circulation Policy is updated.*

**Auditee's Response:** Concur. The library will update the on-line Circulation Policy to reflect a fee of \$15.

**Target Implementation Date:** October 1, 2017

**Responsibility:** Marilyn Marvin/Aaron Cummins



## Office of the Municipal Court

### **6. The value of delinquent accounts recorded within CourtView differed from those recorded by the delinquent accounts collection vendor.**

When reviewing account data that had been interfaced to the third party delinquent accounts collections vendor, the Department of Internal Audit identified inconsistencies between CourtView and the third party vendor's account totals.

- Linebarger's Fees and Fines Collections & Activity Report (dated as of December 31, 2016) lists an outstanding collection balance of approximately \$38M, which per Linebarger, resulted from the CFW's instructions to cease collection efforts on specific cases ("Stop Work Per Client"). Based on our review of detailed data supporting Linebarger's December 2016 report, approximately \$8M of the \$38M had been either permanently or administratively closed by the CFW. However, those closings were not reflected in Linebarger's totals.

Internal Audit identified 50,709 cases that were a part of the collection efforts ceased. CourtView records indicated that instructions to stop collections efforts on these particular accounts were necessary due to the establishment of time payment plans. Although the execution of time payment plans should result in the cessation of collection efforts, our audit results indicated that in some instances (12 of 20), defendants defaulted. However, the vendor was not instructed to reinstate collection efforts upon the defendant's time payment plan default.

- When reviewing delinquent Municipal Court account data from 1994 through 2016, we identified cases with zero balances as of December 31, 2016. At least one case from each year (between 1994 and 2016) was selected for additional testing. Based on our test results, 17 of the 23 cases (74%) had account balances, per Linebarger. However, CourtView's records showed those cases were closed with zero balances.
- Additionally, three of eight delinquent accounts were not reinstated when the bankruptcy cases were either dismissed or discharged.

Changes that occur on delinquent accounts within CourtView are transmitted to a vendor's interface file for collections. The changes are written to the interface file based on specific docket codes which trigger actions to be taken by the vendor. Internal Audit noted that accounts placed on the vendor's interface file were sometimes assigned multiple update codes. This resulted in the vendor being instructed to perform multiple actions (i.e., update, permanently cease, temporarily cease, etc.) on the same file, within the same record and on the same date.

During the audit, Municipal Court staff indicated that the only way they know what gets interfaced to the vendor is to review the actual interface file. Internal Audit concluded that the amount of information within the interface file is voluminous, as each record in the interface file is approximately 1,640 characters in length (Exhibit I). Municipal Court staff would, therefore, have to look through each line of each interface to see which accounts were transmitted.

Control Objectives for Information and Related Technology (a framework that provides guidance related to IT governance) state that management should operate the execution of the business process activities and related controls (based upon enterprise risk) to ensure that information processing is valid, complete, accurate, timely, and secure. Activities to accomplish this would include verifying the accuracy and completeness of the output, verifying data before passing transaction data outside the enterprise, and maintaining authenticity and integrity of data during transmission.



Court management did not perform a comprehensive reconciliation between the court and the vendor databases. Without accurate data transmission of delinquent account information, the contractor may not have correct information to provide account collection services. As a result, collections for the City may not be maximized.

**Recommendation 6A:** *The Municipal Court Director should ensure that the delinquent account interface, for both current and future Court software, is configured to generate a detailed summary report containing sufficient information that would allow Municipal Court staff to properly reconcile interface records to the collection vendor's records.*

**Auditee's Response:** The court does not concur with this finding in full.

- 1) While there were identified discrepancies noted on three cases, the court was able to produce documentation the data provided to the auditor's office from Linebarger was not a "snapshot in time" but data from January 18, 2017 to previous. The comparison data collected from the court was data dated from December 31, 2016 to previous. With the difference in dates of the data, there was a variance in the comparison. When the court confirmed with Linebarger that they did not have the ability to provide a "snapshot in time" for December 31, 2016 the court adjusted its data date to January 18, 2017 and the files reconciled.
- 2) It should be noted that the balances listed above include amounts on un-adjudicated cases. Un-adjudicated cases cannot be delinquent as money is not due until the case is adjudicated and a judge orders a payment to be made. It is legal to refer an un-adjudicated case to collections.
- 3) The court currently receives a daily file listing the number of records read, added, updated, and processed. This report gives court staff the ability to check the records transmitted on a regular basis. In the past the department has relied upon assistance from the system's vendor to assist with a complete reconciliation of records to ensure that all records are synchronized. The court is currently working with a qualified resource to reconcile the records with the collections vendor. Additionally, the court is currently working with the collections vendor and eCourt vendor in developing the necessary interfaces and subsequent reports for the transmitted information in the new case management system.

**Target Implementation Date:** May 31, 2018 – for those portions of the finding we are in concurrence with.

**Responsibility:** Municipal Court Assistant Director

**Audit Comment:** Subsequent to the report draft, Municipal Court staff provided information that was inconsistent with our initial audit results. An updated file from Linebarger was, therefore, received and used for further data analysis. Since our systematic analysis resulted in the same inconsistencies, Internal Audit conducted an additional manual review of that data, the results of which reaffirmed inconsistencies between CourtView and Linebarger balances.

It should be noted that when conducting our analysis, the Department of Internal Audit included a review of the entire CourtView population, and did not differentiate between adjudicated and non-adjudicated cases. No differentiation was considered necessary, as CourtView includes both adjudicated and non-adjudicated cases and Municipal Court staff indicated that during our audit period, they referred both adjudicated and non-adjudicated cases to Linebarger.



**Recommendation 6B:** *The Municipal Court Director, in conjunction with the City Attorney, should ensure that subsequent contracts require the delinquent accounts collection vendor to routinely provide summary detail information related to interface files received from the Municipal Court.*

**Auditee's Response:** Partially Concur. The Court is currently working with the City Attorney's office to amend the current contract with the collections vendor to ensure it includes the appropriate language related to reporting based on the Department's new business model.

**Target Implementation Date:** October 1, 2017

**Responsibility:** Court Director and City Attorney

**Recommendation 6C:** *The Municipal Court Director should ensure that the contracted vendor is instructed to reinstate collection efforts for Municipal Court cases in which collections were ceased during bankruptcy, but the bankruptcy has since been dismissed or discharged.*

**Auditee's Response:** Concur. Court staff has validated all bankruptcy files to ensure they are properly accounted for with the vendor. Additionally, the court is now processing all case updates in the system to generate notice to the vendor to reinstate collections activity. The interface file will be updated when the court receives notice that the bankruptcy hold has ended and a balance is still remaining due on the case.

**Target Implementation Date:** Complete

**Responsibility:** Clerk of Court

**7. Quarterly reports, submitted by the City and the vendor, did not include all relevant information as was required by contract.**

Section 4(c) of the Municipal Court's professional collection services agreement states that quarterly payments from the City shall be accompanied by a report that documents referrals resolved in the preceding three months. We determined that the Municipal Court submits a quarterly report to the contractor. However, the report does not include all components specified within the contract. For example, the report includes the defendant's name, case number and amount paid, but does not include the original "city-reported case amount due" or brief explanations of non-monetary case resolutions such as dismissals, indigencies, and jail-time served.

Section 1(f) of the same agreement requires that the contractor provide the City with quarterly reports documenting the performance of services. The report is to contain the number of new referrals received during the preceding three months, as well as the total number of referrals on which any activity occurred during the preceding three months. Based on our discussions with the vendor and review of reports, quarterly activity reports were submitted to the CFW. However, the activity reports summarized the number and amount of citations assigned, collected, canceled, etc., but did not include required information such as defendant's name, case numbers and/or the total amount of direct payments received from defendants.

The Department of Internal Audit concluded that the contract was not properly monitored to ensure compliance. Reports that omit required information could lead to reconciliation difficulties and could hamper the ability to measure contractor performance.



**Recommendation 7:** *The Municipal Court Director should monitor the contract to ensure reporting and other contractual requirements are met.*

**Auditee's Response:** Concur. The vendor currently provides monthly reports related to collection and referral activity to the Assistant Director of the Court. The court staff will work with the vendor to provide a daily reconciliation file that is reviewed daily. Additionally, the court will continue to review and archive the monthly reports for future reference and reporting. Latest report received included activity through July 2017.

**Target Implementation Date:** October 1, 2017

**Responsibility:** Municipal Court Assistant Director

**8. There was no prioritization strategy regarding the application of time payment plan payments to multiple citations.**

During our audit, we identified instances where a single defendant had multiple cases but one or more payment plans. For example, one defendant had 20+ citations that totaled more than \$10,000. CourtView records indicated that this defendant made routine payments of \$50. CourtView records also indicated that the \$50 payments were applied/distributed among multiple citations, regardless of whether any one citation was paid in full. The Department of Internal Audit observed a written agreement whereby the defendant agreed to pay \$50 each month until paid in full, starting on December 12, 2012.

Once payment plans are authorized, it is good business practice to establish a policy that specifically addresses how payments against delinquent accounts are to be applied. Without a payment application strategy, the City could lose revenue. For example, the Municipal Court indicated that their current policy is to administratively close un-adjudicated cases seven years from the violation date, adjudicated cases seven years from the violation date, etc. If a defendant has outstanding cases that go back beyond seven years, and payments are first applied to more recent outstanding cases, the older cases could be administratively closed (and revenue forgone) based on Municipal Court policy. It should be noted that based on our analysis, CourtView records included citations that were issued beyond the seven-years previously referenced.

Internal Audit was unable to determine the rationale for distributing payments among the outstanding citations. As noted in Exhibit II, for a selected defendant, payments were applied against cases ranging from 2007 through 2012. However, as shown in the following chart, balances remained on cases for each of the years in which payments were applied.



Defendant: John/Jane Doe		
Year	Amount Paid	Remaining Balance
2007	\$860.50	\$995.22
2008	N/A	N/A
2009	\$406.00	\$2,708.70
2010	\$192.30	\$2,441.14
2011	N/A	N/A
2012	\$417.00	\$1,745.60
2013	\$-0-	\$938.60
Totals	<b>\$1,875.80</b>	<b>\$8,829.26</b>

Source: CourtView

During the audit period, the Municipal Court’s policy stated that “... the cashier selects a case to be paid by highlighting the case. It is recommended to receipt to the oldest or incomplete case first.” In May 2017, the policy was updated to require (versus recommend) that cashiers change case distributions “so that cases are paid one at a time, paying the oldest cases(s) off first.”

**Recommendation 8:** *The Municipal Court Director should enforce its policy to require that payments be applied to the oldest case first, when those payments are being applied across multiple violations.*

**Auditee’s Response:** Concur. Departmental policy number CE-3A addresses the issue related to the application of fund toward payment plans. This policy became effective March 2010, and was last updated April 2017.

**Target Implementation Date:** Complete

**Responsibility:** Clerk of the Court



## Acknowledgements

---

The Department of Internal Audit would like to thank the Fort Worth Public Library, Office of the Municipal Court, City Secretary's Office and the City Attorney's Office for their cooperation and assistance during this audit.

## Exhibit I – Example: Municipal Court Interface File

### Record #1

#1 T 2003 TR 122464							
	TX						
20031110	TPP 08:35	NISS 01101P	SPEEDING-POSTED	1300			
	E LANCASTER AV						
22.34	39.46	316.54	0.00	0.00	0.00	0.00	0.00
	75.46	0.00	61.80	392.00	0.00	0.00	0.00
	Y20150801				4DR		
	CDL						

### Record #2

#2 T 2010 TR 292805							D
	TX						
20101217	TPP 14:13	02901P	FAIL TO MAINTAIN FINANCIAL RESPONSIBILITY				
	3800 MILLER AVE						
101.60	297.00	125.00	0.00	0.00	0.00	0.00	0.00
	25.00	0.00	398.60	150.00	0.00	0.00	0.00
	Y20150801				03 4DR		SILVER
	DL						

### Record #3

#3 T 2011 TR 059126							
	TX						
20110401	C 21:57	02605P	DL RESTRICTION A - CORRECTIVE LENSES				
	5100 JAMES AVE						
0.00	0.00	0.00	405.00	0.00	0.00	0.00	0.00
	0.00	105.00	0.00	0.00	510.00	0.00	0.00
	U20150801	B20150801	C20150801		ALTIMA		WHITE
	DL						

U - Update case information in collection status.

B - Permanently cease collections; case is resolved.

C - Stop work; case is in pending status.

This exhibit represents a sample of three records from a Municipal Court interface file sent to the delinquent accounts collections vendor. Some of the data fields have been redacted due to privacy restrictions.



## Exhibit II – Example: Application of Time Payment Plan

2009 TR 999999 STATE OF TEXAS VS Doe, Jane or John

Full Name Doe, Jane or John  
 Party Type DEFENDANT

Plan Members Case Number	Party Name	Docketed	Paid	Dismissed	Unpaid
2012 TR 999999	Doe, Jane or John	390.00	350.00	0.00	40.00
2012 TR 999999	Doe, Jane or John	528.50	67.00	0.00	461.50
2007 TR 999999	Doe, Jane or John	241.45	241.45	0.00	0.00
2010 TR 999999	Doe, Jane or John	301.87	64.10	0.00	237.77
2013 TR 999999	Doe, Jane or John	548.60	0.00	0.00	548.60
2013 TR 999999	Doe, Jane or John	390.00	0.00	0.00	390.00
2009 TR 999999	Doe, Jane or John	360.40	64.00	0.00	296.40
2009 TR 999999	Doe, Jane or John	519.00	64.00	0.00	455.00
2010 TR 999999	Doe, Jane or John	301.87	64.10	0.00	237.77
2009 TR 999999	Doe, Jane or John	360.40	64.00	0.00	296.40
2009 TR 999999	Doe, Jane or John	295.40	64.00	0.00	231.40
2009 TR 999999	Doe, Jane or John	473.20	0.00	0.00	473.20
2007 TR 999999	Doe, Jane or John	309.40	9.05	0.00	300.35
2010 TR 999999	Doe, Jane or John	544.70	0.00	0.00	544.70
2012 TR 999999	Doe, Jane or John	390.00	0.00	0.00	390.00
2007 TR 999999	Doe, Jane or John	158.90	0.00	0.00	158.90
2010 TR 999999	Doe, Jane or John	386.10	0.00	0.00	386.10
2007 TR 999999	Doe, Jane or John	468.00	150.00	0.00	318.00
2010 TR 999999	Doe, Jane or John	252.33	0.00	0.00	252.33
2012 TR 999999	Doe, Jane or John	305.50	0.00	0.00	305.50
2009 TR 999999	Doe, Jane or John	473.20	0.00	0.00	473.20
2010 TR 999999	Doe, Jane or John	366.87	64.10	0.00	302.77
2010 TR 999999	Doe, Jane or John	479.70	0.00	0.00	479.70
2012 TR 999999	Doe, Jane or John	548.60	0.00	0.00	548.60
2009 TR 999999	Doe, Jane or John	318.50	0.00	0.00	318.50
2007 TR 999999	Doe, Jane or John	408.00	210.00	0.00	198.00
2007 TR 999999	Doe, Jane or John	269.97	250.00	0.00	19.97
2009 TR 999999	Doe, Jane or John	314.60	150.00	0.00	164.60
<b>Totals</b>		<b>10,705.06</b>	<b>1,875.80</b>	<b>0.00</b>	<b>8,829.26</b>