



CITY AUDITOR 345 6th Street, Suite 600, Bremerton, WA 98337-1873 & Phone (360) 473-5369

April 29, 2011

Honorable Patty Lent, Mayor
Members of the City Council

The City Auditor has completed the attached report *Review of Parking Citation Processing*. Two findings were made. One noted some procedural issues that have been corrected. The other noted processing problems with the red light system that should be addressed.

The following individuals provided assistance in researching and examining this subject: Lt. Pete Fisher of the Bremerton Police Department, Theresa Ewing and Stephanie Olson of the Bremerton Municipal Court, and Judie Carlson of the Department of Financial Services. Their assistance is greatly appreciated.

Sincerely,

Gary W. Nystul

cc: Municipal Court
City Attorney
Director of Financial Services

REVIEW OF PARKING CITATION PROCESSING

Purpose

The Office of the City Auditor reviews various phases of city operations for compliance and performance. This review of Parking Citation Processing was scheduled on the 2010 work plan.

Scope

This is a review of the process for recording and processing parking citations issued for parking violations between January 2008 and October 2010. It also includes red light violations, which are processed as parking infractions, from April 2008 through October 2010.

Statement of Auditing Standards

This performance/compliance audit was conducted in accordance with Generally Accepted Government Auditing Standards, except Standard 3.50 requiring an external quality control review. Those standards require that the auditor plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives. The auditor believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

Objective

The objective of this audit was to:

- Review the process and procedures for recording and collecting parking violations
- Review the process and procedures for recording and collecting for red light violations
- Observe and report on items noted for economy, efficiency or effectiveness

Summary of the Results

- Situations were noted in the processing of parking tickets that cause concern about the process.

- Accountability and processing problems were noted in the red light system that are due to the absence of assigning one person who is accountable for overall monitoring and management of the whole system.

BACKGROUND

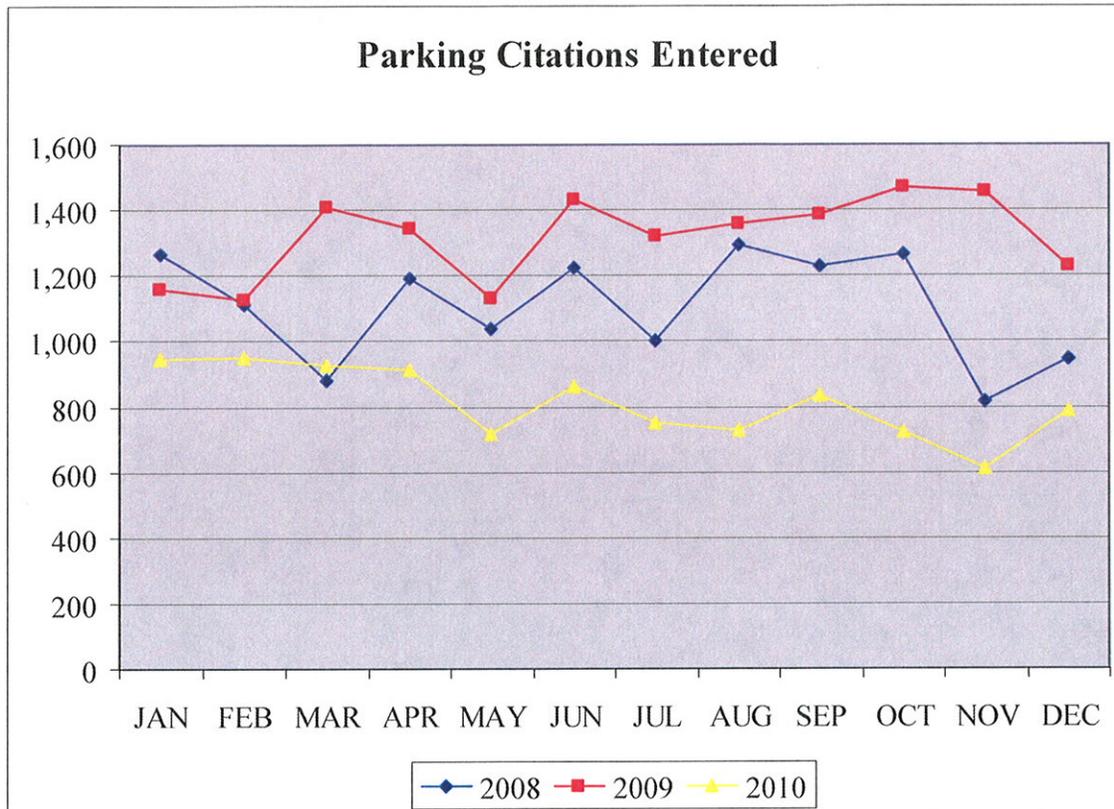
The city enforces parking regulations for overtime parking, parking in restricted areas, etc. The enforcement activity is performed under a contract with Diamond Parking Services LLC. The Bremerton police department on occasion does issue parking citations.

In August 2005, the city contracted with Duncan Solutions to upgrade the software to record and manage parking violations. A web based system was started in January 2006. The old in-house computer system had been recommended for replacement because the software was not supported and the computer was in danger of failing. The new system cost is \$100 per month for internet access, with an additional 75 cents for each citation processed. If a delinquent notice is sent the cost is 51 cents.

The parking violation process starts with the parking enforcement officer issuing a parking citation using a hand-held device. The device prints the ticket and records data such as vehicle license plate number, make, color, location, time of day, and violation. At the end of the day, the device is connected to a computer in the court office and the information is downloaded. This information is then transmitted via the internet to the web hosted recording system.

The offender has 15 days to pay the ticket or request a hearing. If there is no response from the offender, the software company obtains the name and mailing address information for the registered owner of the vehicle and sends a notice with the added late fee. All payments are made to the Municipal Court. If a hearing is not requested or the ticket is not paid within 30 days, it is sent to collection.

The following chart shows parking tickets issued during the last three years.



In addition to these parking tickets, the city also enforces red light violations with an electronic system which includes nine cameras at five intersections. In September 2007, the city entered into a five year contract with Redflex Traffic Systems, Inc. They provide the camera system, monitoring, a system to mail infraction notices issued by a police officer, and collections for violations of red lights at traffic signals. The city initially paid a monthly fee of \$4,850 per camera. In June 2009 the contract was amended to run to June 2019 and the cost per camera was reduced to \$4,000.

These offenses are processed as “parking offenses” and do not go on the driving record of the violator. The system started in April 2008 with a thirty day period during which warnings were issued. The issuing of infraction notices began in May 7, 2008.

If at one of the monitored intersections, a vehicle enters the intersection without stopping there are three photos and a video recorded. One photo is of the vehicle when entering the intersection. The second photo is of the vehicle passing the stop bar of the intersection. The third photo is of the license plate and rear of the vehicle. A video of about twelve seconds of the event is also recorded and used by the officer to determine if a violation has occurred.

An officer with the Bremerton Police Department reviews the photos and video of each event. If the officer believes there is probable cause of a violation the officer issues the infraction notice electronically. Redflex then mails out the Notice of Infraction to the registered owner of the vehicle. The notice includes an instruction page, an infraction notice with the three vehicle pictures, an options page with three choices, and a return envelope. An internet site is also listed for the offender to review the video of their event.

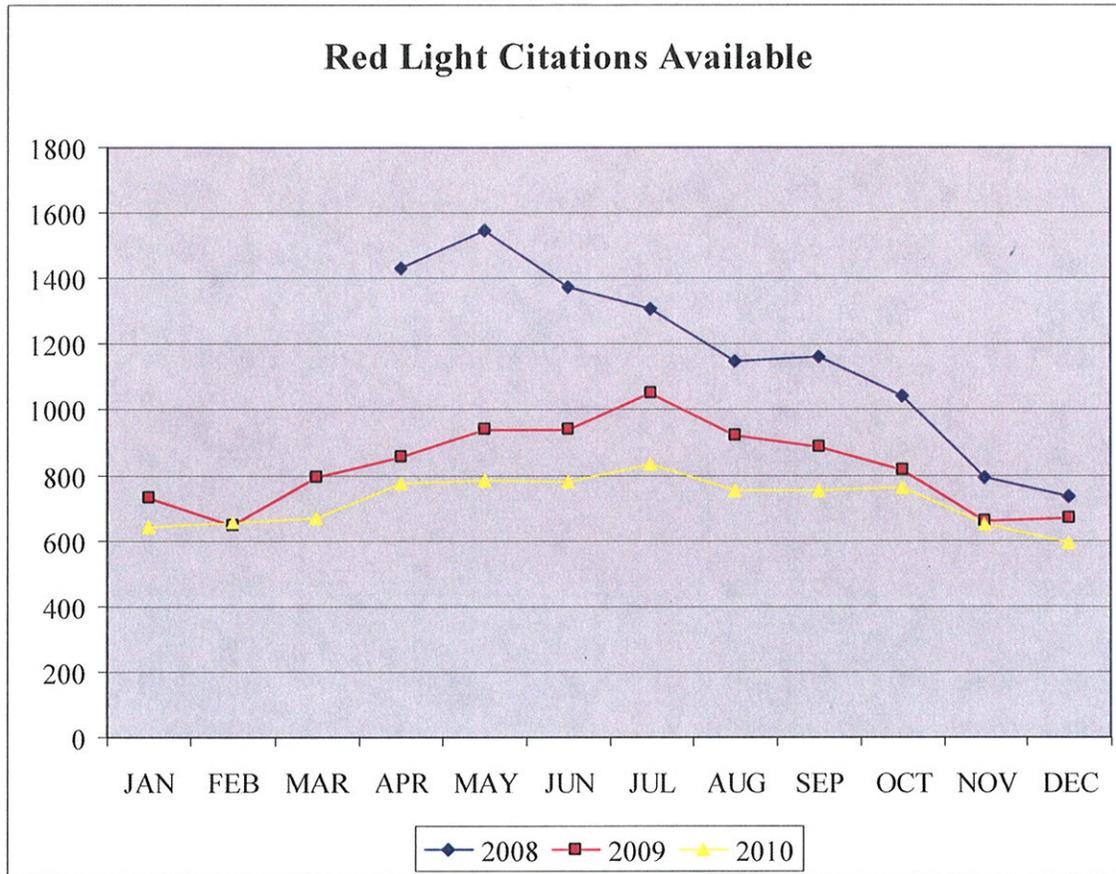
The owner can respond in three ways.

- (1) Pay the ticket with a check or credit card information in the envelope provided or pay on-line by credit card to Redflex. The Municipal Court also accepts payments.
- (2) Attest that the license plates were stolen or they sold the vehicle and give the name of the new owner.
- (3) Ask for a hearing in Municipal Court. They may request a hearing to contest the citation because they did not commit the infraction. They can request a hearing for mitigation in which they agree to the infraction, but wish to explain the circumstances.

Redflex receives and processes the payments and remits money to the city monthly. If the infraction is not paid, a late fee is added just as if it were a parking ticket. Redflex sends a delinquent notice and if it remains unpaid they send the account to collection.

Cases in which a hearing is requested are transferred from Redflex to the Bremerton Municipal Court. The court, at the hearing, can dismiss the infraction, adjust the penalty or late fee, or make arrangements for payment.

The following table is of red light citations issued, including the warning period in April 2008.



FINDINGS AND RECOMMENDATIONS

Finding 1. Some instances of procedural problems were noted in the parking system that, when considered in total, could cause some concern about the system of internal control.

DESCRIPTION OF CONDITION

A number of situations were observed with the use of the parking system software. While individually they are not significant, when considered in total they are of concern that they may constitute a deficiency in internal control. These instances are as follows.

A parking system report entitled "Citations with Credit Balances" shows the following number of citations with credit balances at year end.

2010	34
2009	37
2008	53
2007	38

The usual cause of a credit balance is an overpayment. Many of these overpayments have been refunded through the city financial accounting system to the party that paid them. However, entries of this action were not made in the parking system software. The reports are in error. This report does not appear to be part of the standard month end or year end processing.

The monthly "Processing Activity Report" produced by the software, reports citations entered, reactivated, removed and fees and fines added or removed. It includes both the number of citations and the dollar value. Portions of the report have been used as a source of monthly data. However, the court staff could not explain the action or entry that resulted in certain adjustments. For example, voids reinstated, dismissals reversed, and waived-reversed are categories that were initially not able to be explained. While the number of citations entered in a year was small, the fact that their cause was not known is of concern.

One management report available is the "Citation Aging Report." These include such categories as current, 31-90, 91-1 YR, 1YR-2YR, etc. These reports were set up with Wisconsin (WI) as the home state rather than Washington (WA). Although the software system has been in use since 2006, this error has not been noticed.

The report "Current Open Citations Report" disclosed citations from 1994 (16 years old) still in the system and at the collection agency. Cases over 10 years old should be written off. There is no indication that this report has been used as a month end or year end tool or that annual purging of cases has taken place.

CAUSE OF CONDITION

The Court has not established a standard monthly or annual procedure, utilizing the system reports, to detect credit balances. A year end review to write off old accounts has not been instituted. Initial training on the software was limited and the court staff has not obtained additional training to become familiar with the processing exceptions.

EFFECT OF CONDITION

The parking system records report incorrect balances because refunds on overpayments have not been recorded. Old uncollectible accounts remain at the collection agency and in the parking system. A weakness in the control of the system exists when the nature and causes of non-standard entries in the software are not known.

RECOMMENDATION

- The court should establish standard month end or year end procedures to review for credit balances and processing oversights.

- The court should establish an annual procedure to write off cases older than 10 years.
- Subsequent to initial inquiry, the court obtained information on the non-standard entries in the system. This information should be used in month end and year end reviews of processing to strengthen the system on internal accounting control..

Finding 2. A number of processing problems have gone undetected in the red light system because overall monitoring and management of the red light parking ticket program has not been assigned.

All records of red light citations are created and retained electronically by Redflex. They record the initial issue of the citation, record payments on account, the transmittal of funds to the city, and the sending of unpaid accounts to collection. They also provide monthly reports to the city of account and bank financial activity.

When a citation is appealed to Municipal Court, the responsibility and accountability of Redflex ceases. However, through October 2010 Redflex continued to list these citations in their Aged Accounts Receivable report. This resulted in Redflex overstating the receivables they were responsible for by about \$1,000,000. The city did not notice this error.

The Redflex reports of Aged Accounts Receivable include a number of citations with credit balances. For example, the October 2010 report shows 466 citations with credit balances ranging from \$1 to \$177.31 for an indicated overpayment of \$10,878.87. The assumption is that the driver overpaid their ticket or tickets. However, a review of a sample of these citations causes doubt about this assumption. Unpaid citations were noted with the same name and mailing address as accounts with credit balances. The city has not requested any review of these citations.

One situation was noted where two citations had a credit balance of \$62 each. However the owner (a city employee) paid both citations with one check for the correct amount. Redflex could not explain where the \$124 came from.

One situation was noted where the violator had requested the citation be referred to the court. However, the violator paid Redflex and later went to the court and paid the late fee. The case was reported on the Redflex aging report for October 2010 as having a balance due of \$25. It was reported on the Redflex December report as having a credit balance of \$124.

City management has not made any analysis of the number of citations referred to the Municipal Court. The Court could provide data for the number of citations referred to it, dismissed, reduced or other dispositions. Similarly, no analysis has been made of the number of citations handled by Redflex. Proper management of the program would include some analysis.

CAUSE OF CONDITION

The city has not assigned one individual to be responsible for overall management of this activity. The police department is the law enforcement project manager and is responsible for the officers review and issuance of the citations. The Municipal Court is responsible only for those citations referred to the court. The Department of Financial Services has scheduled some financial activity of citations issued and payments received. However, there has not been one individual responsible for the overall operation, nor has there by any coordination between the various departments regarding financial activity.

EFFECT OF CONDITIONS

As a result of no overall coordination or management, errors have occurred in the Redflex system from inception in April 2008 through November 2010.

Month end account receivable reports have overstated the amount due from violators by over \$1,000,000. The cases referred to the municipal court were included.

Citizens who have overpaid citations may not have received a refund as required by law. Or the amounts may not have been applied to other tickets they may have.

There has not been any request by the city to resolve or clear accounts with credit balances ranging from \$1 to \$177.31.

RECOMMENDATIONS

- The mayor, as chief executive of the city, should ensure that responsibility for all phases of the red light program has been assigned.
- The responsible project manager should contact Redflex to ensure the deficiencies are corrected.

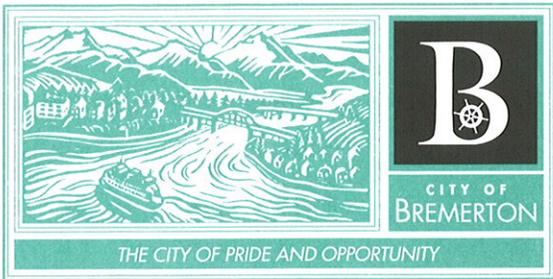
OTHER ITEM

Bremerton Municipal Code Problem

Chapter 10.11 of the Bremerton Municipal Code addresses parking enforcement. Sections 10.11.020 Enforcement Procedures and 10.11.040 Failure to Appear contain errors in their reference to other sections of the BMC. The errors were caused by amendments to the code that moved the sections that were referenced.

Section 10.11.050 of the BMC states that "... if any person fails to respond to three or more outstanding infractions for parking a vehicle in violation of this title, the City Attorney **shall** mail a declaration of vehicle nuisance to the registered and legal owners ... and the cited vehicle shall be declared a nuisance and subject to immediate impound ..." (emphasis supplied). The city attorney does not perform this action.

The BMC should be amended giving the City Attorney discretion but not require the notice for all offenders. The references should also be corrected.



BREMERTON MUNICIPAL COURT

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April 22, 2011

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Reference: Bremerton Municipal Courts response to "Review of Parking Citation Processing" Audit by Gary Nystul

The Bremerton Municipal Court welcomes the opportunity to respond to the Auditors' review of the parking citation and RedFlex process. While there were deficiencies identified, the court feels that the overall process is efficient and accountable with checks and balances. The recommendations made by the Auditor will allow us to enhance the process and work with other departments more efficiently with an improved exchange of information.

Finding 1 –

Based on accounting standards for courts, if there is an over payment and the amount is OVER \$10.00 a refund must be issued. Therefore, the court only issued refunds to persons that paid over that amount. Late 2010, the court was notified by the city finance division that in the City of Bremerton Financial Services division, if an amount is over \$5.00, their policy it to issue a refund. The following charts examine the findings. Of the numbers quoted by Mr. Nystul these are the results of the review.

Chart #1 – This depicts the number of cases that would have been eligible for refunds based on the refund policies.

# of Cases with monies outstanding	2007	2008	2009	2010
<i># from Auditors Rpt</i>	34	37	53	38
# < \$5.00	17	41	30	29
# <> \$5.01 – \$10.00	5	8	2	3
# > \$10.00 *	12	9	5	3

Chart #2 – This depicts the number of cases that had refunds issued based on the refund policies. Please note that if the case had an amount of \$10 or less it is not listed on the chart as they would not have had a refund issued.

Refunds Issued / Validated	2007	2008	2009	2010
# from Auditors Rpt	34	37	53	38
# < \$5.00				
# <> \$5.01 – \$10.00				
# > \$10.00*	12	7	4	3

It is important to note that if the case was paid through AllianceOne (Court Collection Agency), and there was an over payment made regardless of the amount, all of the overage is refunded to AllianceOne.

- Differences in refunds vs number of cases with monies outstanding were reconciled.
 - All cases with an amount over \$10 were validated.
 - Only one case was found to have not had a refund issued. This was resolved and posting memo/refund was issued.
 - There were four cases where money had been taken on the case prior to the disposition being entered into the system. This was fixed and did not happen after the one day.
 - One case was a duplicate entry of the citation number. This was resolved.
 - Cases that previously had refund checks issued but not updated in the system have been updated.
 - Finance has received a listing of cases that have overages under \$5.00 for their records
- Based on a recommendation from the auditor, the court is now entering refunds in the parking system as each posting memo is drafted and refund is issued.
- As part of month-end processing the court prints and reconciles the "Citations with Credit Balances" report.
- Prior to the Auditor's inquiry the court was in the process of writing off old parking cases but based on urgency and time constraints, this was not a priority as the cases were not collectable and not causing "harm" not being written off. This process is proceeding on an "as able" basis.
- Initial training on the parking software was minimal at best and the court has offered to attend additional training if it is available. There is currently no budget to implement the training internally.

Finding 2 -

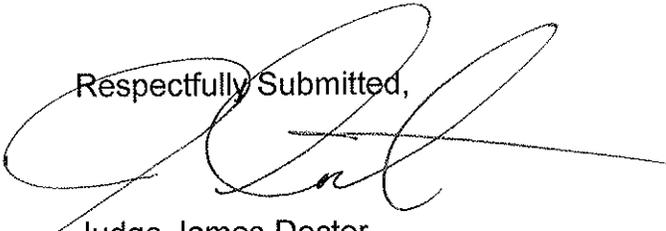
While it is not within the courts capacity or responsibility for the overall management of the Parking and RedFlex systems, the court is now incorporating into it's month end processing a series of reports that will be forwarded to finance that will include the following information:

1. Number of citations filed or transferred to the court within the last month
2. Amount of monies associated with the filing of parking citations and RedFlex citations transferred
3. Number of citations Voided / Dismissed / Waived for the month
4. Amount of monies associated with the parking and RedFlex citations Voided / Dismissed / Waived

It is the court's hope that this information will assist Finance in tracking parking citations as well as all citations transferred to the court by RedFlex.

It should be noted that all courts that hear traffic and parking infractions struggle to overcome the public perception that the court is a "cash cow" or revenue generator for local and state government. The RedFlex program in Bremerton tends to reinforce this perception. Bremerton Municipal Court would like this report to reflect its role in the RedFlex program is limited to hearing contested and mitigated hearings and assessing appropriate fines, and not to encourage or generate revenue for the city or state.

Respectfully Submitted,



Judge James Docter



Theresa Ewing, Court Administrator