



City of Madison Municipal Court **INTERNAL AUDIT REPORT**

Audited Entity: City of Madison – Municipal Court (PA-2023-01)

Fieldwork Completion Date: Friday, November 24, 2023

Date of Report: **Friday, March 8, 2024**

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EXECUTIVE SUMMARY

BACKGROUND

This audit was selected based on recommendations included in a risk assessment completed for the City of Madison by Baker Tilly LLC. The audit was conducted in accordance with Generally Accepted Government Auditing Standards (“GAGAS”).

According to Wisconsin State Statutes (Wis. Stat. §. 755.01), “A Municipal Court is created and established in and for each city, town, and village.” It further states that the Municipal Court is a coequal branch of the municipal government, subject to the superintending authority of the Wisconsin Supreme Court, through the Chief Judge of the judicial administrative district. A court shall become operative and function after January 1, 2011, when the city council, town board, or village board adopts an ordinance or bylaw providing for the election of a judge and the operation and maintenance of the court, receives a certification from the chief judge of the judicial administrative district that the court meets the requirements under Wis. Stat. §. 755.09, 755.10, 755.11, and 755.17, and provides written notification to the director of state courts of the adoption of the ordinance or bylaw.

Any municipal court established under this section is not a court of record. The court shall be maintained at the expense of the municipality. The municipal governing body shall determine the amount budgeted for court maintenance and operations. The budget of the municipal court shall be separate from, or contained on a separate line item from, the budget or line items of all other municipal departments, including the budget or line items of the municipal prosecuting attorney and the municipal law enforcement agency. A municipality may establish as many branches of municipal court as it deems necessary (Wis. Stat. §. 755.03).

The City of Madison Municipal Court represents the judicial branch of the municipal government. It provides a neutral setting for hearing City Ordinance cases, keeping in mind all legal and ethical requirements. The Court has exclusive jurisdiction over ordinance violations.

OBJECTIVES

This engagement aims to provide management with reasonable assurance that records are reliable, activities are effective, programs are conducted as approved by the Common Council, and actions follow laws and regulations.

The key objectives of the audit were to evaluate the effectiveness of operations in the following areas:

- Voiding of Receipts
- Reimbursement of expenses and claims
- Refund of payments of fines and fees
- Court’s process for collection of fines and fees, including provisions for non-payment.
- Court’s process for disposal of cases.
- Approval and Reconciliation of P-card expenses
- Sufficient safeguards to ensure data protection and access security (including data storage).
- Award of contract.
- General review of the Court’s internal control system.

SCOPE

The audit scope includes operational and administrative activities for which the court is responsible from January 1 through December 31, 2022.

FINDINGS

Reference	Finding	Risk Rating
F1	Non-collection of fines and fees	High
F2	Gaps in the process of transferring unpaid debts to collecting agents	High
F3	Need for increased internal control over receipts voiding	High
F4	Use of expired contract for an active vendor	Moderate

RECOMMENDATIONS

- The Municipal Court Management should develop a more robust collection process, with a documented and approved policy and procedure.
- The Municipal Court Management should develop a stronger monitoring process for all debts transferred. Management should document the Standard Operating Procedure (SOP) for this process.
- The Municipal Court management should develop a documented process for the voiding of receipts. This process should include all details for receipt voiding process, as expected in best practices.
- The Municipal Court management should ensure that the vendor's contracts are renewed to ensure compliance with the City's policy on vendor's contract.

Note: See findings and recommendations beginning on page seven (7) for more detail.

INTRODUCTION

Pursuant to the City of Madison Code of Ordinance Chapter 4.02 (3), the Internal Audit has conducted an internal review of the City of Madison Municipal Court (Municipal Court). The audit was conducted in accordance with the Generally Accepted Government Auditing Standards (GAGAS). These standards require the Internal Audit to plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. The control and procedural deficiencies considered to be significant are also disclosed herein. This report does not disclose any perceived weaknesses or findings reported by external agencies.

BACKGROUND

According to Wisconsin State Statutes (Wis. Stat. § 755.01), "A Municipal Court is created and established in and for each city, town, and village." It further states that the Municipal Court is a coequal branch of the municipal government, subject to the superintending authority of the [Wisconsin Supreme Court, through the Chief Judge](#) of the judicial administrative district. A court shall become operative and function after January 1, 2011, when the city council, town board, or village board adopts an ordinance or bylaw providing for the election of a judge and the operation and maintenance of the court, receives a certification from the chief judge of the judicial administrative district that the court meets the requirements under Wis. Stat. § 755.09, 755.10, 755.11, and 755.17, and provides written notification to the director of state courts of the adoption of the ordinance or bylaw.

Any municipal court established under this section is not a court of record. The court shall be maintained at the expense of the municipality. The municipal governing body shall determine the amount budgeted for court maintenance and operations. The budget of the municipal court shall be separate from, or contained on a separate line item from, the budget or line items of all other municipal departments, including the budget or line items of the municipal prosecuting attorney and the municipal law enforcement agency.

The City of Madison Municipal Court ("Court") represents the judicial branch of the municipal government. It provides a neutral setting for hearing City Ordinance cases, keeping in mind all legal and ethical requirements. The Court has exclusive jurisdiction over ordinance violations. According to the City's Code of Ordinance (Chapter 3 (16)), the Municipal Court shall constitute a separate department within the City of Madison government.

The Court has jurisdiction over all actions in which a violation of any Madison General Ordinance restricting or prohibiting parking, stopping, or standing is alleged, regardless of the date of the alleged incident. It shall have exclusive

jurisdiction over actions in which the City seeks to impose forfeitures for municipal ordinance violations except as provided in Wis. Stat. § 755.045. The Municipal Court handles an average of about 16,000 cases per year.

Common cases include:

- Animal control violations
- Building code
- Disorderly conduct
- Health code
- Parking
- Traffic
- Trespass
- Truancy
- Underage alcohol

The Court may also hear first-time Operating While Intoxicated (OWI) or Driving under Influence (DUI) offenses and juvenile offenses such as truancy, underage drinking, and underage substance offenses.

The Municipal Court judges are elected in a nonpartisan election for an initial term of two to four years, depending on the municipal ordinance. Municipal judgeship candidates must meet all statutory requirements and are eligible for reelection unless incapacitated or removed from office. The Judge of the Municipal Court presides and oversees the Court's proceedings and is authorized to issue warrants under Wis. Stat. § 755.045(2) and 66.0119. The Municipal Judge may order the payment of restitution for violations of ordinances that prohibit conduct that is the same as or similar to conduct prohibited by state statute, punishable by fine or imprisonment, or both, using the restitution procedure under Wis. Stat. § 800.093. (Am. by Ord. 10,591, 2-12-93; Ord. 13,335, 6-7-03; Regnum. by ORD-07-00048, 4-12-07)

Generally, cases in Municipal Courts begin with an arrest, issuance of a citation, or summons (non-criminal violation of an ordinance). A citation is an official notice issued by law enforcement in place of an arrest. The citation or complaint shall contain the name of a law enforcement officer, attorney representing the municipality, or, if applicable, a conservation warden. In addition, the governing body of a municipality authorized to adopt the use of citations or complaints may designate by ordinance or resolution other municipal officials who are authorized to issue and be named in citations or complaints with respect to ordinances which are directly related to the official responsibilities of the officials. Officials granted the authority to issue and be named in citations and complaints may delegate, with the approval of the governing body, the authority to employees (Wis. Stat. §. 800.02.2(a)).

According to Wis. Stat. §. 800.02.2(a), a citation or complaint shall contain substantially the following information:

- The name, address, and date of birth of the defendant.
- The identification of any permit issued to the defendant, or license number of the defendant, if applicable.
- The name and department of the issuing officer.
- The violation alleged, the time and place of the occurrence of the violation, a statement that the defendant committed the violation, the ordinance violated, and a description of the violation in language that can be readily understood.
- A notice to appear at a date, time and place for the court appearance, and a statement as to whether the appearance is mandated by the judge.
- Provisions for amount of deposit and stipulation in lieu of a court appearance, if applicable.
- Notice that the defendant may make a deposit and thereby obtain release if an arrest has been made.
- Notice that the defendant may, in writing, prior to the court appearance, enter a plea of not guilty.
- Notice that, if the defendant makes a deposit and fails to appear in court at the time fixed in the citation, the defendant is deemed to have tendered a plea of no contest and submits to a forfeiture, plus costs, fees, and surcharges imposed under ch. 814, not to exceed the amount of the deposit. The notice shall also state that the court may decide to summon the defendant rather than accept the deposit and plea.
- Notice that if the defendant does not make a deposit and fails to appear in court at the time fixed in the citation, the court may issue a summons or a warrant for the defendant's arrest or may enter a default judgment against the defendant.

- In an action against a corporation organized under ch. 180 or 181, or against a limited liability company organized under ch. 183, a statement of the corporate or company existence and whether the corporation or company is a domestic or foreign corporation or limited liability company.
- Any other pertinent information.

Citations are issued to offenders by the City's public safety agencies (Madison Police Department – MPD and University of Wisconsin Police Department – UWPD) for violations of City ordinances, traffic laws, and other chargeable offenses. It contains the defendant's personal information, charges, and a date to appear in court. The offender may then post bail or bond, allowing the party to answer the charges in court on a specified date. If an offender fails to appear in court, the bond will be forfeited. Failing to appear may result in administrative and civil penalties.

A summons, on the other hand is a notice to appear in court for violating municipal ordinances. The summons shall be signed by a municipal judge or by the attorney who is prosecuting the case in municipal court and shall contain the following information:

- The title of the cause, specifying the name of the court and county in which the action is brought and the names of all parties to the action.
- A direction summoning and requiring the defendant to appear in a specified court on a particular date not less than 10 days following service of the summons to answer the accompanying citation or complaint.
- A notice that in case of failure to appear, judgment may be rendered against the defendant according to the demand of the citation or complaint, or the court may issue a warrant for the defendant's arrest.
- In 1st class cities, all of the written information required under par. (a) shall be printed in Spanish on a separate sheet attached to the summons or provided in Spanish on the summons.

The Municipal Court Judge under Wis. Stat. § 800.014(1) is allowed to reduce fines from charges based on the ability of the defender to pay, i.e., if the offender is unable to pay due to poverty, or other financial hardship. Hence, the Municipal court judge can reduce the amount an offender is expected to pay to the city. To be eligible for the reduction, the offender must appeal to the municipal court in writing for the reduction to be considered.

The City of Madison's Municipal Court is generally responsible for processing and disposing of citations issued by the City's public safety agencies for violations of City ordinances. The Court consists of two functioning units - the Office of the Municipal Court Judge and the Municipal Court Administration unit.

The Municipal Court Administration unit supports the adjudication and disposal of citation cases by assessing, communicating, and collecting fines and fees. Once a citation is adjudicated, and a payment is expected, the court sets a payment due date, and the due date is communicated to the offender with judgement decision. As payments are received, they are applied to the appropriate accounts in TiPSS.

(Note: TiPSS is the Court's recording application used for recording of citations, judgement, payments, and every other information relating to a case.) This application also serves as the initial depository for all cases handled by the court.

Payments (cash, checks and money orders, and credit card payment) are entered into the Tyler Cashiering ("Tyler Cashiering" and "Munis" are elements of the **City of Madison's Enterprise Resource Planning (ERP) financial system**) to be deposited with the City's Treasurer's Office ("Treasury").

At the end of each day's collection, the Tyler Cashiering application generates a batch report. Court staff wait to the next business day to reconcile the different tenders to the report from the previous day's payment and make any corrections (where necessary). The batch is then closed by Court staff/Administrator. This places the batch into an 'in review' status in the system. Court staff then deliver the batch report and tenders to Treasury. Once received, Treasury confirms the tenders received, match the batch report, and close the batch for deposit into the bank.

During the fiscal year 2022, 15,382 citations (15,302 from MPD and 80 from UWPD) were issued by public safety agencies.

These citations were communicated to the Municipal Court and assessed before the Municipal Court Judge can adjudicate them.

2022 Organizational Chart (Please see Appendix A)

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SCOPE

The Municipal Court audit scope covers the activities of the Court from January 1 through December 31, 2022.

AUDIT OBJECTIVES AND METHODOLOGY

This engagement aims to provide management with reasonable assurance that the activities reviewed are effective, programs are conducted as approved by the Common Council, and to evaluate whether the activities comply with the City of Madison policies, established procedures, and applicable laws and regulations.

The key objectives of the audit were to evaluate the effectiveness of operations in the following areas:

1. Voiding of Receipts, i.e., canceling or invalidating a previously issued receipt.
2. Reimbursement of expenses and claims
3. Refund of payments of fines and fees
4. Court's process for collection of fines and fees, including provisions for non-payment.
5. Court's process for disposal of cases
6. Approval and Reconciliation of P-card expenses
7. Sufficient safeguards to ensure data protection and access security (including data storage).
8. Award of contract.
9. General review of the Court's internal controls system.

The Internal Audit conducted interviews with stakeholders and relevant third-party vendors, as well as reviews of requested documents to determine if:

1. The Municipal Court has controls in place to prevent and detect unauthorized voiding of receipts:
 - a. The Court's documented policies or procedure for voiding receipts was requested from the Court's Administrator.
 - b. All receipts voided for the review period were pulled from the TiPSS and Munis (Tyler Cashiering) Applications and assessed for completeness.
Payments are initially posted to TiPSS to offset any unpaid fees (citation fees). This payment is reconciled and posted to Munis daily through the Tyler Cashiering module (a subsidiary module in Munis used for receipting and reconciliation of payment/bank deposits).
 - c. A sample of the voided receipts was analyzed to ensure sufficient justifications for voiding the receipts supported by necessary documentation (emails, memos, or notes) explaining the reasons for voiding these receipts.
 - d. Samples were analyzed for authorization workflows by the Court's management for voiding receipts.
 - e. Voided receipts were cross-referenced with the original receipts to ensure consistency in transaction details.
 - f. Samples were analyzed to evaluate that there is sufficient internal control in place to prevent and detect unauthorized voiding of receipts.
2. The Municipal Court has controls in place to prevent and detect unauthorized claims of reimbursements or expenses:
 - a. Expenses/Reimbursements paid during the review period were downloaded from Munis and assessed for completeness.
 - b. Samples were selected and analyzed to confirm that each reimbursement was supported with sufficient documentation and was duly approved by authorized personnel.
 - c. Samples were analyzed for red flags or indicators of potential fraud in requesting claims reimbursement.
 - d. Samples were analyzed to verify the accuracy and authenticity of supporting documentation (receipts and invoices).
3. The Municipal Court complied with the City's policies and procedures for the issuance of refunds, ensuring that unauthorized or unjustified issuance can be easily detected or prevented:
 - a. Reviewed various policies and procedures and analyzed various processes for compliance.

- b. Reviewed the authorization workflow for a sample of refunds and verified adherence to the City's appropriate approval levels.
 - c. Analyzed samples for red flags or indications of potential issues (refund of transactions that are not eligible for refund, refund made in excessive amount, etc.).
 - d. Review the samples to verify the accuracy and authenticity of supporting documentation to justify each refund.
4. The Municipal Court ensures that all fines and fines are collected and remitted to the City's Treasurer's Office timely:
 - a. Downloaded the citation reports (UW and MPD) from TIPSS for the period of review and assessed them for completeness of records.
 - b. They analyzed the collection pattern to ensure fines and fees were collected and remitted to the Treasurer's office on time.
 - c. Review the Court's process to ensure that unpaid fees and fines are transferred to the appropriate collection agents for prompt recovery.
 - d. We reviewed the Court's process to ensure that the escalation of non-payment of fines and fees adheres to best practices.
5. The Municipal Court's adheres to applicable processes regarding the disposal of cases by ensuring that necessary authorizations were received for all disposed cases:
 - a) Authorizations workflow was reviewed for all cases disposed, verifying that approvals were only given by the Court's authorized personnel.
 - b) Samples were reviewed to determine if sufficient justifications which complies with legal regulations or court's policies were obtained.
 - c) Samples were reviewed to verify the accuracy of the supporting documentation that justifies the disposal, ensuring that valid reasons were provided for each case closure.
6. The Municipal Court adheres to the City's policies and procedures for the reimbursement and timely reconciliation of P-card expenses:
 - a. The P-cards report for the review period was downloaded from Munis and assessed.
 - b. Samples were reviewed to verify that the P-card transactions were accurately recorded, categorized, and matched with receipts or invoices.
 - c. Samples were reviewed to verify that the appropriate personnel had approved P-card reimbursement.
 - d. Samples were reviewed to ensure that P-card reconciliation was done on time.
7. The Municipal Court has sufficient safeguards to ensure data protection and access security (including data storage) -
 - a. Reviewed the third-party contract to ensure it included specific data protection and security requirements.
 - b. Reviewed how the third-party vendor manages user access to the TIPSS application.
 - c. Assessed the vendor's network security practices to prevent unauthorized access.
 - d. Verified that data are encrypted both at rest and during transmission.
8. The Municipal Court complies with the City's policies on the award of contracts:
 - a. Reviewed selected third-party vendors and confirmed the existence of contract agreements before the execution of projects.
 - b. Reviewed that projects were signed off for proper execution by the Court Administrator before payment was made.
9. The Municipal Court has sufficient internal control system in place around its operations – Segregation of duties:
 - a. Assignments of roles and responsibilities to individuals were evaluated to prevent the concentration of power.
 - b. Analyzed access controls to systems, databases, and applications to ensure access rights were appropriately restricted based on job roles and responsibilities.
 - c. Samples of transactions or processes were tested to verify that the principle of segregation of duties exists within the Court's operations.

The objective testing for testing data protection and access security was limited to information received from the City’s IT department and TiPSS LLC (third-party vendor). Most of the planned data protection and access security testing relates to the City’s protocols on application’s data handling/storage, data security during data transfer and at rest, disaster recovery plan, network security testing, and the application data backups/restore as controlled by the City’s IT department. Necessary documentation to complete this testing could not be provided by the City’s IT department at the time of this audit. The Internal Audit unit intends to include similar tests in its 2024 plan, to provide necessary assurance of the safety of the City’s network security. The 2024 Internal Audit plan will include Information Technology General Control (IGTC) reviews across all the enterprise.

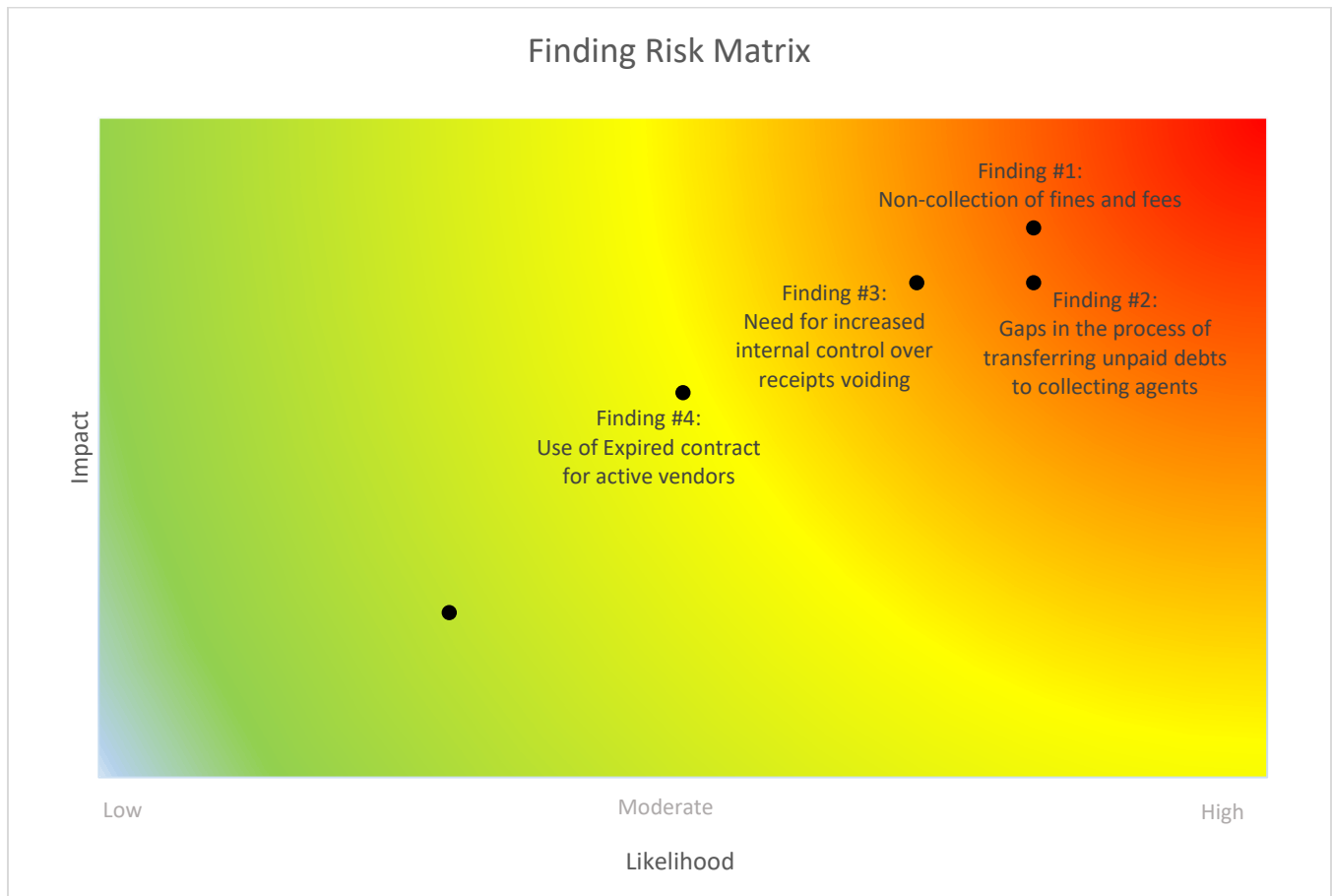
FINDINGS RISK RATING

Finding Risk Rating	
Audit findings identified in this report were assigned a risk rating based on the potential impact and likelihood of occurrence. Risk likelihood is the probability that the risk will materialize if no action is taken. Risk impact is the degree of expected loss resulting from a materialized risk. The finding risk matrix below reflects the potential risk related to each finding identified in this report.	
High Impact + High Likelihood	
High	Sufficient policies and procedures, preventative, detective, and mitigating controls do not exist; reputation or financial status is at risk when the business unit is not in compliance with established policies, laws, and regulations.
High Impact + Low Likelihood or Low Impact + High Likelihood	
Moderate	Policies and procedures exist, but adherence is inconsistent. Preventative and detective controls do not exist, but some level of mitigating controls exists within the business unit. Compliance with laws and regulations are inconsistent.
Low Impact + Low Likelihood	
Low	Policies and procedures exist but were not adhered to on an exception basis. Preventative controls do not exist, but detective and mitigating controls exist. The possibility of inappropriate activity is remote.

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FINDINGS RISK MATRIX

The Findings Risk Matrix rates the potential impact and likelihood of risk associated with each identified audit finding. Impact and likelihood are rated on a scale of one to five for each finding and then plotted on the matrix. Green areas represent a relatively low risk, while red areas represent a relatively high risk.



The following section contains a detailed listing of each audit finding, applicable internal audit recommendations, and audit observations.

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FINDINGS AND RECOMMENDATIONS

Reference 1: Non-collection of fines and fees

Finding

An analysis of the Municipal Court fines and fees collection pattern revealed the following:

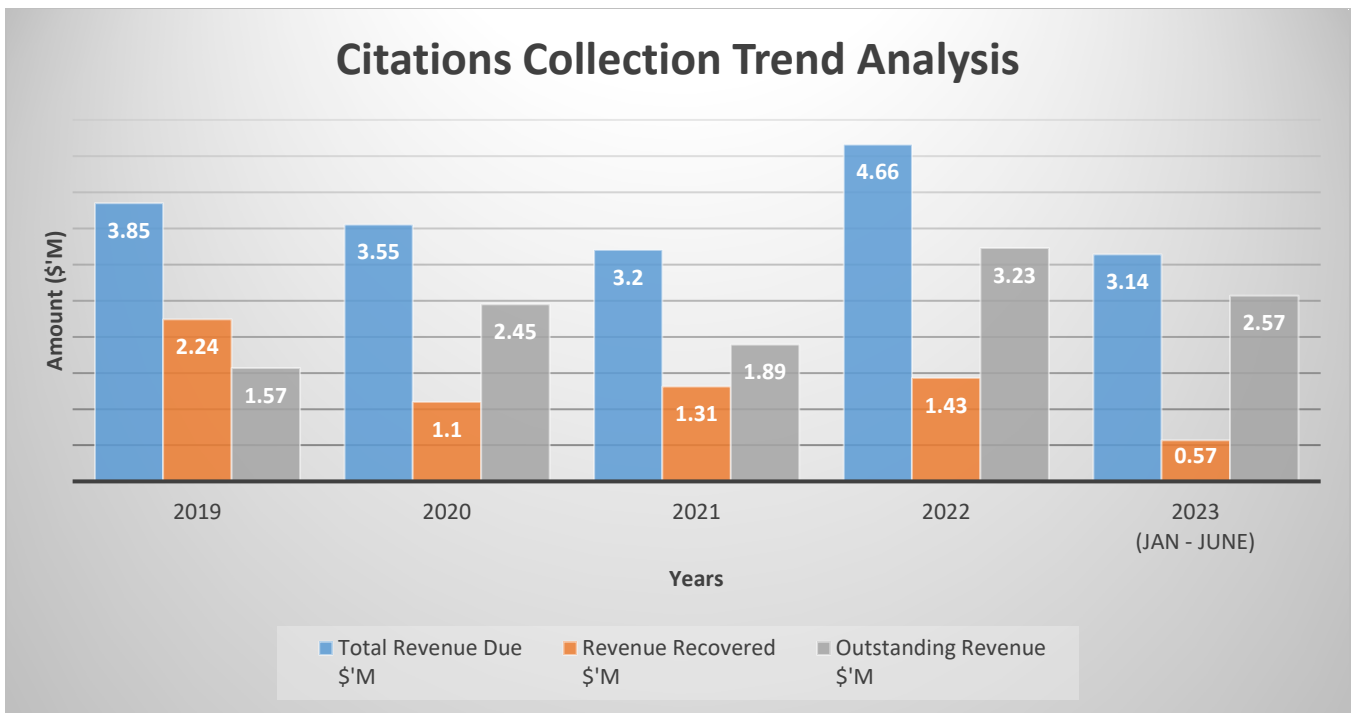
- About 15,382 citations were issued in 2022, from which 9,720 were fully paid.
- A total of \$4.66 million was generated from the citations in 2022, but only \$1.43 million was collected, with close to \$3.23 million still uncollected as at the report date. This represents about 69% of the citation not collected.
- A trend analysis of citations and collections for years 2019 to 2021 showed that about 45,642 citations, amounting to \$10.6 million were issued, and \$4.65 million was paid.
- For the period of our review (2019 – 2023), a total of 68,164 citations were issued, amounting to \$18.40 million. As at the report time, a sum of \$11.75 million is still outstanding. [\(Please see the table 1, chart 1 for the trend analysis of citations and collections from 2019 to 2023, June\).](#)
- Details of the yearly uncollected fines and fees by offence type is found in Appendix B to this report.

Table 1: Municipal Court Citations/Collection Trend Analysis (2019 – 2023)

Year	# of Citations	Total Revenue Due \$'M	Revenue Recovered \$'M	Outstanding Revenue \$'M	% of Outstanding Revenue
2019	20,668	3.85	2.24	1.57	41%
2020	11,179	3.55	1.1	2.45	69%
2021	13,795	3.2	1.31	1.89	59%
2022	15,382	4.66	1.43	3.23	69%
2023 (Jan - June)	7,140	3.14	0.57	2.57	82%
Total	68,164	18.40	6.65	11.75	

Chart 1: Municipal Court Citations/Collection Trend Analysis (2019 – 2023)

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Criteria

Offenders are required to pay on accounts on or before the due dates. These dates were initially communicated to the offenders in the judgement statement.

Recommendation

Although, the Municipal Court has limited means to enforce collection of overdue fines, the Management should develop a more robust collection process, firstly by ensuring that the policy for collection of fines – current and overdue - is updated, signed, and dated by the Department Head.

Secondly, the management should deploy more efforts to improve on the collection pattern by ensuring frequent communication (reminder notifications through mail, email, or other channels), engaging more debt collecting agents, or employing other payment options, such as installment payment plans or community service for indigent persons.

Lastly, the management should collaborate with the Finance Department (Treasury unit) on city-wide collection process.

Management Response

Many factors affect a court’s collection percentage in any given year, such as the numbers and types of violations, reopening of cases with previously ordered judgments, pending bankruptcies, stayed judgments, restitution cases, defendants with no social security number, driver’s license or permanent address, low monthly payment plans and scofflaws.

In addition, building code judgments can greatly affect these figures and percentages. When counting the number of cases collected or paid in full each year, one building code case that has a judgment in the millions of dollars will be counted the same as one speeding citation which normally is less than \$100.00. The five highest judgment amounts ordered in 2022 have a combined total of \$3,583,826.32. Of those five cases, two are reopened or appealed and should not be counted as revenue due, and the other three are at collections.

The court already has a documented collection process but will enhance it to provide additional detail. The court strives for continuous improvement and will explore ways to enhance and streamline the collection process. One way we are doing just that is by taking a deeper dive into effective methods of collection of large judgments against businesses. The court is working with the Finance Department and the City Attorney's office to explore ways to obtain FEINs of corporations and limited liability corporations to gain access to more avenues of collection.

With respect to the recommendation that the court should deploy more efforts...by ensuring frequent communication, note that a defendant receives at least three communications, including payment instructions, for a case filed in Municipal Court:

- The complaint or citation with accompanying informational brochure
- A letter containing instructions on how to pay, enter a plea or request a payment plan if no action has been taken on a case approximately two weeks prior to the initial appearance date.
- A court order or a default judgment after the court date that contains payment instructions, payment plan options, and lists the possible sanctions for failure to pay, as well as community service options for those who are indigent.

The court grants payment plans or community service to anyone requesting it. If payment(s) or proof of community service are not timely and the required 90-day waiting period has passed, the court sends the case to the Department of Revenue's State Debt Collection (SDC) or Tax Intercept (TRIP) program or the collection agency contracted by the City of Madison. The court relies on the collecting agent to further contact individuals to pay or set up a payment plan.

The court's primary method of collection is SDC, which has the most resources to collect payment and is free to the city. The SDC program uses the same authorities as individual income tax collections including payment plans, wage attachment, bank levy and refund offset. The court is prohibited from using another collecting agency when a case is listed with SDC. If a case is unable to be listed with SDC, the court will refer the case to TRIP or a private collection agency depending on a case's eligibility and the program most likely to collect payment.

The City and the court do not issue DL suspensions or warrants except under rare and unique circumstances because they cause undue hardship on those without the ability to pay. In addition, a driver's license suspension can cause significant collateral consequences such as impeding a defendant's ability to work or care for their family. The court administers the homeless court project and grants community service options for indigent defendants and uses all other available collection options and does so in a timely manner.

In recent guidance to state courts across the country, the Department of Justice (DOJ) noted the U.S. Supreme Court's repeated holdings that the government may not incarcerate individuals solely because of their inability to pay a fine or forfeiture. According to the DOJ, it is inappropriate to arrest people on warrants for outstanding fines or forfeitures and to require those arrested to pay down outstanding fines or forfeitures before they can be released from jail.

The court will begin working with the Finance Department and the City Attorney's Office to draft a policy on writing off debt older than 20 years as uncollectable if all collection efforts have been exhausted, and it would welcome any additional support or resources offered by the Finance Department to recover unpaid judgments.

Implementation Date

Enhance existing SOP: In process.

Discussion with Finance/City Attorney's Office: End of second quarter 2024

Risk Rating

High

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Reference 2: Gaps in the process of transferring unpaid debts to the collecting agents.**Finding**

Our review of the Court's process of ensuring that unpaid fees and fines are transferred to the appropriate collection agents for prompt recover revealed that:

- Debts were transferred to the collecting agents through an interface in TiPSS to SDC and TRIP, and CrExportCollect (Excel application) to Stark Collection (a third-party vendor).
- The Court does not have a documented and approved process for the escalation of non-payment of over-due fines and fees. Unpaid fines and fees could remain uncollected for an average of over 1,000 days (about 33 months) as seen in the TiPSS aging report.
- There is no specific timeline when debts are transferred to the collecting agents (SDC, TRIP, or Stark). Although, SDC will not follow up on a debt until after 90 days from the due date. Our audit inquiry showed that there were instances when debts were transferred longer than 90 days.

Criteria

The Municipal Court maintains the records of all debts to the City within its recording system, documents what is transferred to a collecting agent each time a transfer is made for proper reconciliation, accountability, and monitoring, and reports on the same to the City's Finance Department for proper recording of debts in the financial statement.

Recommendation

The Court's management should continuously work with the Treasury unit and the office of the Director of Finance for a better coordination of the debt collection. Management should also include in its exiting Standard Operating Procedures (SOP) a process for the escalation of over-due collection with a time frame of when the debts would be transferred to the collecting agents.

Management Response

The court has a robust collection process, but some debt will be uncollectable for reasons such as poverty, death, stayed judgments, low balances, etc. though such cases may still appear on an aging report. The fact that the aging report shows debt as being uncollected after 1,000 days does not mean the court has not attempted to collect. The collection process is detailed and has many nuances depending on the amount and type of judgment being collected, whether or not a driver's license or social security number or FEIN for an individual or corporation can be obtained, whether the case had a payment plan or other circumstance which results in additional manual collections processing and review, etc., so there will be delays in listing some accounts. The court determines the most likely effective collection method for each case, with the SDC program being the first preference. Cases can only be referred to SDC if they meet certain criteria. Reasons why a case may not be referred to SDC timely or at all are missing identifying information or FEIN, or a balance due under \$50.00. The collection programs and collection agencies are approved or selected through RFP by the City of Madison and/or the State of Wisconsin.

The court would welcome additional support or resources from the Finance Department for better coordination of debt collection.

Implementation Date

Review and enhance collection SOP: First quarter 2024.

Risk Rating

High

Reference 3: Need for increased internal control over receipt voiding.***Finding***

We analyzed the Municipal Court controls in place to prevent and detect unauthorized voiding of receipts, and observed the following:

- The same person who initiated a receipt can also void the receipt immediately or later (**segregation of duties**), without some controls in TiPSS or MUNIS to ensure that an approval is given prior to voiding.
- Sampled voided receipts showed a pattern where the court applied overpayments to an offender's other unpaid citation balances.
- There is no documented or approved authorization workflow, which indicates what limit an employee can void, or which employee can void a receipt or otherwise.
- There is the need to increase internal control in place over receipt voiding to prevent or detect unauthorized voiding of receipts.

Criteria

All receipts voiding should have the approval of the supervisor before a receipt is voided. This should be evidenced with the signature of the approving personnel and the date of such approval. Where the approvals are given retroactively, the approving personnel should also state the reason for giving the retroactive approval. Such approvals should include the signature and date of the voided receipt.

Recommendation

The Municipal Court management should develop a process to ensure that the same person who issued a receipt does not void the issued receipt. Management should also ensure that there is a documented authorization workflow for voiding of receipts.

The Municipal Court management should update its existing process to include how an offender over payment in the system can be applied to their other unpaid citations.

Management Response

The court complies with the recommendation of the City's external auditor Baker Tilley where a report of voided receipts is generated each month and reviewed and signed by the Court Administrator and another clerk on a rotating basis to act in accordance with segregation of duties and oversight. The court and the external auditor agreed that getting prior approval from a supervisor every time a receipt was voided would be cumbersome and determined that the monthly generation and review of the report of voided receipts is sufficient and serves the same purpose. To add another level of oversight, a new policy has been implemented effective immediately that requires the judge to approve voids processed by the Court Administrator and requires the Court Administrator to approve voids processed by the court clerks in both TiPSS and MUNIS.

For receipts voided in TiPSS: Most of the voiding of receipts in TiPSS is due to reapplying payments for purposes of issuing refunds or voiding payments that have been returned by the bank. This is a function designed to allocate the appropriate funds to the correct city, county, and state costs to maintain account accuracy and financial integrity and is not a result of inaccurate recording of payments or bookkeeping. Voided receipts are tracked in TiPSS and clear documentation of why a receipt is voided must be included on the electronic payment record.

For receipts voided in Tyler Cashiering: Most of the voiding of receipts in Tyler Cashiering is due to the payment software malfunctioning. There is already a log that requires a user ID and reason for the void. The court follows the City policy for voiding receipts in Tyler Cashiering and will comply with any changes if and when those changes are communicated to the court.

Implementation Date

Draft New Policy: First quarter 2024.

Risk Rating

High

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Reference 4: Use of expired contract for an active vendor

Finding

A review of the court's compliance with the City's policies on the award of contracts revealed that:

- The court complies with the City's process of award of contract, as all vendors were vetted before they the contracts were awarded.
- All sampled vendors had a copy of the contract with the City on file.
- We noted that one of the court's active vendors (TiPPS) contract for annual maintenance of the court's recording software have expired. The available contract that showed the annual services and costs was last reviewed on February 10, 2017. Although the court maintains an annual Terms and Information document, this yearly document does not show the basis for the service or the cost to the City (which is basic information in a contract), neither was it signed by the two parties involved in the contract. Hence, the internal audit could not accept this document as contractual evidence.

Criteria

All active City vendors should have an unexpired contract (which contains all the basic information to the engagement, signed and dated by all the parties involve in the contractual agreement) to continue to perform their services with the City.

Recommendation

The Court Administrator and the Court's project IT Manager (for TiPSS application) should ensure that the annual maintenance/services and cost agreement is reviewed, signed by all parties concerned to ensure compliance with the City's policy on vendor's contract.

The court management should ensure that protocols are set for monitoring contracts expiring dates to avoid repeated situation of active vendor's performing services with expired contracts.

Management Response

The contract in question is the Annual Fees and Software agreement. The court is currently working with the City Attorney's Office and the vendor to draft a new contract.

Implementation Date

First quarter of 2024

Risk Rating

Moderate

OBSERVATIONS AND DISCUSSION ITEMS

This section is designed to identify areas requiring management's (auditee) attention that have not risen to the level of an audit finding; the observation owner is a different business unit, department, agency, or external party than the auditee. The internal audit unit recommends that Municipal Court management consider enhancing its internal control processes in the areas of responsibility to avoid potential audit findings in the future associated with the specific internal control objectives outlined below:

1. **Authorization workflow/Approval levels**

While testing selected samples for voiding receipts and refunding payments, we observed that the Municipal Court needs an approved authorization workflow or approval level that states what an individual employee can approve or authorize as a refund or voided receipt.

We recommend that the Municipal Court enhance its operational internal control by working with the Finance Department to determine the authorization workflow or approval levels for each employee in the court in accordance with the best practice.

2. **Approval of expense in Munis by the same person who submits the expense**

We reviewed the Municipal Court's internal controls in place to prevent and detect unauthorized claims of reimbursements or expenses. We observed that the same individual who submitted all vendor's expense invoice in Munis for payment (**30 expenses were samples for the audit purpose**) is also the first level approval for these expenses (**although there are other approvals, which serves as a corresponding control**).

Per best practices, we recommend that the Municipal Court establish protocols for submitting and approving vendors' expenses in Munis such that the person who submits an invoice differs from the person who approves the expense. Efforts should be made to involve the court's judge (who is also a first-level approval) in vendors' expense approval processes.

3. **Aging report in TIPSS -**

The review of the applications used by the Municipal Court and its reporting capabilities/functionalities showed that the TiPPS application aging report should be upgraded. Current industry standard, as seen in most ERP applications (Oracle), is that the aging report should be able to show the lists of all debtors and the corresponding debts in a tabular form and in the different aging brackets, e.g., current, 30 - 60 days, 61 - 90 days, 91 - 180 days, 180 - 360 days, and over 365 days. An aging report is a valuable tool for different data analytics, which can provide a lot of information to the court if sufficient parameters are set, and the application is robust enough to gather the required data.

We recommend that the Municipal Court, the IT Project Manager, and the TIPSS organization consider developing the current application to provide reports to help the court gather all data needed and comply with recent standard ERP applications.

4. **Delay in the P-card expense approval and reconciliation**

We analyzed the Municipal Court adherence to the City's policies and procedure of the reimbursement and timely reconciliation of P-cards expenses, and observed the following:

- Selected P-card transactions were accurately recorded, categorized, and matched with receipts or invoices.
- Analyzed samples were approved by the appropriate personnel.
- Four of the selected samples were not approved or reconciled on time, with an average of about 55 days after the statement date, i.e., these expenses were not approved or reconciled until after 55/60 days after the expenses have been incurred. Further enquiry revealed that the delay in the approval were due to issues with the City's financial recording application (MUNIS), which was not discovered on time.

We recommend that the Court should continuously monitor the P-card approval and reconciliation process to ensure early discovery of technical glitches and compliance with the City's policy of reconciling and approving all P-cards expenses within 30 days after the statement date.

CONCLUSION

Opportunities were identified to improve the effectiveness and efficiency of the City of Madison Municipal Court operations regarding improving the Court's process for collection of fines and fees, ensuring sufficient monitoring protocols for unpaid debts transferred to the collecting agents, ensuring sufficient controls over voiding of receipts, renewal and monitoring of contracts, ensuring timely approval and reconciliation of P-cards, establishing protocols/process for the authorization workflow/approval levels, ensuring sufficient internal controls over vendor's expense approval in Munis, developing a more robust aging report in TIPS to conform with other ERP applications, and the documentation of Standard Operating Procedures (SOPs) for all the Municipal Court operations, as noted above.

The City of Madison Finance Department Internal Audit Unit commends the entire Municipal Court staff and other individuals who assisted with completing this audit for the courtesies extended to us and their cooperation throughout the audit.

ACKNOWLEDGEMENT

The Municipal Court Audit

Compiled by | Kolawole Akintola, Internal Audit and Grant Manager

Reviewed by | David Schmiedicke, Finance Director

Signing below certifies that you have received, read, and acknowledge the audit report prepared above.

David Schmiedicke

David Schmiedicke, Director
Finance

3/8/2024

Date

Daniel Koval

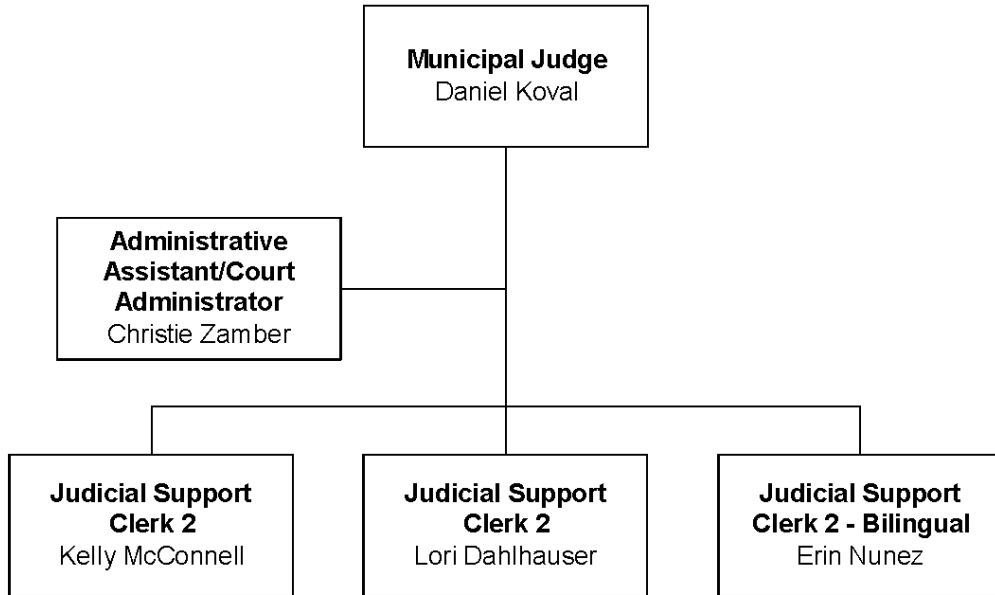
Judge Daniel Koval, Municipal Court Judge
City of Madison Municipal Court

3-7-2024

Date

APPENDIX A

2022 Municipal Court Organizational Chart



APPENDIX B***Analysis of Yearly Unpaid Citations by Offense Type (2019 – June 2023)***

2019 Offences with highest unpaid fees	
Offence Type	Unpaid Balance
Stair, Porch, Etc. To Be Safe And Able To Support Load	12,950.80
Failure To Have Insurance	15,119.25
Damage To Property	17,021.72
Failed To Properly Maintain Fences	18,331.00
Treatment Of Exterior Surfaces	18,392.00
Vehicle Owner Liability Hit And Run	18,986.73
Operating While Revoked	20,662.37
Battery	23,098.50
Operating Without Valid Drivers License	26,986.20
Commencing Construction Without Permit	27,005.00
Theft	27,063.41
Speeding (Over Fixed Limits)	29,535.04
Operating While Suspended	35,993.81
Resist Or Obstruct Peace Officer	36,372.62
Posses Open Container on Street	39,219.80
Interior Floor, Wall And Ceiling Shall Be Kept Clean	39,726.32
Foundation, Wall, Floor And Roof To Be In Proper Repair	58,357.00
Operating A Motor Vehicle While Under The Influence	72,697.18
Retail Theft	84,672.99
Disorderly Conduct	114,909.81
Parking Violation(s)	115,453.40
Unlawful Trespass	164,790.05
Offences with less than \$10,000 balance	229,329.27
Failure to Complete Alterations in Accordance with a Cert.	328,655.66
Total Unpaid	1,575,329.93

2020 Offences with highest unpaid fees	
Offence Type	Unpaid Balance
RESTITUTION	10,332.28
Failure To Have Insurance	11,617.24
Foundation, Wall, Floor And Roof To Be In Proper Repair	14,909.76
Operating While Revoked	15,932.48
Operating Without Valid Drivers License	16,825.13
Stair, Porch, Etc. To Be Safe And Able To Support Load	17,478.20
Vehicle Owner Liability Hit And Run	18,455.96
Theft	18,697.91
Ordinance Violation(s)	20,478.05
Damage To Property	21,615.00
Speeding (Over Fixed Limits)	24,254.80
Operating While Suspended	25,275.21
Battery	27,219.00
Resist Or Obstruct Peace Officer	27,553.80
PERMITTED ALTERATION WITHOUT APPROVAL	30,362.00
Failed To Remove Graffiti	30,986.00
Treatment Of Exterior Surfaces	66,612.20
Operating A Motor Vehicle While Under The Influence	83,584.00
Retail Theft	90,879.79
Parking Violation(s)	95,044.32
Disorderly Conduct	102,758.87
Unlawful Trespass	128,667.15
Offences with less than \$10,000 balance	210,580.44
Tourist Rooming House Permit Violation	319,471.00
Failed To Properly Maintain Fences	980,981.52
Total Unpaid	2,410,572.11

2021 Offences with highest unpaid fees	
Offence Type	Unpaid Balance
Public Halls And Stairways Shall Be Adequately Lighted	10,202.00
Owners Liability - Flee/Elude An Officer	10,205.55
Site Plan Not in Compliance	11,842.00
Imprudent Speed/Flr To Have Control	13,000.00
Failure To Have Insurance	13,035.07
Posses Open Container on Street	13,480.80
Damage To Property	13,901.14
RESTITUTION	13,993.26
Operating Without Valid Drivers License	18,006.06
Battery	20,140.00
Theft	23,740.00
Resist Or Obstruct Peace Officer	25,920.04
Operating While Revoked	26,191.22
Failure To Comply With Approved Site Plan	28,222.00
Operating While Suspended	29,702.63
Vehicle Owner Liability Hit And Run	30,789.91
Foundation, Wall, Floor And Roof To Be In Proper Repair	32,949.54
Retail Theft	56,831.30
Speeding (Over Fixed Limits)	58,333.52
Operating A Motor Vehicle While Under The Influence	83,141.84
Treatment Of Exterior Surfaces	91,251.80
Disorderly Conduct	134,113.33
Parking Violation(s)	141,398.04
Improper Maintenance Of Exterior Property Area	162,668.90
Unlawful Trespass	164,764.61
Offences with less than \$10,000 balance	219,207.54
Tourist Rooming House Permit Violation	438,785.00
Total Unpaid	1,885,817.10

2022 Offences with highest unpaid fees	
Offence Type	Unpaid Balance
Violate Red Traffic Signal	10,592.30
Speeding (25-Mph Limit)	10,946.90
Stair, Porch, Etc. To Be Safe And Able To Support Load	11,107.50
Inoperable Vehicle On Residential Lot	12,512.75
Failure To Have Insurance	12,863.95
Owners Liability - Flee/Elude An Officer	13,445.00
Permitting Underage Person On Licensed Premises	14,208.50
Poses Open Container on Street	18,322.85
Snow & Ice Removal From Sidewalk Violation	18,590.40
Change In Use Without Obtaining A Zoning Certificate	19,213.00
Reckless Driving	19,413.15
Represents False Quantity or Price	19,649.00
Damage To Property	20,729.65
Imprudent Speed/Flr To Have Control	20,822.06
Yard, Lawn, Or Plantings Not Properly Maintained	21,115.60
Battery	21,284.00
Underage Person Enters/Attempts To Enter Licensed Premises	22,949.15
Operating Without Valid Drivers License	22,994.74
Theft	24,594.25
Operating While Revoked	28,834.30
Unlawful Front Yard Parking	29,068.50
Failed To Comply With The Allowed Uses	29,293.00
Resist Or Obstruct Peace Officer	38,324.20
Failed To Maintain Rain Gutters	39,436.00
Operating While Suspended	39,779.92
Failed To Properly Maintain Fences	40,482.40
Vehicle Owner Liability Hit And Run	41,877.62
Public Halls And Stairways Shall Be Adequately Lighted	45,049.60
Interior Floor, Wall And Ceiling Shall Be Kept Clean	46,010.84
Non Permitted Occupancy Of City Right Of Way	46,681.00
Speeding (Over Fixed Limits)	63,918.14
Tourist Rooming House Permit Violation	66,211.00
Every Window, Door, Etc. Shall Be Kept In Proper Repair	66,551.80
Retail Theft	69,355.85
SITE PLAN NOT IN COMPLIANCE PRE 2014	107,207.40
Disorderly Conduct	130,548.54
Parking Violation(s)	138,436.96
Operating A Motor Vehicle While Under The Influence	158,011.16
Unlawful Trespass	158,901.79
Treatment Of Exterior Surfaces	181,623.00
Doorbells, Intercoms Or Buzzer System Required	195,487.00
FAILED TO REMOVE ALL JTD	229,381.00
Offences with less than \$10,000 balance	274,612.33
Foundation, Wall, Floor And Roof To Be In Proper Repair	334,644.60
Improper Maintenance Of Exterior Property Area	352,318.80
Total Unpaid	3,287,401.50

2023 Offences with highest unpaid fees	
Offence Type	Unpaid Balance
Operating Without Valid Drivers License	10,475.46
Battery	10,485.00
Imprudent Speed/Flr To Have Control	12,143.40
Reckless Driving	12,958.06
Theft	13,480.00
Failed To Remove Graffiti	14,068.20
Posses Open Container on Street	14,470.00
Snow & Ice Removal From Sidewalk Violation	15,357.40
Operating A Motor Vehicle With A Prohibited Alcohol Content	21,525.00
Resist Or Obstruct Peace Officer	22,700.00
Operating While Revoked	23,986.81
Operating While Suspended	26,295.40
Vehicle Owner Liability Hit And Run	26,805.00
Speeding (Over Fixed Limits)	33,328.70
Retail Theft	34,048.00
Parking Violation(s)	56,063.50
Unlawful for Individual to Create Public Health Nuisance	59,299.00
Tourist Rooming House Permit Violation	66,841.00
Treatment Of Exterior Surfaces	70,995.00
Disorderly Conduct	77,109.00
Improper Maintenance Of Exterior Property Area	126,552.00
Operating A Motor Vehicle While Under The Influence	129,268.67
Unlawful Trespass	153,556.00
Offences with less than \$10,000 balance	264,470.91
Failure To Provide Screens	646,441.00
Failed To Properly Maintain Fences	783,838.00
Total Unpaid	2,726,560.51