



GARLAND

INTERNAL AUDIT

Scofflaw Audit

Craig Hametner, CPA, CIA, CMA, CFE
City Auditor

Prepared By

Jed Johnson
Sr. Audit Analyst

INTERNAL AUDIT DEPARTMENT

August 18, 2011
Report 201111

Table of Contents

	<u>Page</u>
Authorization	1
Objective, Scope and Methodology	1
Overall Conclusion	2
Background	2
Management Accomplishments	4
Program Analysis	5
Cost Analysis	9
Summary	12
Recommendations & Management Responses	14
Additional Observation Made	16

Charts & Tables

Chart 1	5
Table 1	5
Chart 2	6
Chart 3	7
Table 2	7
Chart 4	9
Chart 5	10
Chart 6	11
Table 3	12
Table 4	12
Table 5	16

Authorization

We have conducted an audit of the Scofflaw program. This audit was conducted under the authority of Article VII, Section 5 of the Garland City Charter. However, this audit was not included in the FY11 Annual Audit Plan approved by the City Council. It was requested by the City's Senior Management. Upon Management request, the City Auditor contacted the Audit Committee Chairman and received concurrence to proceed with this audit.

Objective

Verify whether the City of Garland's Scofflaw Program is cost effective.

Scope and Methodology

Our audit period for review was from December 1, 2009 thru March 31, 2011.

We conducted this performance 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 objective. This included compliance with the Texas Transportation Code and Dallas County Interlocal Agreement.

While we report to the Mayor and City Council and present the results of our work to the Audit Committee, we are located organizationally outside the staff and line management functions we are auditing. Therefore, this Audit organization may be considered free of organizational impairments to independence to audit internally and report objectively to those charged with governance.

To adequately address the audit objective, we:

- Reviewed the City's Interlocal Agreement with Dallas County
- Reviewed the Texas Transportation Code Chapters 502, 702 & 707
- Obtained and analyzed Dallas County invoices and payment details
- Interviewed Dallas County personnel
- Interviewed City's Municipal Court & IT personnel
- Interviewed ACS personnel
- Interviewed Texas Department of Motor Vehicle personnel
- Analyzed Dallas County's yearly, monthly & detail Scofflaw reports
- Obtained citation disposition details from the Municipal Court system
- Matched City's Scofflaw receipts to Dallas County disposed cases
- Reviewed City's error reports

- Verified the accuracy of data provided by Dallas County (compared with the “State” data)

Overall Conclusion

The City of Garland’s Scofflaw program is not cost effective. We have identified that the City is not utilizing the most economical way to implement Scofflaw and provided management with an analysis that will aid in their decision making.

Background

On July 21, 2009 the City of Garland entered into an Interlocal Agreement with Dallas County to participate in the Scofflaw Program (Definition of Scofflaw - A contemptuous law violator. Source: Merriam-webster.com). Garland was the first City in Dallas County to implement this program. The initial term ended on December 31, 2009. According to the terms, the agreement shall renew for successive one year terms and may be terminated at any time by either party upon sixty days written notice.

According to section 1 of the Agreement “The purpose of the agreement is to state the terms and conditions under which the County Tax Assessor-Collector will **refuse to register or re-register** certain motor vehicles when the County Tax-Assessor-Collector receives information from the Texas Department of Motor Vehicle (TXDMV) registration system that:

- The owner of the vehicle has an outstanding warrant from the City for failure to appear or failure to pay a fine on a complaint that involves a violation of a traffic law, as defined by section 702.001 of the Transportation Code, as authorized and specifically set out under section 702.003 of the Texas Transportation Code, and/or
- The registered vehicle owner owes the City money for a civil penalty imposed under Chapter 707 of the Texas Transportation Code that is past due, as authorized and specifically set out under section 707.017 of the Texas Transportation code.

In addition, the agreement addresses the circumstances in which the City may list debtors on the Dallas County Wanted website (DCW)”.

The City is responsible to provide citation information to Dallas County on a monthly basis. The City currently submits approximately 2,500 Municipal Court (traffic violation) and 500 Safelight (red light violation) citations per month. According to the City’s Information Technology (IT) Department, the Municipal Court system selects the most recent eligible citations for Scofflaw processing.

The City may forward the Municipal Court citations as soon as warrants are issued. By default, eligible citations older than 30 days are processed for

warrants. Safelight citations are considered past due if no payments are made within 32 days after the citation issuance.

The City is also responsible to notify the County within the next business day when a traffic law matter is cleared.

The County is responsible to transmit vehicle records received from the City to TXDMV to determine if vehicle records are eligible for Scofflaw according to the agreement between the County and TXDMV. The County then refuses to register or re-register all motor vehicles which are Scofflawed in the Department of Motor Vehicle registration system.

According to the payment terms, the City shall pay to Dallas County the amount of five dollars and twenty four cents (\$5.24) per vehicle records eligible for Scofflaw. Vehicle records that are unable to be Scofflawed are listed as DCW. The City shall pay to Dallas County the amount of one dollar (\$1) per record listed on DCW. All vehicle records that are Scofflawed are automatically listed on DCW with no additional charge.

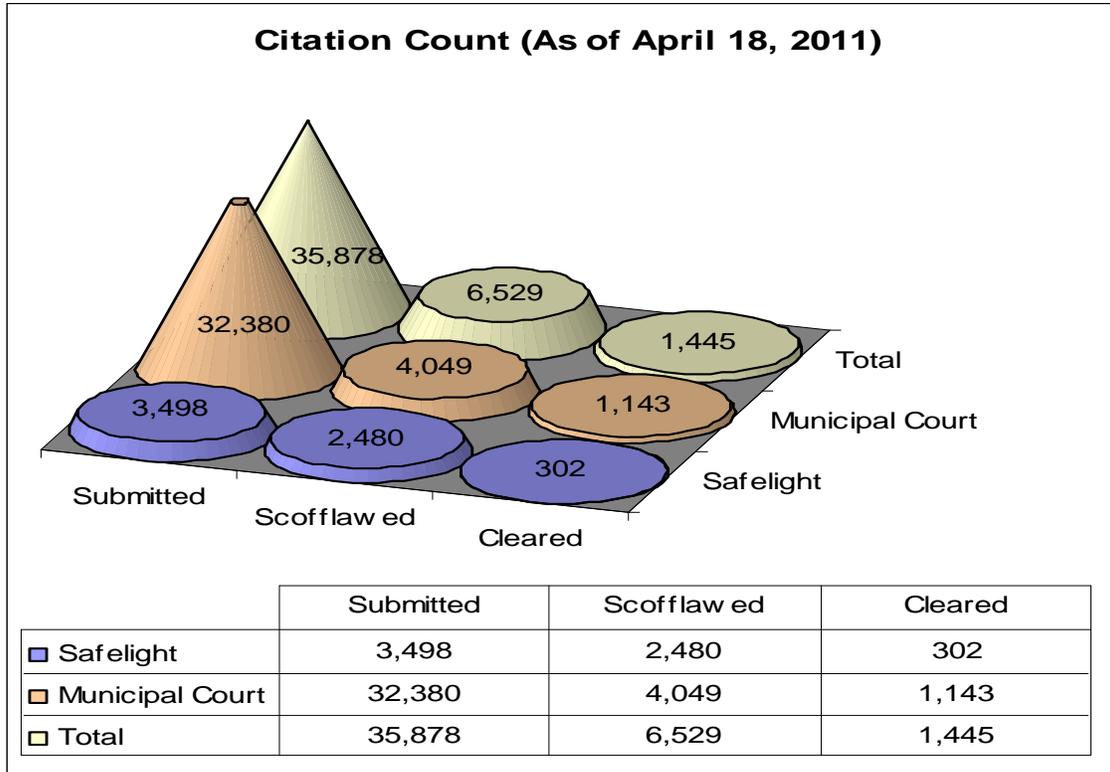
Management Accomplishments

- First Court in N. Texas to Implement the Scofflaw Program;
- Garland Court served as Model for other N. Texas Courts to follow;
- Established an entirely automated Scofflaw Program between Garland and Dallas County
- Garland Court Director presented the Program to 50 to 60 N. Texas Court Administrators Jan. 2010
- Launched Safelight citations into the Scofflaw Program Sept. 2010

Program Analysis

Our review of Scofflaw monthly detail reports generated from the Dallas County Scofflaw website revealed that, between December 2009 and March 2011, the City submitted 35,878 citations, worth \$8.8M, to Dallas County for Scofflaw processing. This includes both the Municipal Court (32,380 - traffic violation) and Safelight (3,498 - red light violation (since September/2010)) citations.

Chart 1



Source: Dallas County Scofflaw Website

Table 1

Citation Value (As of April 18, 2011)			
	Submitted	Scofflawed	Cleared
Safelight	\$348,490	\$247,090	\$29,940
Municipal Court	\$8,479,004	\$1,128,610	\$354,430
Total	\$8,827,494	\$1,375,700	\$384,370

Source: Dallas County Scofflaw Website

A) Scofflawed: As shown in the charts above, only 6,529 worth \$1.4M, of the City citations submitted to Dallas County were Scofflawed by the TXDMV for vehicle registration holds. This accounts for only **18%** of the total submitted.

For the **Municipal Court citations**, the Scofflawed percentage is only 13% or 4,049 citations (worth \$1.1M). Our inquiry with Dallas County revealed that TXDMV could not flag a majority of these citations (95%) due to the fact that citation recipients' names did not match with the vehicle owners' names. We believe that one of the following reasons may have created this condition: 1) alleged motor vehicles were driven by someone other than the owner at the time of violation, or, 2) alleged motor vehicle's ownership changed by the time it was processed for Scofflaw.

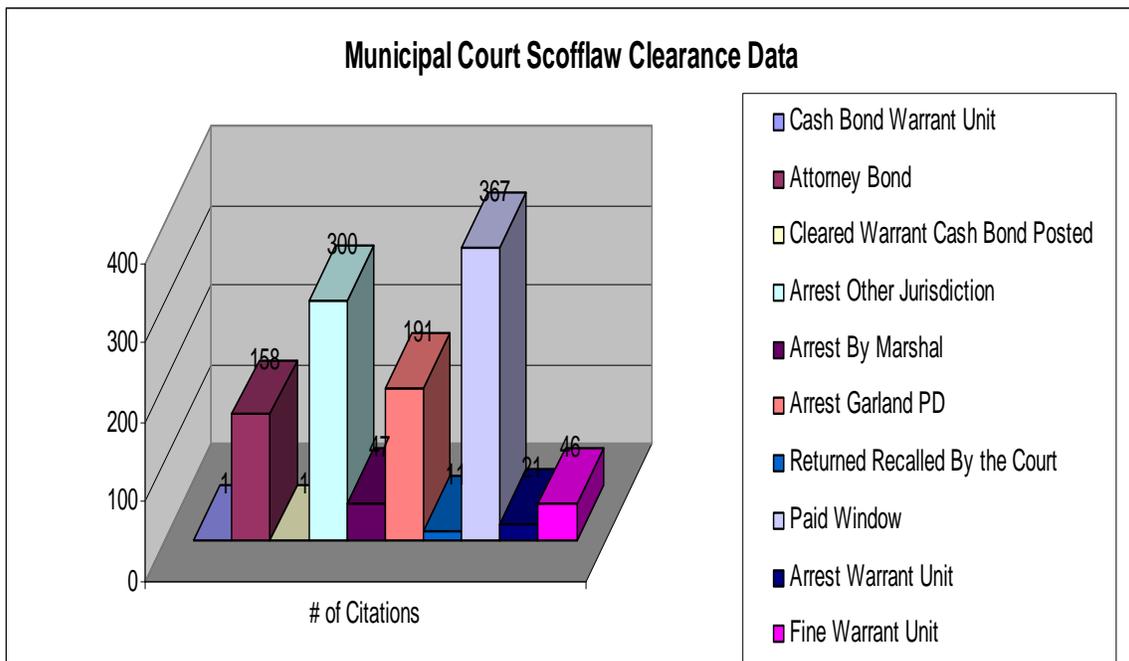
Reasons for the remaining 5% rejection include the plate number not matching with TXDMV records, plate number matching with more than one vehicle, citation recipient residing outside Dallas County, etc.

For the **Safelight citations**, the Scofflawed percentage is about 71% or 2,480 citations (worth \$248K). The percentage is higher due to the fact that citations are issued to the owner not to the driver of the alleged vehicle. Reasons for the 29% rejection include ownership change since the time of violation, plate number not matching with TXDMV records, plate number matching with more than one vehicle, citation recipient residing outside Dallas County, etc.

B) Cleared: Of the 6,529 City citations Scofflawed, as of April 18, 2011, only 1,445 citations (worth \$384K), have been cleared. This includes 1,143 Municipal Court citations (worth \$354K) and 302 Safelight citations (worth \$30K).

The following charts describe how the 1,143 **Municipal Court** citations were cleared.

Chart 2



Source: Dallas County Scofflaw Website

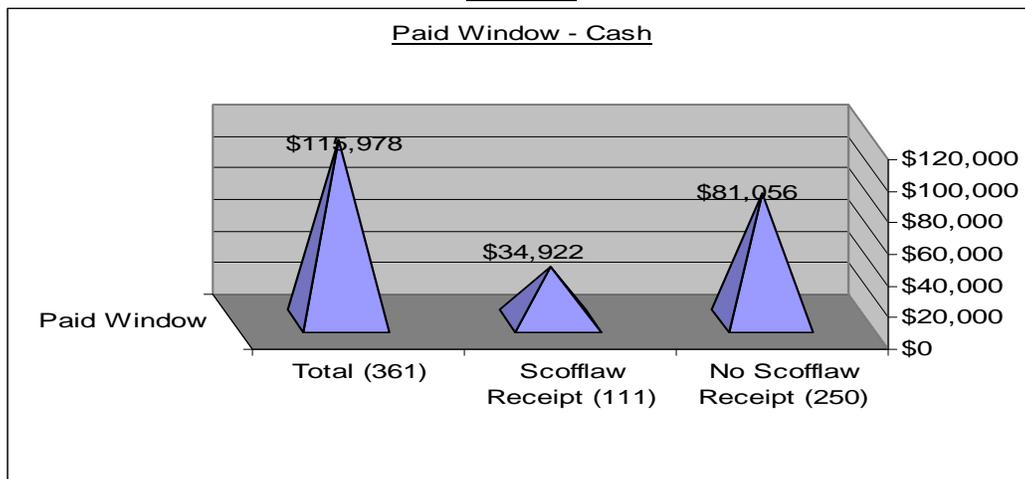
Table 2

Municipal Court Scofflaw Clearance Details							
Code	Code Description	# of Citations	# of Cash	Cash Payment	# of Non-Cash	Non-Cash Payment	Total Value
WBW	Cash Bond Warrant Unit	1	0	\$0	1	\$231	\$231
WCB	Attorney Bond	158	80	\$19,930	81	\$24,750	\$44,680
WCC	Cleared Warrant Cash Bond Posted	1	0	\$0	1	\$357	\$357
WCJ	Arrest Other Jurisdiction	300	80	\$22,143	241	\$73,923	\$96,066
WCM	Arrest By Marshal	47	19	\$4,326	34	\$9,814	\$14,139
WCP	Arrest Garland PD	191	52	\$12,335	169	\$45,137	\$57,472
WCR	Returned Recalled By the Court	11	6	\$1,512	6	\$1,718	\$3,229
WCW	Paid Window	367	361	\$115,978	6	\$1,646	\$117,624
WCZ	Arrest Warrant Unit	21	2	\$609	19	\$5,837	\$6,447
WFW	Fine Warrant Unit	46	46	\$14,149	1	\$36	\$14,185
	Total	1,143	646	\$190,982	559	\$163,448	\$354,431

Source: Dallas County Scofflaw Website

As shown above, only 367 of these citations, worth \$118K, are “Paid Window” citations. “Paid Window” represents all citations paid by walk-ins, internet, phone, mail or night-drops. All other citations are cleared because of bonds or actions taken by law enforcement agencies. Out of the 367 “Paid Window” citations, 361 of them are cash/check/credit card payments. This totaled \$116K. To find out how much of these payments were made because of the Scofflaw program, IA obtained the Scofflaw receipts issued by the Court. According to the Court, this receipt is issued only when a walk-in customer informs the Court staff about their registration hold. Based on our review, the Court only issued 111 receipts worth \$35K. It is possible for the customer not to inform the clerk even when he/she is aware of the registration hold.

Chart 3



Source: Dallas County Scofflaw Website & Municipal Court system

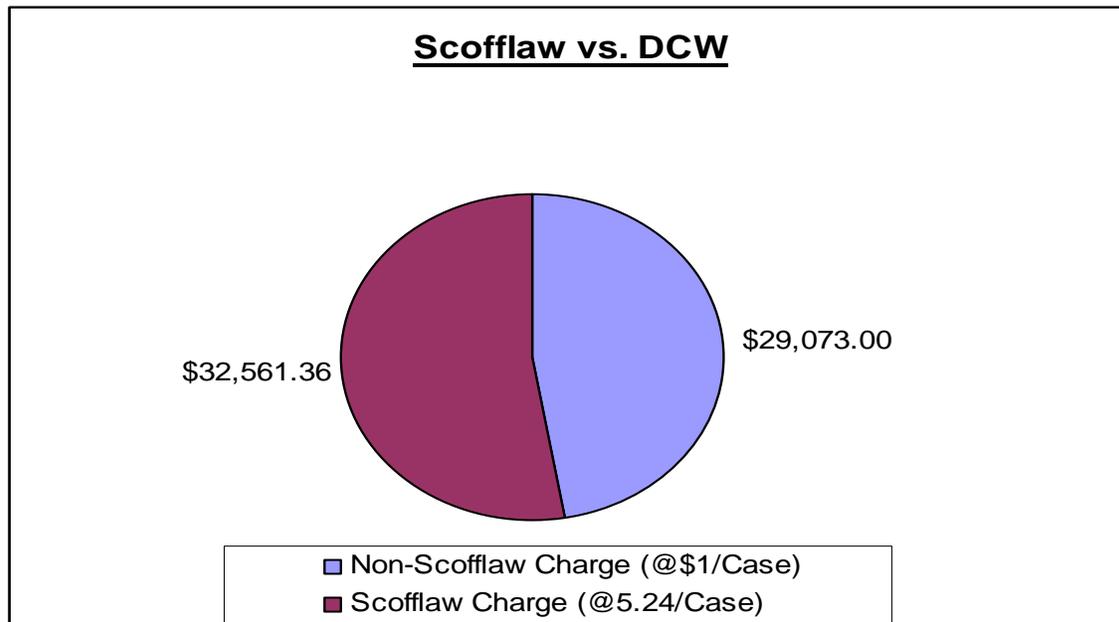
Since payments were made through different mediums and no other tracking mechanism is available for further review, IA is unable to confirm whether the Scofflaw Program motivated the citizens to make the other 250 cash/check/credit card payments. It must be noted that before a citation is submitted to Dallas County, a warrant is already issued and in most cases the citation is forwarded to a collection agency. We believe these two factors may have also played a roll in payment collection.

All of the 302 **Safelight** citations (worth \$30K) were cleared by cash/check/credit card payments. According to the City's Safelight representative, 99% of these payments were made as a result of establishment of the Scofflaw program. This is from her personal experience in talking with the customers. However, IA is unable to confirm this statement since no tracking evidence is present. It must be noted that before a Safelight citation is submitted to Dallas County, the citation is already forwarded to a collection agency. We believe this factor may have also played a roll in payment collection.

Cost Analysis

Monthly Fees: For the period of December-2009 through March-2011, the City paid approximately \$62K in monthly payments to Dallas County. This includes approximately \$33K in Scofflaw and \$29K in DCW fees. The DCW fees are charged when vehicle records are unable to be Scofflawed by TXDMV. IA does not believe that having outstanding citation information on DCW website provides any major impact on clearing these citations. However, the City is obligated to pay the DCW fees (approximately \$2,300) on a monthly basis to Dallas County.

Chart 4



Source: City Finance System & Dallas County monthly statements

Our inquiry with the TXDMV revealed that the City may be able to save money if it chooses to implement the Scofflaw program directly with TXDMV. TXDMV only charges a pre-set fee of \$23 per file submission plus 12 cents per record probed (Acquisition of vehicle data), flagged (Scofflawed) or cleared. There are no limits on the number of records you can submit per file submission. Currently, the City submits approximately 3,000 records to Dallas County for Scofflaw processing once a month. Approximately 18% (540) of these citations get scofflawed. The City also submits about 25 clearance records (estimate) daily. For the City to perform these transfers with the TXDMV, the monthly cost will be approximately \$1,000.

$$\text{Probed Cost} = (\# \text{ of file submissions (once a month)} * \$23) + (\# \text{ of records (3,000)} * \$0.12)$$

$$\text{Flagged Cost} = (\# \text{ of file submissions (once a month)} * \$23) + (\# \text{ of Scofflaw qualified records (540)} * \$0.12)$$

Cleared Cost = (# of file submissions (20 times/month) * \$23) +
 (# of cleared records/day (25) * # of file submission
 (20 times/month) * \$.12)

Probed Cost

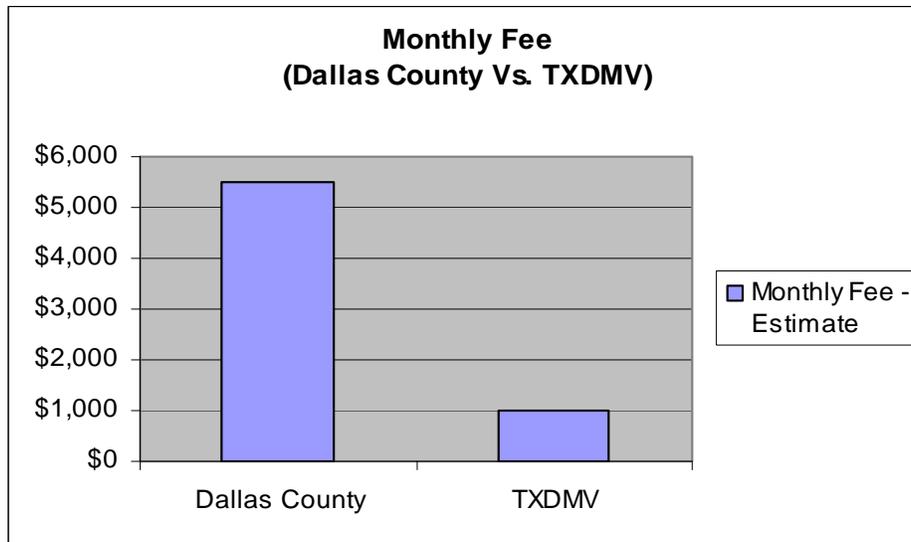
Flagged Cost

Cleared Cost

$((1 * \$23) + (3,000 * \$.12)) + ((1 * \$23) + (540 * \$.12)) + ((20 * \$23) + (25 * 20 * \$.12)) =$
\$991/Month

To process the exact number of records with Dallas County, the City is currently paying approximately **\$5,500/month** (Average cost since September/2010).

Chart 5



Source: Dallas County Monthly statements & TXDMV Scofflaw Administration

Implementation Cost: The City's implementation cost for the audit period totaled \$35K. This includes \$25K in implementation costs and the amount of personnel time that IT (approximately 243 hours) expended to initiate this program.

If the City chooses to implement the Scofflaw program directly with the TXDMV, the implementation cost will be minimal since the City already has an automated Scofflaw process in place.

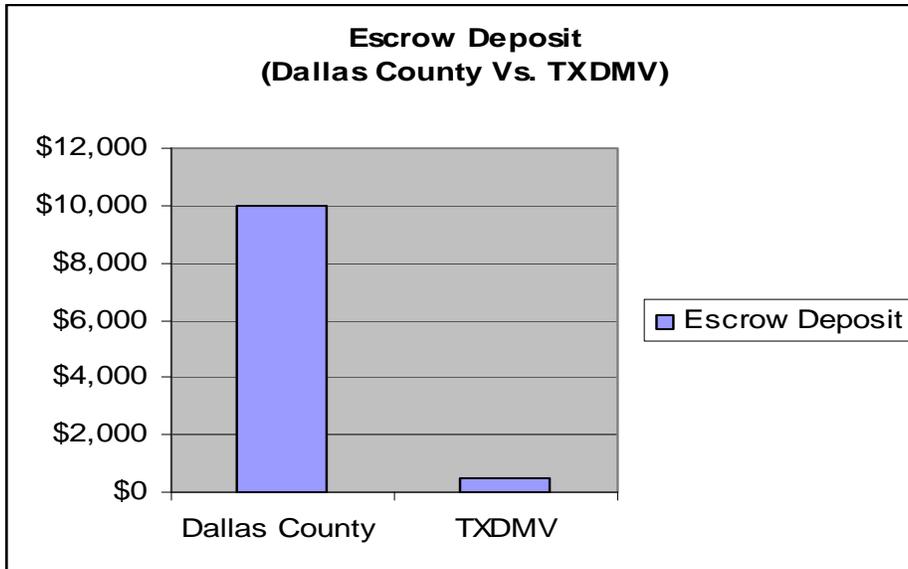
Administrative Cost: The ongoing monthly Municipal Court administrative cost (Approximately 5 hours of personnel time) is about \$250. The Municipal Court administrative cost for the audit period totaled approximately \$4,000.

If the City chooses to implement the Scofflaw program directly with the TXDMV, the monthly administrative cost is expected to stay about the same (\$250).

Escrow Account: The City made a deposit of \$10K in Dallas County’s non-interest bearing escrow account to be in compliance with the Interlocal Agreement.

If the City chooses to implement the Scofflaw program directly with the TXDMV, a deposit of at least \$500 in a non-interest bearing escrow account is required. That is \$9,500 less than what is required by Dallas County.

Chart 6



Source: Dallas County Interlocal Agreement & TXDMV Scofflaw Administration

Collection Agency Fees: It must be noted that, in many cases the collection agency fees are charged to Scofflawed and/or DCW citations. This is based on City’s agreements with both Municipal Court (MSB) and Safelight (ACS) collection agencies. For Municipal Court citations, based on section 7 of the agreement, this fee is 30% on each unpaid fine, fee and court cost that is more than 60 days past due and which has been referred to collection. However this fee is paid by the customer.

For the Safelight ones, according to Section 2 of the Amendment Agreement, the fee is 15% on all payments made more than 32 days after photo enforcement ticket issuance or after a citizen’s scheduled hearing date, whichever comes later. The City currently absorbs this cost.

Summary

- 1) The following table demonstrates City's cost difference between Dallas County and TXDMV.

Table 3

	Dallas County	TXDMV (Estimate)
Monthly Scofflaw Processing Fee - Average	\$5,500	\$1,000
Monthly Municipal Court Administrative Cost - Average	\$250	\$250
IT Implementation Cost - One Time Fee	\$35,000	Minimal
Escrow Deposit - One Time Fee	\$10,000	\$500

Source: Dallas County Monthly Statements, TXDMV Scofflaw Admin, Municipal Court & IT

If the City implements the Scofflaw program directly with TXDMV, the following benefits may be attained:

- Savings of approximately \$4,500 in monthly fees, which amounts to \$54K per year.
- The \$9,500 deposited in the Dallas County non-interest bearing escrow account can be used for other City purposes.
- Minimal implementation cost, since the City already has an automated Scofflaw process in place.
- Ability to generate a profit (estimated at least \$950 – Table 4) on a monthly basis, based on the confirmed historical collection data.

Table 4

	Per Month	Notes
Revenue	\$2,200	\$35,000 (Confirmed Revenue - Page 7) / 16 (# of Months in the audit period)
TXDMV Cost	(\$1,000)	Table 3
Administrative Cost	(\$250)	Table 3
Profit/Month	\$950	

Source: Dallas County Website, TXDMV Scofflaw Admin. & Municipal Court

Although it is evident how much the City would save with TXDMV, it must be noted that if the City implements the Scofflaw program directly with TXDMV, since Dallas County receives no compensation and it is in their discretion (according to Transportation code 702.003 and 707.017) to enforce the registration holds, the County may or may not enforce the Scofflaw program for Garland citations.

- 2) Safelight citations' scofflaw percentage (Chart 1) is significantly higher (71%) compared to the Municipal Court ones (13%).
- 3) The City currently absorbs the Safelight collection agency fees, which is 15% on all payments made more than 32 days after citation issuance. Assuming all 302 Safelight citations (Chart 1), worth \$30K, were cleared due to the Scofflaw program, the City paid approximately \$4,500 in collection agency fees.

Recommendations & Management Responses

- 1) Management should consider implementing the Scofflaw program directly with TXDMV.

Management Response: Management concurs.

Action Plan: Court Management will review the program details involved in revising the Scofflaw program directly through TXDOT. The Court will adhere to the desired direction from the City Manager's Office.

Implementation Date: Policy decision to change by beginning of next budget year with an implementation schedule to follow.

- 2) Performance measurements (Example: Cost-benefit analysis) should be developed and continuous monitoring should be performed.

Management Response: Management concurs.

Action Plan: Court Management will work with IT to develop a Cost – benefit analysis report.

Implementation Date: A definite implementation date cannot be determined at this time; contingent upon City Manager's desired direction.

- 3) The City should submit citations for Scofflaw processing as soon as they become eligible.

Management Response: Management concurs

Action Plan: Court Management will work with IT to ensure the system selected parameters are set to submit cases as soon as they are eligible.

Implementation Date: A definite implementation date cannot be determined at this time.

- 4) More Safelight citations should be forwarded for Scofflaw processing since the Scofflaw qualifying percentage is higher on those citations.

Management Response: Agree. Due to the fact that Safelight citations are issued to the registered owner of the vehicle, rather than simply the driver (who may or may not be the registered owner), a high number of these qualify for Scofflaw. Management should begin a gradual increase in the number of Safelight citations forwarded for Scofflaw processing. This will allow management to review the effects of the increase. If Scofflaw

processing can be established with TXDMV then all Safelight citations will be forwarded for Scofflaw processing.

Action Plan: Initial increase of 500 Safelight citations to 750. Further increases will be submitted upon review.

Implementation Date: Immediately

- 5) Management should evaluate whether forwarding Scofflaw Safelight citations to the collection agency is beneficial.

Management Response: Agree. The success rate of Scofflawed Safelight citations should result in a continued high percentage of these citations being paid without being sent to the collection agency, thus avoided the fees associated with it. Eliminating the collection agency would eliminate the monthly invoiced fee of 15% of total collections.

Action Plan: Discontinue the collections agency agreement with Safelight vendor ACS as soon as permitted by the contract/agreement.

Implementation Date: As soon as permitted by the contract/agreement.

Additional Observation Made

During the audit, we were informed of monthly error reports, generated by the City's Information Technology (IT) Department. This report consists of Municipal Court citations which did not qualify and hence not forwarded to the Dallas County for Scofflaw processing. TXDMV does not qualify citations for Scofflaw processing unless all required fields are completed. Our random review of the February 2011 error report revealed the following:

Table 5

Reason for not filing with Dallas County	Number of Citations
Zip Code Missing	148
License Plate # Missing	10
City Name Missing	3
Street Address Missing	3
Zip Code, City & State Missing	2
State Missing	2
Zip Code, City, State & Address Missing	2
Summary Total Count	170

Source: City Information Technology Department

These citations were rejected during the process of selecting (performed once a month) 2,500 Municipal Court citations for Scofflaw processing. They are ineligible to be scofflawed.