



Office of Court Administration

Collection Improvement Program

**Independent Auditor's Report
on Court Collections**

City of McAllen

October 23, 2012

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Transmittal Letter

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EXECUTIVE SUMMARY

Audit Results

The Collection Improvement Program (CIP) Audit Department of the Office of Court Administration (OCA) has performed the procedures enumerated below, which were agreed to by the CIP Technical Support Department of the OCA and the City of McAllen (City). The procedures were performed to assist you in evaluating whether the collection program of the City has complied with Article 103.0033 of the Code of Criminal Procedure and Title 1, §175.3 of the Texas Administrative Code (TAC).

Our testing indicates the collection program for the City is compliant with the requirements of Article 103.0033 of the Code of Criminal Procedure and 1 TAC §175.3. In testing the required components, we found the City in partial compliance with one component, and compliant in the other components.

We were not engaged to, and did not, conduct an examination of the City, the objective of which would be the expression of an opinion on the City's financial records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters may have come to our attention that would have been reported to you.

The City of McAllen's management is responsible for operating the collection program in compliance with the requirements of Article 103.0033 of the Code of Criminal Procedure and 1 TAC §175.3.

The sufficiency of these procedures is solely the responsibility of the CIP Technical Support Department of the OCA, and we make no representation regarding the sufficiency of the procedures for the purpose for which this report has been requested or for any other purpose.

The compliance engagement was conducted in accordance with standards for an agreed-upon procedures attestation engagement as defined in *Government Auditing Standards* issued by the Comptroller General of the United States and attestation standards established by the American Institute of Certified Public Accountants.

Objective

The objective of the engagement was to determine if the City complied with Article 103.0033 of the Code of Criminal Procedure and 1 TAC §175.3.

Summary of Scope and Methodology

This compliance engagement covers cases for which court costs, fees, and fines were assessed during the period of February 1, 2012 through March 31, 2012, but were not paid at the time of assessment. Cases were tested beyond the audit period to determine compliance with all components of the collection program. The procedures performed are enumerated in the Detailed Procedures and Findings section of this report.

Reporting of Sampling Risk

In performing the procedures, the auditor did not include a detailed inspection of every transaction. A random sample of cases was tested as required by 1 TAC §175.5(b). In consideration of the sampling error inherent in testing a sample of a population, a specific error rate cannot be reported; however, we can report the range within which we have calculated the error rate to fall.

DETAILED PROCEDURES AND FINDINGS

1. *Obtain a population of all adjudicated cases in which the defendant does not pay in full within one (1) month of the date court costs, fees, and fines are assessed.*

The City of McAllen provided a list of defendants who accepted payment plans for their court costs, fees, and fines assessed during the period of February 1, 2012 through March 31, 2012. After the auditors removed defendants that should not have been in the population, 645 cases remained.

2. *Select a randomly-generated, statistically-valid sample of cases to be tested.*

A randomly-generated, statistically-valid sample was taken from a population of 645 cases identified in Procedure 1. The compliance components and number of samples tested are listed below:

- Application and Contact Information - 57 cases tested
- Verification - 57 cases tested
- Interviews Conducted - 40 cases tested
- Payment Terms - 36 cases tested
- Phone Contact - 36 cases tested
- Mail Contact - 36 cases tested
- Capias Pro Fine Notification - 35 cases tested

3. *Obtain a completed survey, in a form prescribed by CIP Audit, from the City.*

A completed survey was obtained and reviewed for information pertinent to the engagement. Responses were evaluated, verified during fieldwork, and used to determine compliance in Procedures four (4) through six (6) below.

4. *Evaluate the survey to determine if the local collection program has designated at least one (1) employee whose job description contains an essential job function of collection activities. Answers received will be verified during field work.*

The City has six (6) staff members working part-time to establish and monitor payment plans. The collective staff time devoted to the program exceeds the single full-time equivalent (FTE) requirement. The City is compliant with this component.

5. *Evaluate the survey to determine if program staff members are monitoring defendants' compliance with the terms of their payment plans or extensions. Answers will be verified through testing of Defendant Communication components.*

The terms of a payment plan are tracked by City staff utilizing the electronic system Incode. The following activities are performed to promote compliance with the payment plan:

- 10 business days after a payment plan is established, the defendant is sent a postcard to remind the defendant of the payment and its due date.
- If a payment is missed, another postcard is sent, in conjunction with a phone call via an automated dialer, to remind the defendant of the payment and its due date.

While on-site, auditors verified that the process was described correctly. The City is compliant with this component.

6. *Evaluate the survey to determine if the program has a component designed to improve collections of balances more than 60 days past due. Answers will be verified through testing of Defendant Communication components.*

If 10 business days pass after performing the steps noted above without contact from the defendant, an additional post card is sent warning the defendant that a capias pro fine warrant could be issued for non-payment. At this point in the process, a phone call is also made. If no response is received from these efforts, the case is referred to a third-party collector.

While on-site, auditors verified that the process was described correctly. The City is compliant with this component.

7. *Verify with CIP Technical Support and/or CIP Audit Financial Analyst(s) that the program is compliant with reporting requirements described in 1 TAC §175.4.*

CIP Technical Support was contacted to determine the City's reporting status. Technical Support confirmed the City has submitted reports, and is current with the required reporting of collection activity. The City is compliant with this component.

8. *Test samples generated in Procedure 2 (above) to determine if an application was obtained within one (1) month of the assessment date, and contains both contact and ability-to-pay information for the defendant.*

Of the 57 cases that were tested, six (6) cases were found with errors. Four (4) of these errors occurred when no application or contact information could be located in the system. The remaining two (2) errors occurred as a result of applications being collected beyond the 30-day deadline.

Taking into consideration the inherent sampling error, we are 99% confident that the error rate is between .19% and 20.15%. The City is compliant with this component.

9. *Test samples generated in Procedure 2 (above) to determine if contact information obtained within the application was verified within five (5) days of obtaining the data.*

Of the 57 cases that were tested, 18 cases were found with errors. The process of verification is documented on the application as handwritten initials accompanied by the date of verification. In four (4) of these cases an application could not be located, and therefore no evidence of verification could be provided. In the remaining 14 cases, there was no evidence of the verification noted on the application.

Taking into consideration the inherent sampling error, we are 90% confident that the error rate is between 22.27% and 40.88%. The City is partially compliant with this component.

10. *Test samples generated in Procedure 2 (above) to determine if local program or court staff conducted an interview with the defendant within 14 days of receiving the application.*

Of the 40 cases that were tested, two (2) cases were found with errors. Per the City's collection process, interviews are conducted in conjunction with the application process. Within the 40 cases tested, two (2) instances were noted where the application was not present in the system. As a result, there was no evidence of an interview having been conducted in those instances.

Taking into consideration the inherent sampling error, we are 90% confident that the error rate is between .85% and 14.08%. The City is compliant with this component.

11. *Test samples generated in Procedure 2 (above) to determine if the payment plans meet the Documentation, Payment Guidelines, and Time Requirements standards defined in TAC §175.3(c)(4).*

Of the 36 cases that were tested, no cases were found with errors. Taking into consideration the inherent sampling error, we are 90% confident that the error rate is no higher than 7.59%. The City is compliant with this component.

12. *Test samples generated in Procedure 2 (above) to determine if telephone contact with the defendant within one (1) month of a missed payment was documented.*

Of the 36 cases that were tested, no cases were found with errors. Taking into consideration the inherent sampling error, we are 90% confident that the error rate is no higher than 7.59%. The City is compliant with this component.

13. *Test samples generated in Procedure 2 (above) to determine if a written delinquency notice was sent to the defendant within one (1) month of a missed payment.*

Of the 36 cases that were tested, no cases were found with errors. Taking into consideration the inherent sampling error, we are 90% confident that the error rate is no higher than 7.59%. The City is compliant with this component.

14. *Test samples generated in Procedure 2 (above) to determine if another attempt of contact, either by phone or by mail, was made within one (1) month of the telephone contact or written delinquency notice, whichever is later, on any defendant in which a capias pro fine was sought.*

Of the 35 cases that were tested, no cases were found with errors. Taking into consideration the inherent sampling error, we are 90% confident that the error rate is no higher than 7.68%. The City is compliant with this component.

APPENDICES

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The CIP Audit Department of the Office of Court Administration applied procedures, which the CIP Technical Support Department (client) and the City of McAllen (responsible party) have agreed-upon, to determine if the City's collection program is compliant with Article 103.0033 of the Code of Criminal Procedure and 1 TAC §175.3.

Scope

This compliance engagement covers cases for which court costs, fees, and fines were assessed during the period of February 1, 2012 through March 31, 2012, but were not paid at the time of assessment. Cases were tested beyond the audit period to determine compliance with all components of the collection program. All cases that included court costs, fees, and fines that totaled \$10.00 or less were removed from testing.

Methodology

Performed the procedures outlined in the Detailed Procedures and Findings section of this report to test records to enable us to issue a report of findings as to whether the City has complied, in all material respects, with the compliance criteria described in Article 103.0033 of the Code of Criminal Procedure and 1 TAC §175.3.

In performing the procedures, the 'tests' the auditor performed included tracing source documentation provided by the City to ensure the collection process met the terms of the criteria listed. Source documents include, but are not limited to, court dockets, applications for a payment plan, communication records, capias pro fine records, and payment records.

Criteria Used

Code of Criminal Procedure, Article 103.0033
Texas Administrative Code, Title 1, §175.3

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