

2018 Excerpt of
Texas Municipal Courts Financial
Management Handbook

Provided for the Level III Clerk Certification Program

Removed for this excerpt

Chapters 10
Pages 133-157

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Chapter 11
Pages 158-180

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Chapter 12
Pages 181-188

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Chapter 13
Pages 189-195

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(Pages 196-224 retained)

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Appendix A & B
Pages 225-289

(Appendix C Internal Control Checklist retained – Pages 291-309)

INTRODUCTION AND ACKNOWLEDGMENTS

The Texas Court Clerks Association and the Texas Court Clerks Education Committee are proud to present this publication to the municipal courts of Texas. It is a financial management guide to help clerks manage and conduct all financial operations of the court. Municipal courts manage money not only for the city but also for the State. The financial operations of the court are complex and detailed. This guide simplifies the procedures, provides a detailed internal control checklist, explains when court costs are collected and contains the court costs and fees statutes.

Every effort has been made to ensure the accuracy and completeness of this work. The publication includes the 80th Legislative changes. The procedures presented in this publication are intended to be an aid to help municipal clerks and are not a substitute for legal advice. Should any material in this publication conflict with constitutional, statutory, or case law, the law provided by the constitution, statute, or case prevails.

The procedures and processes presented in this publication are solely those of the author and other contributors and not of the Association. Judges and clerks should contact their city attorneys with any specific question about the operations of their courts.

The Association appreciates Rene Henry for writing this book for municipal courts. Rene has contributed to the financial operations of the courts for more than 20 years. During this time, he has simplified financial management procedures to make them understandable to the lay person. The Association appreciates his dedication to teaching court clerks and assisting all these years.

The Association also appreciates the persons who contributed ideas and information and edited this book, which without their assistance, the book would not contain specific examples and court costs information. The Association recognizes the following persons:

- Hilda Cuthbertson, City of Bryan
- Tracie Glaeser, City of Lewisville
- Leisa Hardin, City of Crowley
- Julie Kubeczka, City of Alvin
- Lisa Mayo, City of Roanoke
- Tina Plumlee, (Former clerk in Farmers Branch) and
- Margaret Robbins, Program Director, TMCEC.

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Office of Court Administration of the Texas Judicial System**

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PREFACE

The Texas Court Clerks Association is pleased to be part of a book that will help the courts significantly manage the financial operations of the court. This book was written to help clerks with the complexity of managing the monies collected by the municipal court and dealing with defendants who fail to pay their judgments. From small courts to large courts, all have to handle budgets, internal control, audits, and court costs.

This book is part of the Association education objective. The Association is committed to education and learning. Through education, it believes in fostering confidence, accountability and commitment. It recognizes the contributions of each of its members and their commitment to add value to their courts. The Association values the spirit of its members and their dedication to the judicial system. The Association hopes to encourage clerks to find their potential and realize that they can make a difference.

One of the biggest projects of the Association is the Municipal Court Clerks Certification Program. This program, which includes three levels of certification, is a professional development program. This premier program educates clerks to understand municipal court process and procedures, legal research, how to read law, an overview of the Texas judicial system, the role of clerks and judges, and much more information about how to manage a court.

Level III is the management level of the Certification program. This book will become one of the required readings for that level. Because municipal courts handle a large volume of cases, the financial management for municipal courts is a difficult task. This book speaks to all the issues involved in court finance operations. Although this book was written for municipal courts, this is a book that city managers will want in their library.

Clerks are encouraged to strive for ways to better manage court operations. This book is a chance to improve the financial operations of the court. This book will help courts to clarify procedures and build structure and internal control in financial operations. This is what leaders do.

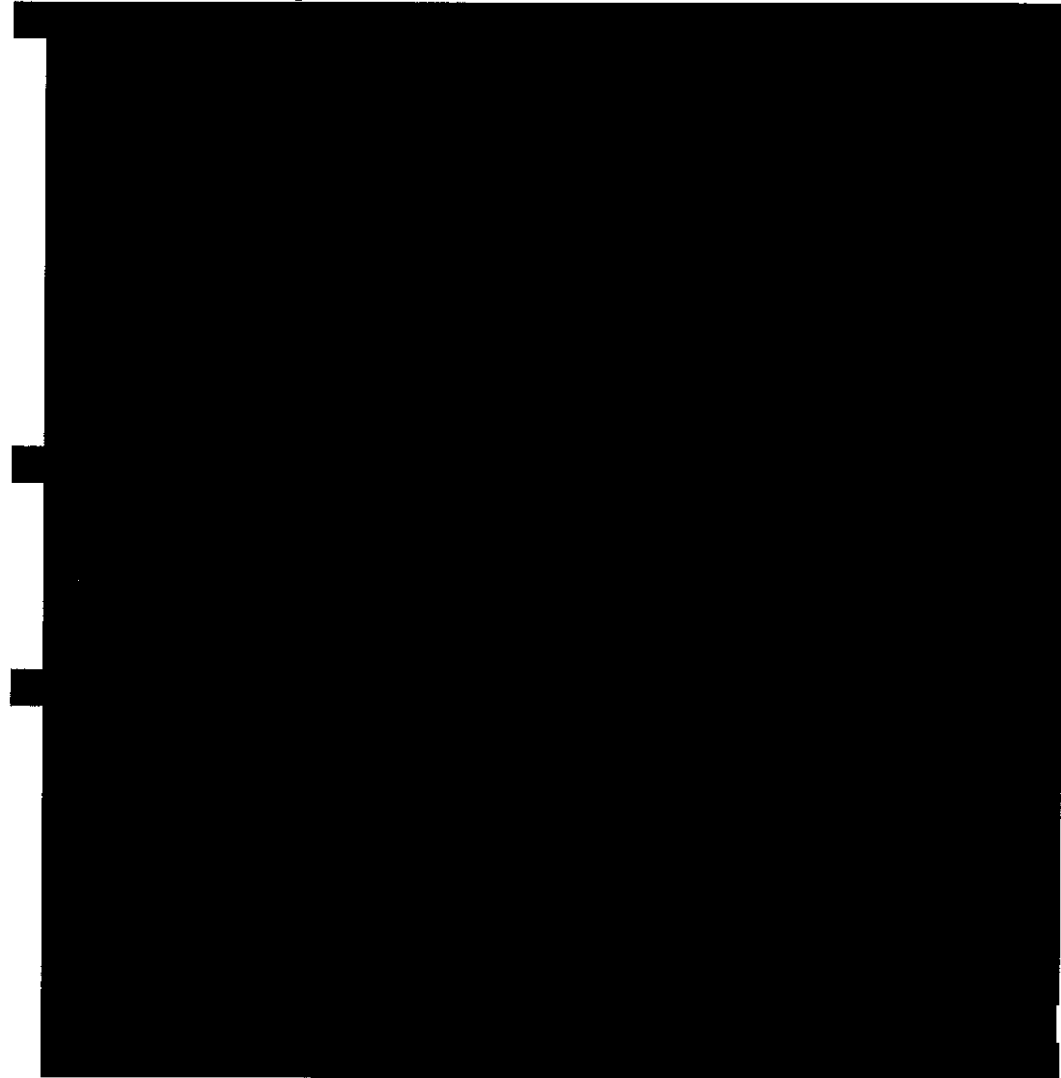
The Association is committed to a leadership role in the courts. This publication is one step in that direction.



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Chapter 1

Budgeting Basics

1.1 Introduction

Budgeting can be one of the more challenging areas for a municipal court. That is because budgeting has to do with how a court gets funded but the amount funded is determined by the city's governing body. With that in mind, the person(s) responsible for the municipal court budget needs to do what they can to help ensure adequate funding for the court, taking into consideration the needs of the city as a whole.

In some cities the person(s) responsible for the municipal court budget can do everything right and it will not make any difference in the governing body's decisions. However, it is more likely, that over time, well thought-out and prepared budget requests will result in better funding for the court.

In this chapter we will:

- Define what a budget is;
- Consider different budget objectives;
- Identify some basics to become familiar with;
- Explain what a budget calendar is; and
- Consider some simple budget suggestions.

1.2 What Is a Budget

A budget is many things, including:

- A legally required financial document;
- The written financial priorities of the governing body;
- A spending plan;
- A communications tool; and
- A basis for accountability.

A. Legally Required Financial Document

Texas cities, both general-law and home-rule, are required to have a budget (Local Government Code, Chapter 102). Many people consider the budget a city's most important financial document. It is the basis for city financial management.

B. Written Financial Priorities of the Governing Body

When a governing body adopts a budget, they send a message. That message is a loud and clear signal of what the governing body's financial priorities are. There are almost always competing interests when it comes to the budget and rarely is there enough money to do everything the governing body would like to do. Nonetheless, the adopted budget represents their financial priorities.

It is easy to complain that the adopted budget is not fair to certain departments or programs. That may or may not be true. What is true is that adopting a budget is not only one of the most important responsibilities of a governing body; it is one of the most difficult. Keeping that in perspective can help department heads "accept" the adopted budget and move forward.

C. Spending Plan

The adopted budget is also a spending plan. It shows how the city plans to spend the money they are entrusted with, and how much they plan to have left at the end of the next year. In that respect, a city budget is similar to an individual or family budget.

D. Communications Tool

The adopted budget is used to communicate to the public the written financial priorities, spending plan, and other financial expectations for the upcoming year. Budget readers can see in black and white what to expect. The budget also normally communicates certain economic, demographic, statistical, and other information citizens are interested in.

E. Basis of Accountability

Since the adopted budget is a public document, it becomes a basis of accountability to help determine if the governing body did, or tried to do, what they said they would. In other words, the adopted budget becomes a tool to help measure the governing body's performance.

1.3 Differing Budget Objectives

Different groups have different objectives when it comes to the municipal court budget. Understanding those differences can help reduce conflict and result in better prepared budget requests. It helps to try to see things through the eyes of someone else.

Consider three groups – municipal court personnel, the governing body, and the public, and how they generally feel about revenues, expenditures, and customer service.

Group	Revenues	Expenditures	Customer Service
Court Personnel	Increase Decrease	Increase Decrease	Increase Decrease
Governing Body	Increase Decrease	Increase Decrease	Increase Decrease
The Public	Increase Decrease	Increase Decrease	Increase Decrease

For court personnel, do you think they want to see revenues increase or decrease? Do you think they want expenditures to increase or decrease? An increase in expenditures means they want a larger budget for the upcoming year. Do you think they want customer service to increase or decrease? An increase in customer service would mean more (or improved) customer service.

Ask yourself the same questions for the governing body and the public. Somehow indicate (e.g., circle, underline, or highlight) on the table above what you think. Then look at the results.

The author feels that most of the time the objectives of the three groups are as shown in bold below.

Group	Revenues	Expenditures	Customer Service
Court Personnel	Increase Decrease	Increase Decrease	Increase Decrease
Governing Body	Increase Decrease	Increase Decrease	Increase Decrease
The Public	Increase Decrease	Increase Decrease	Increase Decrease

That means, in general, that:

- Court personnel want revenues to go up, want to see their budget increased, and want to improve customer service in the court;
- The governing body would like to see revenues go up, expenditures go down, and customer service go up; and
- The public would also like to see revenues go up, expenditures go down, and customer service go up.

The only area with tension is the area of expenditures.

Group	Revenues	Expenditures	Customer Service
Court Personnel	Increase Decrease	Increase Decrease	Increase Decrease
Governing Body	Increase Decrease	Increase Decrease	Increase Decrease
The Public	Increase Decrease	Increase Decrease	Increase Decrease

Court personnel generally want their budget increased, while the governing body and the public do not. From the perspectives of the governing body and the public, increased revenues and decreased expenditures means less revenue that has to be raised from other sources and/or more money that can be expended on other programs.

This should indicate that the municipal court is more likely to get an increase in their budget if they can find a way to: (1) increase revenues; and/or (2) improve customer service to the benefit of the governing body. For instance, revenues might be increased as a result of enhancing collection activities (e.g., more prompt follow-up on delinquencies, instituting an annual warrant roundup, and/or accepting additional methods of payment). Customer service might be improved by reducing the amount of time defendants have to wait in line to pay. That might be the result of staggering the office workload to allow one additional person to help with defendants during the busiest hour each day.

1.4 Basics to Become Familiar With

Everyone involved in the municipal court budget process should become familiar with:

- The budget law for cities; and
- Their home-rule charter budget provisions (if applicable).

A. Budget Law for Cities

The budget law for cities is found in Local Government Code, Chapter 102. The provisions are:

Local Government Code, Section 102.001. Budget Officer

- (a) *The mayor of a municipality serves as the budget officer for the governing body of the municipality except as provided by Subsection (b).*
- (b) *If the municipality has the city manager form of government, the city manager serves as the budget officer.*

Local Government Code, Section 102.002. Annual Budget Required

The budget officer shall prepare each year a municipal budget to cover the proposed expenditures of the municipal government for the succeeding year.

Local Government Code, Section 102.003. Itemized Budget; Contents

- (a) *The budget officer shall itemize the budget to allow as clear a comparison as practicable between expenditures included in the proposed budget and actual expenditures for the same or similar purposes made for the preceding year. The budget must show as definitely as possible each of the projects for which expenditures are set up in the budget and the estimated amount of money carried in the budget for each project.*
- (b) *The budget must contain a complete financial statement of the municipality that shows:*
 - (1) *the outstanding obligations of the municipality;*
 - (2) *the cash on hand to the credit of each fund;*
 - (3) *the funds received from all sources during the preceding year;*
 - (4) *the funds available from all sources during the ensuing year;*
 - (5) *the estimated revenue available to cover the proposed budget;*
 - and*
 - (6) *the estimated tax rate required to cover the proposed budget.*

Local Government Code, Section 102.004. Information Furnished by Municipal Officers and Boards

In preparing the budget, the budget officer may require any municipal officer or board to furnish information necessary for the budget officer to properly prepare the budget.

Local Government Code, Section 102.005. Proposed Budget Filed With Municipal Clerk; Public Inspection

- (a) *The budget officer shall file the proposed budget with the municipal clerk before the 30th day before the date the governing body of the municipality makes its tax levy for the fiscal year.*
- (b) *The proposed budget shall be available for inspection by any taxpayer.*

Local Government Code, Section 102.006. Public Hearing on Proposed Budget

- (a) *The governing body of a municipality shall hold a public hearing on the proposed budget. Any taxpayer of the municipality may attend and may participate in the hearing.*
- (b) *The governing body shall set the hearing for a date occurring after the 15th day after the date the proposed budget is filed with the municipal clerk but before the date the governing body makes its tax levy.*
- (c) *The governing body shall provide for public notice of the date, time, and location of the hearing.*

Local Government Code, Section 102.0065. Special Notice by Publication for Budget Hearing

- (a) The governing body of a municipality shall publish notice before a public hearing relating to a budget in at least one newspaper of general circulation in the county in which the municipality is located.
- (b) Notice published under this section is in addition to notice required by other law, except that if another law requires the governing body to give notice, by publication, of a hearing on a budget this section does not apply.
- (c) Notice under this section shall be published not earlier than the 30th or later than the 10th day before the date of the hearing.

Local Government Code, Section 102.007. Adoption of Budget

- (a) At the conclusion of the public hearing, the governing body of the municipality shall take action on the proposed budget.
- (b) The governing body may make any changes in the budget that it considers warranted by the law or by the best interest of the municipal taxpayers.

Local Government Code, Section 102.008. Approved Budget Filed With Municipal Clerk

On final approval of the budget by the governing body of the municipality, the governing body shall file the budget with the municipal clerk.

Local Government Code, Section 102.009. Levy of Taxes and Expenditure of Funds Under Budget; Emergency Expenditures

- (a) The governing body of the municipality may levy taxes only in accordance with the budget.
- (b) After final approval of the budget, the governing body may spend municipal funds only in strict compliance with the budget, except in an emergency.
- (c) The governing body may authorize an emergency expenditure as an amendment to the original budget only in a case of grave public necessity to meet an unusual and unforeseen condition that could not have been included in the original budget through the use of reasonably diligent thought and attention. If the governing body amends the original budget to meet an emergency, the governing body shall file a copy of its order or resolution amending the budget with the municipal clerk, and the clerk shall attach the copy to the original budget.
- (d) After the adoption of the budget or a budget amendment, the budget officer shall provide for the filing of a true copy of the approved budget or amendment in the office of the county clerk of the county in which the municipality is located.

Local Government Code, Section 102.010. Changes in Budget for Municipal Purposes

This chapter does not prevent the governing body of the municipality from making changes in the budget for municipal purposes.

Local Government Code, Section 102.011. Circumstances Under Which Charter Provisions Control

If a municipality has already adopted charter provisions that require the preparation of an annual budget covering all municipal expenditures and if the municipality conducts a public hearing on the budget as provided by Section 102.006, the charter provisions control. After the budget has been finally prepared and approved, a copy of the budget and the amendments to the budget shall be filed with the county clerk, as required for other budgets under this chapter.

Highlights from the budget law for municipal court personnel include the following:

- A budget is required;
- Expenditures are to be comparable from year to year;
- The budget must contain a financial statement;
- Municipal officers are required to furnish requested information to the budget officer; and
- Except in an emergency, municipal funds are to be spent in strict compliance with the budget.

B. Home-rule Charter Budget Provisions

Home-rule cities can specify unique budget provisions in their charter. Municipal court personnel involved in the budget process should become familiar with any specific charter budget provisions for their city. Typical charter budget provisions and some specific examples follow. Please note that the examples (in italics) are from several different cities and the due dates in the examples will vary.

- Who is responsible for preparing the proposed budget, when it is due, and when it must be adopted.

The city manager shall prepare and submit the annual budget on the basis of the estimates of the departments.

The city manager shall prepare an annual budget to accomplish the goals and objectives established by the city council and submit it to the city council for approval.

At least thirty (30) days prior to the beginning of each budget year, the city manager shall submit to the council a proposed budget.

The city manager, on or before August 15 of each year, shall prepare and submit the budget, covering the next fiscal year, to the council.

At least thirty days prior to the end of each fiscal year, the Mayor shall submit to the Council a proposed budget presenting a complete financial plan for the ensuing fiscal year.

The City Manager, between thirty (30) and ninety (90) days prior to the beginning of each fiscal year, shall submit to the City Council a proposed budget.

Not later than one (1) month before the end of the fiscal year the city manager shall prepare and submit to the city council, a budget estimate of the expenditures and revenues of all city departments, divisions, and offices for the ensuing year.

The budget shall be finally adopted not later than the 25th day of the last month of the fiscal year.

The budget shall be finally adopted not later than the twenty-seventh day of the last month of the fiscal year.

- Requirement to furnish necessary information to prepare the budget.

The department heads of the city shall prepare annual departmental budget requests for the ensuing fiscal year as directed by the city manager and submit said requests to him for his review.

The budget shall be prepared by the city manager on the basis of the estimates of departments.

In preparing the budget, each employee, officer, board and department shall assist the city manager by furnishing all necessary information.

- What the budget must contain.

The city manager's budget message shall outline the proposed financial policies for the next fiscal year with explanations of any major changes from previous years in expenditures and any major changes of policy and a complete statement regarding the financial condition of the city.

The manager's budget message shall explain the budget both in fiscal terms and in terms of the work programs. It shall outline the proposed financial

policies of the city for the ensuing fiscal year, describe the important features of the budget, indicate any major changes from the current year in financial policies, expenditures, and revenues together with the reasons for such changes, summarize the city's debt position and include such other material as the manager deems desirable.

A general budget summary which, with supporting schedules, will show the relationship between total proposed expenditures and total anticipated revenues for the forthcoming fiscal period and which shall compare these figures with corresponding figures for the last completed fiscal year and the year in progress.

A general budget summary with support schedules, which shall exhibit the aggregate figures of the budget in such manner as to show a balanced relationship between the total proposed expenditures and the total anticipated income for the fiscal year covered by the budget, and which shall compare these figures with the corresponding figures of the last completed fiscal year and the year in progress.

A carefully itemized list of proposed expenditures by fund and service type and project for the budget year, as compared to actual expenditures of the last ended fiscal year, and an estimate of final expenditures for the current fiscal year.

An itemized estimate of the expense of conducting each department, division and office. Comparison of such estimates with the corresponding items of expenditure of the last two fiscal years and with the expenditures of the current fiscal year, plus an estimate of expenditures necessary to complete the current fiscal year.

Reasons for proposed increases or decreases of items of expenditure compared with the current fiscal year.

A separate schedule for each department, showing the things necessary for the department to do during the year, and which of any desirable things it ought to do if possible.

Items of payroll increases as either additional pay to present employees, or pay for more employees.

Detailed estimates of anticipated revenues and other income.

An estimate of all revenue from taxes and other sources, including the present tax structure rates and property evaluations for the ensuing year.

Delinquent taxes for current and preceding years, with estimated percentage collectible.

Statements of the bonded debt and other indebtedness of the City government, showing the debt redemption and interest requirements, the debt authorized and unissued, the conditions of the sinking funds, if any, and the borrowing capacity of the City.

A description of all outstanding bond indebtedness, showing amount, date of issue, rate of interest and maturity date, as well as any other indebtedness which the city has incurred and which has not been paid.

A statement proposing any capital expenditures deemed necessary for undertaking during the next budget year and recommended provision for financing.

A list of capital projects which should be undertaken within the five (5) next succeeding years.

A projection of revenues and expenditures together with a list of capital projects which should be considered within the five (5) next succeeding years.

A proposed complete draft of the appropriation ordinance, the tax levying ordinance, and any other ordinances required to effectuate the budget.

Such other information as may be required by the City Council.

1.5 Budget Calendar

A. Budget Calendar Defined

A budget calendar is a listing of all budget actions, the dates they should be completed, and who is responsible for doing them. It is important that everyone involved in the budgeting process know who is responsible for what.

B. Benefits of a Budget Calendar

A budget calendar helps keep actions from being overlooked, provides needed accountability, allows for more adequate time to complete actions, and allows more time for gathering needed data. Without a budget calendar, the budget preparation process is often rushed, and the results often reflect that rushed process.

C. Sample Budget Calendars

Most cities have a budget calendar for the city as a whole. In addition, the municipal court should consider having one just for the court. Of course, the

municipal court budget calendar dates and timeframes should fall within the dates and timeframes of the budget calendar for the city as a whole.

If you have never developed a budget calendar for the municipal court, have everyone involved in the process list everything they do, when they do it, and how much time it takes. Then put the actions in chronological order of when they must be done. Select due dates for the individual actions, working backwards and allowing some “cushion” time for the unexpected. Keep up with the actual dates for completing the individual actions and adjust and refine the calendar from year to year as needed.

Budget calendars vary from city to city. Following are example budget calendars from two Texas cities. The second calendar is more detailed than the first. Both calendars are based on an October 1st fiscal year.

City of _____, Texas
Fiscal Year 2007-2008
Operating Budget Calendar

January – February
Develop Budget Materials

February
14 Budget Kick-off meetings
Strategic budget issued
27 New Programs due

March
12 Draft Strategic Budgets due
23 Personnel Worksheets issued

April
2 Personnel Worksheets due
23 Final Strategic Budgets & New Programs due
26 Budget Worksheets & Revenue Projections issued

May
14 Budget Worksheets & Revenue Projections due

June
25 Budget Team review meetings held

July
23 City Manager's Proposed Budget submitted to City Council
25 Tax roll certification by Chief Appraiser (official date)

Mid – August
Publication of Tax Rates (Effective, Rollback)

September
7 Proposed Budget to Council for Approval (1st Reading)
Proposed Tax Rate to Council for Approval (1st Reading)
Public hearings
21 Proposed Budget to Council for Approval (2nd Reading)
Proposed Tax Rate to Council for Approval (2nd Reading)
Public hearings
Budget Adopted by Council
Tax Rate Adopted by Council

October
1 FY2006-2007 Budget becomes effective

TEXAS MUNICIPAL COURTS FINANCIAL MANAGEMENT HANDBOOK

**City of _____, Texas
Budget Calendar
Fiscal 2008 Budget**

Please note that City Council workshops may be held from time to time during the budget planning and preparation process.

<i>Date or Time Period</i>	<i>Activity</i>	<i>Governing Legislation</i>	<i>Responsible Party</i>
On or before April 27, 2007 (Fri.)	Initialize budget for next fiscal year on computer system. Advance budgets on computer screen to next management level (Department Head). Print out budget request worksheets. Submit worksheets with memo to department heads.		Director of Finance
On or before May 18, 2007 (Fri.)	Submit proposed changes in departmental personnel staffing, if any, to Human Resources Department.		Department Heads
May 30, 2007 (Wed.)	Memorial Day (<i>City Holiday</i>)		
On or before June 1, 2007 (Fri.)	Prepare projections for the departmental personnel sections of the budget request worksheets.		Human Resources Department
On or before June 8, 2007 (Fri.)	Complete budget request worksheets. Submit them to Director of Finance for data entry.		Department Heads
On or before June 22, 2007 (Fri.)	Project current fiscal year end fund balances available for appropriation in next fiscal year. Input department head budget requests. Advance budgets on computer system to next management level (City Manager). Print out estimated revenues/resources and budget request worksheets and submit them to City Manager.		Director of Finance
July 4, 2007 (Wed.)	Independence Day (<i>City Holiday</i>)		
On or before July 13, 2007 (Fri.)	Project/estimate revenues and other financial resources for next fiscal year. Review and modify, as needed, estimated revenues/resources and departmental budget requests. Submit budget worksheets to Director of Finance for final data entry.		City Manager
On or before July 27, 2007 (Fri.)	Input City Manager's modifications to proposed budget.		Director of Finance

TEXAS MUNICIPAL COURTS FINANCIAL MANAGEMENT HANDBOOK

<i>Date or Time Period</i>	<i>Activity</i>	<i>Governing Legislation</i>	<i>Responsible Party</i>
On or before August 3, 2007 (Fri.)	Prepare budget message to be filed with proposed annual budget document. Forward it to Director of Finance.		City Manager
On or before August 13, 2007 (Mon.)	Prepare proposed annual budget document.	City Charter §7.02(A) LGC §102.003	Director of Finance
On or before August 13, 2007 (Mon.)	File proposed budget and accompanying budget message with City Council members and City Secretary. [Proposed budget must be available for public inspection for at least 30 days prior to adopting property tax rate.]	City Charter §7.02(B) LGC §102.005	City Manager
August 14, 2007 (Tue.)	Advance budgets on computer system to next management level (City Council).		Director of Finance
August 14, 2007 (Tue.)	Publish <i>Notice of Public Hearing on Tax Increase</i> in official City newspaper. [This is necessary only if the City proposes adopting a tax rate that exceeds the lower of the rollback rate or the effective tax rate. This notice must be published at least seven (7) days before the date of the first public hearing on tax increase.]	Tax Code §26.06	Chief Appraiser
On or before August 15, 2007 (Wed.)	Post <i>Notice of Public Hearing on Tax Increase</i> on City's Web site. [This is necessary only if the City proposes adopting a tax rate that exceeds the lower of the rollback rate or the effective tax rate. This notice must be posted at least seven (7) days before the date of the first public hearing on tax increase and remain until the second hearing on tax increase is concluded.]	Tax Code §26.065	Director of Finance
August 17, 2007	Hold workshop on proposed budget		City Council
August 21, 2007 (Tue.) through August 24, 2007 (Fri.)	Post at City Hall a general budget summary and notice of public hearing on proposed budget. Publish general summary and public hearing notice in official City newspaper. [Publication must take place not earlier than 30 days nor less than 15 days before the public hearing on the budget.]	City Charter §7.02(C) LGC §102.0065	City Secretary

TEXAS MUNICIPAL COURTS FINANCIAL MANAGEMENT HANDBOOK

<i>Date or Time Period</i>	<i>Activity</i>	<i>Governing Legislation</i>	<i>Responsible Party</i>
August 22, 2007 (Wed.)	Hold first public hearing on tax increase. [This is necessary only if the City proposes adopting a tax rate that exceeds the lower of the rollback rate or the effective tax rate. This public hearing must take place at least three (3) days before the second one.]	Tax Code §26.06	City Council
August 29, 2007 (Wed.)	Hold second public hearing on tax increase. [This is necessary only if the City proposes adopting a tax rate that exceeds the lower of the rollback rate or the effective tax rate. This public hearing must take place not less than three (3) days after the first one and not less than three (3) nor more than 14 days before the adoption of the tax rate.] If necessary, first reading of ordinance(s) for proposed changes to utility rates is made.	Tax Code §26.06 City Charter §3.12	City Council
September 1, 2007 (Sat.)	Remove <i>Notice of Public Hearing on Tax Increase</i> from City's Web site. [This is necessary only if the City proposes adopting a tax rate that exceeds the lower of the rollback rate or the effective tax rate.]	Tax Code §26.065	Director of Finance
September 3, 2007 (Mon.)	Labor Day (<i>City Holiday</i>)		
On or before September 7, 2007 (Fri.)	Post <i>Notice of Vote on Tax Rate</i> on City's Web site. [This is necessary only if the City proposes adopting a tax rate that exceeds the lower of the rollback rate or the effective tax rate. The notice must be posted at least seven (7) days immediately before the date of the meeting scheduled for the vote on the proposed tax rate.]	Tax Code §26.065	Director of Finance
On or before September 13, 2007	Publish <i>Notice of Vote on Tax Rate</i> in official City newspaper. [This is necessary only if the City proposes adopting a tax rate that exceeds the lower of the rollback rate or the effective tax rate. This notice must be published after both hearings on tax rate increase are concluded and prior to the meeting scheduled for the vote on the proposed tax rate.]	Tax Code §26.06	Chief Appraiser

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<i>Date or Time Period</i>	<i>Activity</i>	<i>Governing Legislation</i>	<i>Responsible Party</i>
September 14, 2007 (Fri.)	<p>Hold public hearing on proposed budget. [This hearing must take place not less than 15 days after publication of the public hearing notice. However, this hearing must take place prior to the time Council makes the tax levy.]</p> <p>Adopt budget by ordinance. Any changes considered warranted by law or in taxpayers' best interest may be made beforehand.</p> <p>Set property tax rate by passage of tax levy ordinance. [If the City proposes adopting a tax rate that exceeds the lower of the rollback rate or the effective tax rate, this action must take place no less than three (3) days and no more than 14 days after the second public hearing on tax increase. In addition, the vote on the ordinance must be a record vote. The ordinance must also include certain mandatory statements specified by law.]</p> <p>If necessary, second reading of ordinance(s) for proposed changes to utility rates is made.</p>	<p>City Charter §7.02(C)</p> <p>LGC §102.006</p> <p>City Charter §3.12, §7.02(D), and §7.02(E)</p> <p>LGC §102.007</p> <p>City Charter §3.12 and §7.08</p> <p>Tax Code §26.05</p> <p>LGC §102.009(a)</p> <p>City Charter §3.12</p>	City Council
September 14, 2007 (Fri.)	Remove <i>Notice of Vote on Tax Rate</i> from City Web site. [This is necessary only if the City proposes adopting a tax rate that exceeds the lower of the rollback rate or the effective tax rate.]	Tax Code §26.065	Director of Finance
On or before September 28, 2007 (Fri.)	Input City Council budget modifications, if any. Print final drafts of budget listings and updated budget cover pages. Obtain signed copies of applicable ordinances. Distribute updated pages for inclusion in budget documents. Post final budget to accounting records.		Director of Finance
On or before September 28, 2007 (Fri.)	File final adopted budget with County Clerk's office.	LGC §102.009(d)	City Manager

<i>Date or Time Period</i>	<i>Activity</i>	<i>Governing Legislation</i>	<i>Responsible Party</i>
On or before September 28, 2007 (Fri.)	Post on City's Web site home page mandatory statements specified by law. [This is necessary only if the City adopts a tax rate that exceeds the lower of the rollback rate or the effective tax rate.]	Tax Code §26.05(b)(2)	Director of Finance
October 1, 2007 (Mon.)	Fiscal year 2006 commences. New utility rates, if any, become effective.		

1.6 Some Suggestions

Following the suggestions below should enhance budget preparation and increase the chances of getting more requests funded.

A. Budget Year-round

Working on the budget year-round allows the work to be spread out (to the extent possible). Budget preparation normally comes at a busy time of the year – the end of spring and summer. School activities, extracurricular activities (e.g., sports), and vacations take up a larger percentage of time than during other parts of the year. Reducing the amount of budget work that has to be done in a compressed time frame should improve the end product.

Spreading the work out may result in being able to devote more time to some aspects of the budget preparation process than would otherwise be the case (e.g., gathering data to support requests).

Working on the budget year-round should also help provide a broader perspective for what budget priorities are. Those priorities might change throughout the year. For example, budget preparation time may come during the busiest three months of the year for walk-in traffic. The number one budget priority at that time might be to add another person to help handle the traffic faster. However, during the other nine months the number one priority might be upgrading the telephone system, moving closer to a paperless office, or improving security. Working on the budget year-round should make it less likely to make adding staff as the number one priority.

Year-round budgeting can also help with staying current on other work. Having some of the work already done or partially done may mean not having to drop everything “so to speak” just to work on the budget.

Finally, year-round budgeting can help make better use of any “down” time. In other words, those times that are not quite as busy might be a good time to get some of the budget work done.

B. Have an Inclusive Budget Process

Within reason, try to get as many court staff as possible involved in the budget preparation process. If there is just one, two, or three people in the court, it should not be too difficult to get everyone involved in at least some aspect of the process. Of course, the larger the court, the harder it is to do. However, even if the court is large and divided into several sections, at a minimum, the supervisors of those sections could be involved in the process, at least to some extent.

There are several potential benefits to an inclusive budget process. The people who do the specific tasks generally know their work better than anyone else and can give good insight into trends that are starting to show up, what impact(s) certain changes might have, and how best to solve problems.

Employees are more likely to meet certain goals or targets if they had some input in setting those goals or targets. Also, if someone leaves or is promoted, it helps to have someone else at least partially familiar with budget activities.

Finally, keeping employees “out of the loop” more than is necessary can foster a “me” versus “them” attitude, along with the things that go with it (e.g., complaining and absenteeism), which impact job performance.

Chapter 2 Revenues

2.1 Utilization Table

Some of the revenues received by a municipal court are restricted in how they can be used. Other revenues have no restrictions and can be used for any legal city purpose, as appropriated by the governing body. The table below shows municipal court revenues that have restrictions and those that do not. The information in this table is primarily for budget purposes. Detailed court cost and fee information is in Chapters 9 – 13. In addition, the local share for many of the state court costs and fees is contingent upon timely reporting and remitting.

Description	Legal Reference(s)	Mandatory/Optional	Amount	State Share	Local Share	Use of Local Share
Expungement fees	Alcoholic Beverage Code §106.12; Code of Criminal Procedure, Article 45.0216; Code of Criminal Procedure, Article 45.055; Health and Safety Code §161.255	Mandatory	\$30.00	0%	100%	Used to defray the cost of notifying state agencies of orders of expungement
Jury trial failure to appear costs	Code of Criminal Procedure, Article 45.026(a)	Optional	Costs incurred to impanel a jury	0%	100%	No restrictions
Suspension of sentence and deferral of final disposition special expense fee	Code of Criminal Procedure, Article 45.051(c)	Optional	Not to exceed the amount of the fine assessed	0%	100%	No restrictions
Driving record fee	Code of Criminal Procedure, Article 45.0511(c-1)	Optional	\$12.00	100%	0%	Not applicable

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Description	Legal Reference(s)	Mandatory/Optional	Amount	State Share	Local Share	Use of Local Share
Fee for requesting a driving safety course (DSC). Mandatory DSC	Code of Criminal Procedure, Article 45.0511(f)(1)	Optional	Not to exceed \$10.00	0%	100%	Used to cover the cost of administering Code of Criminal Procedure, Article 45.051
Fee for requesting a driving safety course (DSC). Permissive DSC	Code of Criminal Procedure, Article 45.0511(f)(2)	Optional	Not to exceed the maximum amount of the fine for the offense	0%	100%	No restrictions
Fee for requesting a teen court program	Code of Criminal Procedure, Article 45.052(e)	Optional	Not to exceed \$10.00 (Courts close to the Texas-Louisiana border may charge \$20 eff. 1/1/08.)	0%	100%	Used to cover the cost of administering Code of Criminal Procedure, Article 45.052
Teen court program fee	Code of Criminal Procedure, Article 45.052(g)	Optional	\$10.00 (Courts close to the Texas-Louisiana border may charge \$20 eff. 1/1/08.)	0%	100%	Used by the teen court program
Special expense warrant fee on failure to appear or violation of promise to appear	Code of Criminal Procedure, Article 45.203(c)	Mandatory if appropriate ordinance adopted	Not to exceed \$25.00	0%	100%	No restrictions
Jury and failure to timely withdraw jury trial request fees	Code of Criminal Procedure, Article 102.004(a)	Mandatory	\$3.00	0%	100%	No restrictions
Jury reimbursement fee	Code of Criminal Procedure, Article 102.0045	Mandatory	\$4.00	90%	10%	No restrictions
Arrest and warrant fees when service performed by a state peace officer	Code of Criminal Procedure, Article 102.011(a)(1), 102.011(a)(2)	Mandatory	\$5.00, \$50.00	20%	80%	No restrictions
Fees for services of local peace officers	Code of Criminal Procedure, Article 102.011	Mandatory	Various (e.g., \$5.00, \$35.00, \$50.00)	0%	100%	No restrictions

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Description	Legal Reference(s)	Mandatory/ Optional	Amount	State Share	Local Share	Use of Local Share
Court costs for child safety in cities with a population of over 850,000	Code of Criminal Procedure, Article 102.014	Mandatory	\$20.00 for failure to attend school and parent contributing to non-attendance	0%	100%	Used for school crossing guard services. Excess amounts can be used for certain youth-related programs
		Mandatory	\$25.00 for passing a school bus and violations in a school crossing zone			
		Mandatory for parking if appropriate ordinance adopted	\$2.00 - \$5.00			
Court costs for child safety in cities with a population of less than 850,000	Code of Criminal Procedure, Article 102.014	Mandatory	\$20.00 for failure to attend school and parent contributing to non-attendance	0%	100%	Used for a school crossing guard program if the city operates one. If not, can be used for certain youth-related programs or invested
		Mandatory	\$25.00 for passing a school bus and violations in a school crossing zone			
		Optional for parking if appropriate ordinance adopted	Not to exceed \$5.00			
Municipal court building security fee	Code of Criminal Procedure, Article 102.017	Mandatory if appropriate ordinance adopted	\$3.00	0%	100%	Used for security for buildings housing a municipal court only
Municipal court technology fee	Code of Criminal Procedure, Article 102.0172	Mandatory if appropriate ordinance adopted	Not to exceed \$4.00	0%	100%	Used to finance the purchase of or to maintain technological enhancements for a municipal court

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Description	Legal Reference(s)	Mandatory/Optional	Amount	State Share	Local Share	Use of Local Share
Juvenile case manager court cost	Code of Criminal Procedure, Article 102.0174	Mandatory if appropriate ordinance adopted	Not to exceed \$5.00	0%	100%	Used to finance the salary and benefits of a juvenile case manager
Parent contributing to non-attendance fines	Education Code §25.093(d)	Mandatory	Varies	0%	100%	50% to the school district or juvenile justice education program; 50% no restrictions
Consolidated court cost (also referred to as consolidated fee)	Local Government Code §§133.102, 133.058	Mandatory	\$40.00	90%	10%	No restrictions
Time payment fee	Local Government Code §133.103	Mandatory	\$25.00	50%	50%	10% to be used for judicial efficiency; 40% no restrictions
Judicial support fee	Local Government Code §133.105	Mandatory	\$4.00 (eff. 1/1/08 fee is \$6.00)	85%	15%	Used to promote the efficient operation of the municipal court and the investigation, prosecution, and enforcement of offenses
Indigent defense support fee	Local Government Code §133.107	Mandatory	\$2.00 (eff. 1/1/08)	90%	10%	Credit to the fair defense account under §71.058 G.C. for indigent defense.
Operate Motor Vehicle without License Plates or with One Plate	Transportation Code § 502.404	Mandatory	\$10.00 (eff. 1/1/08)	0%	100%	No restrictions
Expired motor vehicle registration dismissal fee	Transportation Code §502.407(b)	Optional	Not to exceed \$10.00 (eff. 1/1/08 \$20.00)	0%	100%	No restrictions
Display Altered, Unclean, or Obscured License Plates	Transportation Code §502.409	Optional	Not to exceed \$10.00 (eff. 1/1/08)	0%	100%	No restrictions
Fail to Display Driver's License	Transportation Code §521.025	Optional	Not to exceed \$10.00 (eff. 1/1/08)	0%	100%	No restrictions
Expired driver's license dismissal fee	Transportation Code §521.026(b)	Optional	Not to exceed \$10.00 (eff. 1/1/08 \$20.00)	0%	100%	No restrictions
Fail to Report Change of Address or Name	Transportation Code §521.054	Mandatory (judge may waive)	Not to exceed \$20.00 (eff. 1/1/08)	0%	100%	No restrictions

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Description	Legal Reference(s)	Mandatory/Optional	Amount	State Share	Local Share	Use of Local Share
Violate Driver's License Restriction or Endorsement	Transportation Code §521.221	Mandatory	Not to exceed \$10.00 (eff. 1/1/08)	0%	100%	No restrictions
Operate Vehicle with Defective Required Equipment (or in unsafe condition)	Transportation Code §547.004	Mandatory	Not to exceed \$10.00 (eff. 1/1/08)	0%	100%	No restrictions
Traffic court cost	Transportation Code §542.403(a)	Mandatory	\$3.00	0%	100%	No restrictions
State traffic fine	Transportation Code §§542.4031, 542.402(a)	Mandatory	\$30.00	95%	5%	Used to construct and maintain roads, bridges, and culverts and to enforce highway laws
Fines from child passenger safety seat system offenses and certain safety belt offenses	Transportation Code §§545.412(h), 545.413(i), 542.402(a)	Mandatory	\$100.00 - \$200.00	50%	50%	Used to construct and maintain roads, bridges, and culverts and to enforce highway laws
Expired inspection certificate dismissal fee	Transportation Code §548.605(b)	Mandatory when it applies	Not to exceed \$10.00 (eff. 1/1/08 \$20.00)	0%	100%	No restrictions
Fines from certain overweight offenses of more than 5,000 pounds	Transportation Code §§621.506, 542.402(a)	Mandatory	\$300.00 - \$1,000.00	50%	50%	Used to construct and maintain roads, bridges, and culverts and to enforce highway laws
Other Transportation Code, Title 7 offense fines (excluding excess highway fines and excess motor carrier fines)	Transportation Code §542.402(a)	Mandatory	Varies	0%	100%	Used to construct and maintain roads, bridges, and culverts and to enforce highway laws
Failure to appear or pay/satisfy judgment fee	Transportation Code, Chapter 706	Mandatory if city has contracted with DPS	\$30.00	Two-thirds	One-third	\$6.00 goes to OmniBase Services, Inc.; \$4.00 no restrictions
Expired Certificate of Number (vessel)	Parks and Wildlife §31.127		Not to exceed \$10	0%	100%	No restrictions

Cities should be able to show compliance with the above restrictions. Additionally, the following court costs and fees must be accounted for in a separate fund (see Chapters 11 and 13 for additional information):

- Municipal court building security fee;
- Municipal court technology fee;
- Juvenile case manager court cost; and
- Court costs for child safety in cities with a population of over 850,000.

2.2 Revenue Catalogue

A good budget tool is the Revenue Catalogue, which provides information on each individual revenue source. Information that can be included is:

- Name;
- Fund/account number;
- Authority for the revenue;
- Description;
- Amount;
- Revenue history; and
- Comments.

TEXAS MUNICIPAL COURTS FINANCIAL MANAGEMENT HANDBOOK

Below is a sample format. Adjust it to meet your needs.

Name:	
<hr/>	
Fund / Account Number:	
<hr/>	
Authority:	
<hr/>	
<hr/>	
<hr/>	
Description:	
<hr/>	
<hr/>	
<hr/>	
Amount:	
<hr/>	
Revenue History:	
2007	<hr/>
2006	<hr/>
2005	<hr/>
2004	<hr/>
2003	<hr/>
2002	<hr/>
2001	<hr/>
2000	<hr/>
1999	<hr/>
1998	<hr/>
Comments:	
<hr/>	
<hr/>	
<hr/>	

For example, the Revenue Catalogue page for the municipal court building security fee might look something like the following:

Name: *Municipal Court Technology (MCT) Fee*

Fund / Account Number: *xx-xxx-xxxx*

Authority: *Code of Criminal Procedure, Article 102.0172
Authorized by Senate Bill 601, 76th Legislature, effective September 1, 1999
Municipal ordinance number xx-xxxx, dated September 1, 1999.*

Description: *Not to exceed \$4.00 court cost
Expanded conviction definition applies
No exception for parking and pedestrian offenses
Started October 1, 1999*

Amount: *\$4.00 per conviction*

Revenue History:

2007	<i>\$12,340</i>
2006	<i>11,730</i>
2005	<i>11,080</i>
2004	<i>10,765</i>
2003	<i>10,450</i>
2002	<i>10,000</i>

Comments: *September 1, 2003: State law - "maintenance" added as a qualified use
September 1, 2003: Local ordinance adjusted to add "maintenance" as a qualified use
September 1, 2003: State law - sunset provision (9-1-05) repealed
September 1, 2003: Local ordinance adjusted to authorize continued collection*

2.3 Revenue Estimate Summary

The Revenue Estimate Summary helps keep track of all municipal court-related city revenues and projections in one place. Municipal court-related city revenues are those amounts retained by the city. In other words, amounts that are not remitted elsewhere (e.g., the state or another local government).

The Summary shows actual revenues, not just the amount received. For example, if the Consolidated Court Cost (Fee) generated \$40,000 in receipts, only \$4,000 would be revenue, since the city only gets to retain 10 percent as a service fee and 90 percent is sent to the state. Similarly, if \$20,000 is received in Time Payment Fees, only \$10,000 would be revenue, because 50 percent is sent to the

state. By focusing on the revenue amount rather than the amount received, it is less likely that someone will think the municipal court is generating more revenues than it actually is.

On the following page is a sample format. Adjust it to meet the needs of your court and city. Try to maintain enough detail to allow for sound revenue projections. For example, if the Legislature was to increase the Consolidated Court Cost (Fee) from \$40 to \$50, the possible impact on municipal court-related city revenues could be determined. The city would receive a maximum additional amount of \$1 per conviction $[(\$50 - \$40) \times 10\% \text{ service fee}]$. Of course, the \$1 amount would need to be adjusted to take into consideration the estimated collection rate.

The sample format has six columns:

- Column 1: Description – gives the name of the court cost, fee, or fine (e.g., Time Payment Fee);
- Column 2: Revenue Percentage – gives the percentage of the total amount received that is municipal court-related city revenue;
- Column 3: Actual Previous Year – gives the actual revenue amount for the previous city fiscal year;
- Column 4: Budgeted Current Year – gives the amount of revenue budgeted for the current city fiscal year;
- Column 5: Projected Current Year – gives the amount of revenue projected for the current city fiscal year; and
- Column 6: Estimated Next Year – gives the projected amount of revenue for the next fiscal year.

An additional column could be added to indicate the fund that receives the revenue. The court costs, fees, fines, bond forfeitures, and other revenue could then be grouped by fund.

Revenue Estimate Summary

Description	Revenue Percentage	Actual Previous Year 2006	Budgeted Current Year 2007	Projected Current Year 2007	Estimated Next Year 2008
COURT COSTS AND FEES					
Consolidated Court Cost (Fee)	10%				
Jury Reimbursement Fee	10%				
Judicial Support Fee	10%				
Indigent Defense Fund	10%				
State Traffic Fine	5%				
Time Payment Fee	50%				
Arrest and Warrant Fees – State Peace Officers	80%				
Failure to Appear or Pay/Satisfy Judgment Fee	13.333%				
Municipal Court Building Security Fee	100%				
Municipal Court Technology Fee	100%				
Juvenile Case Manager Court Cost	100%				

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Revenue Estimate Summary (continued)

Description	Revenue Percentage	Actual Previous Year 2006	Budgeted Current Year 2007	Projected Current Year 2007	Estimated Next Year 2008
Traffic Court Cost	100%				
Special Expense Fee - Deferred	100%				
Fees for Services of Local Peace Officers	100%				
Fees for Requesting a Driving Safety Course	100%				
Child Safety Court Costs	100%				
Expired Motor Vehicle Registration Dismissal Fee	100%				
Expired Driver's License Dismissal Fee	100%				
Expired Inspection Certificate Dismissal Fee	100%				
Operate Motor Vehicle without License Plates or with One Plate	100%				
Display Altered, Unclean, or Obscured License Plates	100%				
Fail to Display Driver's License	100%				
Fail to Report Change of Address or Name	100%				
Violate Driver's License Restriction or Endorsement	100%				
Operate Vehicle with Defective Required Equipment (or in unsafe condition)*	100%				
Expired Certificate of Number (vessel)	100%				
Special Expense Warrant Fee	100%				
Fee for Requesting a Teen Court Program	100%				
Teen Court Program Fee	100%				
Jury Trial Failure to Appear Costs	100%				
Jury and Failure to Timely Withdraw Jury Trial Request Fees	100%				
Expungement Fees	100%				
FINES					
Municipal Ordinance Violations	100%				
Parent Contributing to Nonattendance	50%				
Other Education Code Offenses	100%				
Alcoholic Beverage Code Offenses	100%				
Health and Safety Code Offenses	100%				
Penal Code Offenses	100%				
Child Passenger Safety Seat and Certain Safety Belt Offenses	50%				
Certain Overweight Offenses of More than 5,000 Pounds	50%				
Other Transportation Code) Offenses (excluding Excess Highway Fines and Excess Motor Carrier Fines)	100%				
BOND FORFEITURES	100%				
OTHER REVENUE					
Total Revenue					

2.4 Estimating Revenues

Estimating revenues is generally the responsibility of the city budget officer. Most budget officers make their estimates after getting input from applicable department heads (e.g., the municipal court administrator for the municipal court-related city revenue).

There should be someone in the court (court administrator or other individual) more knowledgeable about estimating municipal court-related city revenues than anyone else in the city. If the budget officer and governing body can learn to rely on the court in this area, they will be more likely to rely on the court in other areas (e.g., departmental budget needs).

The individual in the court responsible for estimating the revenues should be familiar with the factors that can impact revenues (e.g., population changes, local economic outlook, and enhanced collection efforts).

Estimates should be realistic and conservative. The author would rather underestimate revenues by an amount than overestimate revenues by the same amount. The reason is that the amount of estimated revenues for a city determines to a large extent the expenditure side of the budget for a city. As a result, estimates that are not met could result in budget cuts. And if revenues are more than anticipated, budget amendments can always be made.

A total of municipal court-related city revenue should be estimated per fund. In other words, a total for the Municipal Court Building Security Fund, a total for the Municipal Court Technology Fund, a total for the General Fund, and a total for any other fund(s) that receive municipal court-related city revenues.

For example, the Municipal Court Building Security Fund may have just one revenue source – the municipal court building security fee. The revenue estimate for the Fund would be based on just that one fee. However, the General Fund will normally have numerous revenue sources, including:

- Service fees for state court costs;
- Fees for requesting a driving safety course;
- Deferred disposition special expenses;
- Fees for services of peace officers;
- Dismissal fees;
- City share of the time payment fee;
- Expungement fees;
- Municipal ordinance violation fines; and
- Fines for state law offenses (other than Transportation Code offenses).

Some cities estimate each individual revenue source and then come up with a total amount of municipal court-related city revenue per fund. For example, estimating revenue for the General Fund would require estimating revenue for each of the categories above and then adding the amounts to come up with a total for the Fund.

Other cities might start with the total amount of General Fund revenue for the previous year, or the total amount of revenue projected for the current year, and make adjustments to come up with the estimate for the upcoming year. For example, a city may just assume a certain percentage increase in municipal court revenues over the current year.

The first approach, estimating each individual revenue source, and adding the amounts, is generally more accurate, but also more time consuming. To understand how this approach could be more accurate consider the amount of revenue that would be overlooked if the Legislature passed a new \$10 local court cost for municipal court operations. The first approach would include the estimated revenue from the new local court cost. The second approach probably would not. However, the added accuracy of the first approach may not be worth the time involved. The second approach is probably used the most.

Some cities use a combination of the two approaches. Those cities use the second approach and then make adjustments for any specific major changes (e.g., a new local court cost or a new required minimum fine for an offense higher than the average fine previously charged for that offense).

Other cities use case filing data to project revenues. A city might estimate a certain amount of revenue per case filed. For example, a city that estimates 10,000 case filings with average city revenue per case of \$50 would project municipal court city-related revenue for the year of \$500,000. The projection could even be based upon different estimated revenue amounts per case depending upon the type of case (e.g., state law traffic offenses, other state law offenses, municipal ordinance parking violations, and other municipal ordinance violations).

There are various revenue estimating techniques, ranging in difficulty from simple to complex. One relatively easy method is Simple Trend Analysis. This method can be used for each individual revenue source or for the total for a particular fund. The method uses historical data as the basis for projecting future revenues. A minimum of five years of data is often used. The average change over a period of time is computed and used as a basis for projection.

Example 1

- The City of Moderate Growth uses Simple Trend Analysis to estimate municipal court-related revenue for the General Fund.
- The City believes revenue growth for fiscal 2007 will be similar to the growth of the last several years.

Fiscal Year	General Fund Revenue	Percentage Change
2003	362,000	NA
2004	380,000	+ 4.97
2005	394,000	+ 3.68
2006	405,000	+ 2.79
<u>2007</u>	<u>426,000</u>	<u>+ 5.19</u>
Total		+ 16.63
Divide by Number of Years		÷ 4
Average Change per Year		+ 4.1575
Fiscal 2007 Projected Revenue		\$426,000
Multiply by Average Change per Year		<u>.041575</u>
Fiscal 2007 Estimated Revenue Increase		17,711
Add Fiscal 2007 Projected Revenue		<u>426,000</u>
Fiscal 2007 Estimated Revenue		<u>\$443,711</u>

Note: General Fund Revenue for fiscal 2003 – 2006 are actual revenue amounts. General Fund Revenue for fiscal 2007 is projected because budget estimates are usually made before the end of the current year.

Example 2

- In addition to the information in Example 1 above, assume there will be a new legislatively mandated local court cost of \$5.
- The City estimates the revenue from the new court cost and adds that amount to the estimate from Example 1.

Estimated Number of Court Cost Cases ¹	4,200
Multiply by Court Cost Amount	x 5
Maximum Possible Revenue	\$21,000
Multiply by Estimated Collection Rate ²	<u>.65</u>
Estimated Revenue from New Court Cost	13,650
Add Estimate from Example 1	<u>443,711</u>
Fiscal 2007 Estimated Revenue	<u>\$457,361</u>

¹ The number of cases could also have been estimated using Simple Trend Analysis

² Historical collection rate

Example 3

- In addition to the information in Example 1 above, assume that because of enhanced collection activities the City estimates the overall collection rate will increase by seven percent.
- The City adjusts the amount from Example 1 for the estimated increase in the collection rate.

Estimate from Example 1	\$443,711
Divide by Historical Collection Rate	<u>.65</u>
Estimated Amount Assessed	682,632
Multiply by Revised Collection Rate	<u>.72</u>
Fiscal 2007 Estimated Revenue	<u>\$491,495</u>

Once revenue projections are made for a year, do not forget about them. After the year ends, go back and see how accurate the projections were. If the projections (or some of the projections) are not very close to the actual amounts, try to figure out why. Doing so can help you become more accurate with future projections.

Chapter 3

Departmental Budget Request

3.1 Introduction

Most cities have some sort of departmental budget request process. In some cities the process is very formal. In other cities, the process is more informal. Hopefully, whatever process is utilized puts departments on a level playing field with the budget officer and governing body.

Having the different departments use the same forms and follow the same instructions should also make the work of the budget officer and governing body somewhat easier because of the comparability of the requests.

Department heads should receive specific budget request forms with detailed instructions about how to complete the forms. Many cities also include a statement of budget policy with the forms and instructions. A statement of budget policy generally provides most of the following:

- General economic outlook;
- Demographic information;
- Property valuation and information relating to other major revenue sources;
- Budget goals and priorities;
- A statement about the possibility of additional personnel;
- A statement about the possibility of an across the board pay raise; and
- General guidelines to follow in preparing the request.

Departmental request forms vary greatly from city to city. They generally require most of the following:

- A description of the department's functions and responsibilities;
- Measurement indicators;
- Recent accomplishments;
- Upcoming goals;
- Expenditure information by budget line-item:
 - Actual for the previous year;
 - Budgeted for the current year;
 - Projected for the current year; and
 - Requested for the next year; and
- Additional detailed information for:
 - Additional personnel requests; and
 - Capital outlay requests.

In most cities, the budget officer and/or the governing body hold departmental budget hearings to allow the department heads to present their requests.

3.2 Samples and Examples

Four general forms are presented. Your particular city may use more or less forms, depending upon what is required and how it is to be presented. For example, the information to be provided on the first form below could be required on separate forms. The four forms are:

- General Department Information Form;
- Expenditure Request Form;
- Additional Personnel Request Form; and
- Capital Outlay Request Form.

A. General Department Information Form

The information to be provided on this form should include:

- A description of the department's functions and responsibilities;
- Measurement indicators;
- A listing, and where needed, a description of the department's recent accomplishments; and
- A listing, and where needed, an explanation of upcoming goals.

A sample format is shown on Page 35 and an example begins on Page 36.

GENERAL DEPARTMENT INFORMATION FORM

City
Department
Fiscal Year

Functions and Responsibilities:

Measurement Indicators:

Recent Accomplishments:

Upcoming Goals:

[illegible]

GENERAL DEPARTMENT INFORMATION FORM

**City
Municipal Court
Fiscal Year 2007**

Functions and Responsibilities:

The municipal court is the first level of the judicial branch of government. The jurisdiction of the Municipal Court includes Class C misdemeanors occurring within the territorial limit of the City. Charges processed by the Municipal Court may be filed by county peace officers, state peace officers, citizens, and a variety of city employees, including but not limited to police, fire, code enforcement and animal control officers. The Municipal Judge also serves as a magistrate of the State and has the authority to issue search warrants, emergency protective orders and arrest warrants. The mission of the Municipal Court is pre-determined by the Texas Code of Criminal Procedure and the Code of Judicial Conduct which provide that the Court and all support personnel shall provide equal and impartial justice under the law and process each case efficiently without delay or unnecessary expense. In addition, it is the mission of the Court to provide a friendly environment responding to the needs of all persons who come in contact with the Court.

Measurement Indicators:

	<i>Actual Previous Year</i>	<i>Projected Current Year</i>	<i>Estimated Next Year</i>
CASE-RELATED INFORMATION			
<i>Cases Filed</i>			
State Law	10,000	10,700	11,100
Municipal Ordinance	<u>1,000</u>	<u>1,200</u>	<u>1,250</u>
Total Cases Filed	11,000	11,900	12,350
<i>Cases Disposed</i>			
State Law	9,200	10,000	10,400
Municipal Ordinance	<u>900</u>	<u>1,100</u>	<u>1,160</u>
Total Cases Disposed	10,100	11,100	11,560
<i>Disposition Rate</i>			
State Law	92.0%	93.5%	93.7%
Municipal Ordinance	<u>90.0%</u>	<u>91.7%</u>	<u>92.8%</u>
Total Disposition Rate	<u>91.8%</u>	<u>93.3%</u>	<u>93.6%</u>
Cases Disposed per FTE	1,122	1,233	1,284
FINANCIAL INFORMATION			
<i>Collections</i>			
City Collections	\$800,000	\$1,000,000	\$1,090,000
State Collections	<u>400,000</u>	<u>500,000</u>	<u>550,000</u>
Total Collections	<u>\$1,200,000</u>	<u>\$1,500,000</u>	<u>\$1,640,000</u>
Collections per Case Disposed	<u>\$118.81</u>	<u>\$135.14</u>	<u>\$141.87</u>
Estimated Collection Rate	60%	70%	75%

Recent Accomplishments:

- Two clerks received Level II certification
- One clerk received Level I certification
- Implemented automatic ticket writers
- Implemented a new software package
- Hired a warrant officer
- Completed a warrant roundup
- Increased estimated collection rate 10% (from 60 – 70%)
- Developed a court procedures manual

Upcoming Goals (next fiscal year):

- Increase the number and level of certified clerks
- Complete another warrant roundup
- Expand court service hours by 30 minutes each day without increasing personnel costs
- Implement a document imaging process
- Implement electronic dockets
- Increase the estimated collection rate another five percent (to 75%)
- Assist with the design of a new court facility

B. Expenditure Request Form

The information to be provided on this form should include, by budget line-item:

- Actual expenditures for the previous year;
- Budgeted expenditures for the current year;
- Projected expenditures for the current year; and
- Requested expenditures for the next year.

A sample format is shown below and an example is shown on Page 39.

EXPENDITURE REQUEST FORM				
City Municipal Court Fiscal Year 2007				
Description	Actual Previous Year FY 2006	Budgeted Current Year FY 2007	Projected Current Year FY 2007	Requested Next Year FY 2008
PERSONAL SERVICES				
- add specific line items				
 SUPPLIES AND MATERIALS				
- add specific line items				
 SERVICES AND CHARGES				
- add specific line items				
 CAPITAL OUTLAY				
- add specific line items				
 TOTALS				

EXPENDITURE REQUEST FORM

City
Municipal Court
Fiscal Year 2007

Description	Actual Previous Year FY 2006	Budgeted Current Year FY 2007	Projected Current Year FY 2007	Requested Next Year FY 2008
PERSONAL SERVICES				
<i>Salaries and Wages</i>				
Municipal Court Administrator	\$44,000	\$45,320	\$45,320	\$46,680
Deputy Court Clerks	26,000	26,780	26,780	27,584
Municipal Court Judge	12,000	12,360	12,360	12,731
Alternate Municipal Court Judge	5,000	5,150	5,150	5,305
Longevity Pay	1,000	1,300	1,300	1,600
Social Security	6,732	6,955	6,955	7,184
Retirement Contributions	6,160	6,364	6,364	6,573
Group Insurance	15,980	17,000	17,000	17,800
Workers Compensation	1,000	1,050	1,050	1,080
Other	500	800	400	800
Total Personal Services	118,372	123,079	122,679	127,337
SUPPLIES AND MATERIALS				
General Office Supplies and Materials	1,903	2,000	1,980	2,100
Paper and Printing Supplies and Materials	485	520	500	550
Computer Supplies and Materials	4,762	5,000	5,100	5,200
Other	309	400	340	400
Total Supplies and Materials	7,459	7,920	7,920	8,250
SERVICES AND CHARGES				
Telephone/Internet	2,374	2,500	2,460	2,600
Electricity/Gas/Water	5,648	6,000	5,800	6,100
Equipment Maintenance	757	1,000	840	1,000
Software Maintenance	1,794	2,000	1,920	2,200
Postage and Shipping	2,441	2,600	2,570	2,900
Printing and Binding	1,553	1,800	1,700	1,800
Dues and Memberships	280	300	300	360
Travel	1,866	2,000	1,900	2,100
Training and Education	790	850	820	900
Subscriptions	381	400	400	420
Professional Services	2,915	3,000	2,400	3,000
Total Services and Charges	20,799	22,450	21,110	23,380
CAPITAL OUTLAY				
Furniture and Fixtures	4,453	2,500	2,000	3,500
Equipment	1,382	2,500	1,400	2,500
Other	0	1,000	600	1,000
Total Capital Outlay	5,835	6,000	4,000	7,000
TOTALS	\$152,465	\$159,449	\$155,709	\$165,967

C. Additional Personnel Request Form

This form is used when an increase in FTE's (full-time equivalents) is being requested. A sample format is shown below and an example is shown on Page 41.

ADDITIONAL PERSONNEL REQUEST FORM							
City Department Fiscal Year							
Position Title	Monthly Salary	FTE Percent	Monthly Gross	Benefits Percent	Monthly Total	Months Requested	Amount Requested

Justification (Required for Each Position Requested):

Other Budget Impact (Required for Each Position Requested):

ADDITIONAL PERSONNEL REQUEST FORM

City
Department
Fiscal Year

Position Title	Monthly Salary	FTE Percent	Monthly Gross	Benefits Percent	Monthly Total	Months Requested	Amount Requested
<i>Deputy Clerk</i>	<i>\$2,000</i>	<i>1.00</i>	<i>\$2,000</i>	<i>0.35</i>	<i>\$2,700</i>	<i>12</i>	<i>\$32,400</i>

Justification (Required for Each Position Requested):

This position will be dedicated to collection activities to comply with Senate Bill 1863, Regular Session, 79th Legislature. The collection activities should increase city revenues approximately \$140,000 next fiscal year. This is based on a conservative 10 percent increase in our collection rate. Similar cities starting a collections program have experienced collection rate increases in the 15 – 20 percent range. Please note that the collection activities should result in additional state revenues of approximately \$60,000 during the same period.

Other Budget Impact (Required for Each Position Requested):

Budgetary impact is included in the appropriate line-items (e.g., personal services, supplies and materials, other services and charges, and capital outlay). As required, capital outlay items are listed separately on the Capital Outlay Request Form.

D. Capital Outlay Request Form

This form is used to request capital items that have a value of at least a certain amount (as determined by city policy). A sample format is shown on Page 42 and an example is shown on Page 43. Capital outlays are recorded as an asset on the city's books and are generally placed on an inventory list showing the department (e.g., municipal court) responsible for the asset.

CAPITAL OUTLAY REQUEST FORM

City
Department
Fiscal Year

Description of Item:

Justification:

Cost Information:

Estimated Purchase Price	\$ _____
Less any Trade-in Value	_____
Estimated Net Cost	\$ _____
Estimated Useful Life (Years)	_____
Estimated Date of Purchase	_____

Description of Item:

Justification:

Cost Information:

Estimated Purchase Price	\$ _____
Less any Trade-in Value	_____
Estimated Net Cost	\$ _____
Estimated Useful Life (Years)	_____
Estimated Date of Purchase	_____

CAPITAL OUTLAY REQUEST FORM

City
Department
Fiscal Year

Description of Item:

Workstation for new employee – catalogue number 128953B

Justification:

The workstation is for the new employee who will be dedicated to collection activities to comply with Senate Bill 1863, Regular Session, 79th Legislature. The collection activities should increase city revenues approximately \$140,000 next fiscal year. This is based on a conservative 10 percent increase in our collection rate. Similar cities starting a collections program have experienced collection rate increases in the 15 – 20 percent range. Please note that the collection activities should result in additional state revenues of approximately \$60,000 during the same period.

Cost Information:

Estimated Purchase Price	\$2,000
Less any Trade-in Value	<u>0</u>
Estimated Net Cost	<u>\$2,000</u>

Estimated Useful Life (Years)	7
Estimated Date of Purchase	October 3, 2007

Description of Item:

Computer for new employee – city contract item C-125X

Justification:

The computer is for the new employee who will be dedicated to collection activities to comply with Senate Bill 1863, Regular Session, 79th Legislature. The collection activities should increase city revenues approximately \$140,000 next fiscal year. This is based on a conservative 10 percent increase in our collection rate. Similar cities starting a collections program have experienced collection rate increases in the 15 – 20 percent range. Please note that the collection activities should result in additional state revenues of approximately \$60,000 during the same period.

Cost Information:

Estimated Purchase Price	\$600
Less any Trade-in Value	<u>0</u>
Estimated Net Cost	<u>\$600</u>

Estimated Useful Life (Years)	3
Estimated Date of Purchase	October 3, 2007

3.3 Some Suggestions

Following the suggestions below should improve budget preparation and increase the chances of getting more requests funded.

A. If the city has not adopted all of the local option court costs and fees, suggest they do so.

Adopting the local option court costs and fees raises revenue and does so in a way that is taxpayer-friendly. Since the court costs and fees are paid by defendants, the amount collected is revenue that does not have to come from other sources (e.g., property or sales taxes).

Local option court costs and fees include the:

- Special expense warrant fee (Code of Criminal Procedure, Article 45.203);
- Municipal court building security fee (Code of Criminal Procedure, Article 102.017);
- Municipal court technology fee (Code of Criminal Procedure, Article 102.0172); and
- Juvenile case manager court cost (Code of Criminal Procedure, Article 102.0174).

B. Try to get one member of the governing body as an advocate for the municipal court.

Sometimes it only takes the strong support of one member of the governing body to get the municipal court budget request funded. This is not being sneaky or underhanded. It is the author's experience that many council members are not familiar with municipal court operations. They are more likely to be familiar with utilities or street repairs. When they do become familiar with how the municipal court operates, they generally have a much higher appreciation for the court, and everything else being equal, are more likely to support the court's budget request.

Do not wait until budget time to try to develop a relationship. Start early in the year. Invite them to the court, show them around, explain what you do, and answer their questions. This may take some time, but it should be worth the effort.

C. Be prepared for the municipal court departmental budget hearing.

Know what you are requesting and why, and be able to support your request. If possible, attend the departmental budget hearing for one or more other departments. This will help give you a feel for what works and what does not

work. However, keep in mind the difficult job the governing body has and maintain a professional demeanor throughout the entire process.

D. Where possible, give priority to expenditures that increase revenues or reduce future expenditures.

Some expenditures can result in additional revenues that exceed the amount of the expenditures. For example, adding an additional person(s) to focus on collection activities. Other expenditures can reduce future expenditures. For example, technologies that reduce the amount of staff time can result in fewer personnel needed sometime down the road.

E. Budget at more than one level of funding.

Most municipal courts will not be requested to do this as part of their departmental budget request. Even if that is the case, it helps to be prepared should budget cuts have to be made or additional funding becomes available. If possible, have a plan, or the outline of a plan in place. Pre-planning helps prevent “spur of the moment” decisions that are often regretted later. Additionally, budget officers and governing bodies appreciate those departments that stay ahead of the curve and help make their jobs easier.

F. When needed, consider suggesting rotation with other departments for certain types of expenditures.

In some cities, certain types of budget requests are not likely to get funded at all because it is too expensive to do so for all applicable city departments in the same fiscal year. Examples include furniture and certain types of technology. As a result, departments often end up going for longer periods of time without needed replacements/upgrades because it is easier not to provide funding for any of the departments than it is to provide funding for just one or a few of the departments.

In this situation, a rotation schedule can help. For example, rather than not get any new furniture for a long period of time, a rotation of a certain number of years might mean that every department gets needed replacements/upgrades more frequently. The department that gets funded the first year, second year, and so on, can even be determined by “picking straws” when an acceptable schedule cannot be determined based on need. From the standpoint of the governing body, budgeting regular smaller amounts is often easier than periodically budgeting a much larger amount.

G. Know the average number of cases each year disposed of per municipal court full-time equivalent.

This is a good benchmark number and can be used to compare with other (similar) municipal courts. Hopefully, this number is increasing over time as the

court becomes more efficient and new technologies are employed. Knowing what this number is should give you some idea of when it will be necessary to add staff.

Chapter 4

Cost Information

4.1 Introduction

Sometimes a court wants more detailed cost information than is provided in the city's budget or financial statements. For example, a court may want to know the:

- Cost of operating the municipal court as a whole;
- Cost of operating each of the different sections in the court; or
- Average cost of each case disposed.

"Cost" information for a municipal court is almost always different than what is shown in the budget or financial statements. That is because accounting principles followed by cities are not based on "cost" information.

Cost information can be used to:

- Help determine the real financial bottom line of court operations;
The court may be contributing more or less to the city's financial picture than previously thought.
- Prepare better budget requests;
This is especially true for projects that cover multiple budget years.
- Help determine if an optional fee should be charged; and
For example, charging the technology fee to pay for the court's technology needs.
- Benchmark with other courts.
For example, using more accurate numbers when comparing the cost per case disposed with the same number from other courts.

The topics for this chapter are;

- Definitions and descriptions; and
- Converting expenditures to costs.

Utilizing cost information is not something every court should do. In many courts, it is just not needed. In some courts, there may not be adequate records or enough time to obtain and utilize the information. Utilizing cost information should only be done by those courts that determine it will be beneficial to them and when the information can be determined or obtained in a practical way and timeframe.

4.2 Definitions and Descriptions

A. Cost

Cost is the cash value of the labor, supplies, equipment, and other resources used to accomplish a purpose or carry on an activity.³ It does not make any difference when the labor, supplies, equipment, and other resources are acquired or paid for.

For the purposes of this manual, cost is the cash value of the labor, supplies, equipment, and other resources used to operate a municipal court or a section of a municipal court, regardless of when paid for or acquired.

For example, the cost of a municipal court for fiscal year 2007 would be the cost of all the resources used during fiscal 2007, including those paid for before fiscal year 2007 and those paid for after fiscal 2007.

To better understand what cost is, think about taking a vacation in the month of May to the Northwest. The cost of the trip would include all of the following:

- Cash spent on the trip;
- Credit card charges made on the trip regardless of when paid;
- Items purchased before the trip just for the trip (e.g., clothes, travel books);
- Film developed and prints done in June for pictures taken on the trip;
- Pet care expenses while gone paid for in June; and
- Wear and tear on the car.

You can probably think of other costs that could be included. The idea is to make sure that the cash value of all the vacation resources are included regardless of when they are acquired or paid for.

Since the focus is on resources “used” certain items have to be depreciated over the period they are expected to be used. For example, if a computer was purchased in January of 2006 for \$1,500 and is expected to last three years, the cost each year would be \$500 using the simplest method of depreciation (i.e., straight line depreciation).

Recognize that governments do not keep up with costs (use cost accounting) very often because there is not a profit motive in government like there is in business. As a result, some cost figures may have to be computed or estimated.

³ *Analyzing Costs in the Courts*, U.S. Department of Justice, National Institute of Justice, 1987

B. Cost Objective

Most municipal courts that use cost information use the information to determine the total cost of the court or the average cost per case filed or disposed. For larger courts, where the court is divided into operational sections or divisions (e.g., administration, operations, security, and collections), cost information can be used to more accurately reflect the cost of each section or division. Each section or division would be considered a cost center.

C. Direct and Indirect Costs

Costs can be classified as direct or indirect. Direct costs can be assigned to a single objective or cost center. Indirect costs are assigned to multiple objectives or cost centers.

Additionally, a cost can be direct or indirect depending upon the circumstances.

For example, consider salaries of municipal court personnel who work wholly for the court. If the cost objective is the total cost of the municipal court, the salaries would be direct costs. However, if the cost objective is to determine the cost of the different sections within the court, the salaries for those who perform tasks for more than one section would be indirect costs.

Indirect costs have to be allocated. If specific records are available showing how much to allocate to the different cost centers, the allocation is easy and accurate. For example, if employee A spends 75 percent of her time working in Operations and 25 percent working in Collections, 75 percent of her salary and benefits would be allocated to Operations and 25 percent of her salary and benefits would be allocated to Collections.

If specific detailed records are not available showing how much to allocate to the various cost centers, a way to allocate the costs as accurately as possible without spending an unnecessary amount of time to do the allocation should be found. For example, assume the police department and municipal court are located in the same building that is rented for \$2,000 a month. The allocation could be made based on square feet. If 40 percent of the space is used by the court, then 40 percent of the rent, or \$800 ($\$2,000 \times 40\%$) could be allocated to the municipal court.

D. Important Reminder

It is important to keep in mind that cost information is just that – cost information. Cost information does not indicate how good a job the court is doing judicially. In other words, cost information deals with efficiency, not effectiveness.

4.3 Converting Expenditures to Costs

Converting expenditures to costs may require some effort. The information to make the conversion will be easier to access in some cities than in others. A court will normally need to contact the department responsible for the city's accounting function for the detailed information needed, and in many cases, to help with the conversion.

Possibly the easiest way to understand converting expenditures to costs is to look at an example.

Example

The finance director for the city shows municipal court expenditures for the year ended September 30, 2007 to be \$420,000.

The following additional information is available:

1. Expenditures for supplies included \$2,000 for supplies not used in fiscal 2007.
2. Expenditures included \$12,000 for a three-year insurance policy covering fiscal 2007 – 2009.
3. Expenditures excluded lease payments of \$1,500 made in fiscal 2005 that benefit fiscal 2007.
4. Capital outlays made in fiscal 2007 for computers, new workstations, and telecommunication equipment totaled \$80,000.
5. Depreciation expense for the year totaled \$25,000.
6. The municipal court's share of city administrative expenditures totaled \$7,000.

Fiscal year 2007 municipal court expenditures	\$420,000
Subtract:	
Expenditures for supplies not used in fiscal 2007	- 2,000
Expenditures for insurance policy for fiscal 2008 – 2009	- 8,000
Capital outlays made in fiscal 2007	- 80,000
Add:	
Expenditures for lease payments made in fiscal 2006 that benefit fiscal 2007	+ 1,500
Depreciation expense for fiscal 2007	+ 25,000
Municipal court's share of city administrative expenditures	+ 7,000
Estimated cost of municipal court for fiscal 2007	<u>\$363,500</u>

A more comprehensive format for making the conversion is shown on Page 52. Adjust the line items to reflect those used in your particular court and city. Not all line items will need to be adjusted. However, realize that each line item that is adjusted may be the result of numerous individual adjustments. For

example, consider the “rentals and leases” line item. The expenditure amount for that line item could reflect payments for several pieces of equipment that differ from the cash value used during the fiscal year.

TEXAS MUNICIPAL COURTS FINANCIAL MANAGEMENT HANDBOOK

City of _____ Municipal Court			
Conversion of Expenditures to Costs			
For the Year Ended _____			
Description	Expenditures	Add (Subtract)	Costs
Personal Services			
Salaries and Wages			
Judges	\$ _____	\$ _____	\$ _____
Administrator	_____	_____	_____
Full-time	_____	_____	_____
Part-time	_____	_____	_____
Total Salaries and Wages	_____	_____	_____
Benefits			
Social Security	_____	_____	_____
Group Insurance	_____	_____	_____
Retirement	_____	_____	_____
Worker's Compensation	_____	_____	_____
Other	_____	_____	_____
Total Benefits	_____	_____	_____
Total Personal Services	_____	_____	_____
Supplies			
Office	_____	_____	_____
Operating	_____	_____	_____
Repair and Maintenance	_____	_____	_____
Miscellaneous	_____	_____	_____
Total Supplies	_____	_____	_____
Other Services and Charges			
Professional Services	_____	_____	_____
Communication	_____	_____	_____
Transportation	_____	_____	_____
Advertising	_____	_____	_____
Printing and Binding	_____	_____	_____
Public Utility Services	_____	_____	_____
Repairs and Maintenance	_____	_____	_____
Rentals and Leases	_____	_____	_____
Miscellaneous	_____	_____	_____
Total Other Services and Charges	_____	_____	_____
Capital Outlay			
Land	_____	_____	_____
Buildings	_____	_____	_____
Improvements Other Than Buildings	_____	_____	_____
Machinery and Equipment	_____	_____	_____
Other	_____	_____	_____
Total Capital Outlay	_____	_____	_____
Debt Service			
Principal	_____	_____	_____
Interest	_____	_____	_____
Other	_____	_____	_____
Total Debt Service	_____	_____	_____
Total Costs	\$ _____	\$ _____	\$ _____

Chapter 5

Internal Control

5.1 Introduction

Chances are that if \$500 was missing from a corporation in your city, it would not be reported in the media unless there was something significant surrounding the missing money (e.g., a prominent citizen was involved or a robbery was made at gunpoint). However, if it appears that \$500 is missing from the municipal court, it generally will get media coverage—and often, significant coverage.

The public expects and deserves sound financial management from city officials and employees. City officials and employees deserve to work in an environment that protects them if they do their jobs correctly. Chances for errors and other irregularities should be minimal. All too often, it is not a situation where money is actually missing that causes a problem, but rather a situation where someone thinks money may be missing and the financial management system in the court cannot show otherwise.

When it comes to money and other property, a municipal court should be able to show four things:

- They have collected all the money or other property to which they are entitled;
- The money collected is properly remitted to the appropriate party;
- All money and other property is properly managed; and
- All money and other property is properly expended, properly accounted for, and properly reported.

Many municipal courts do not have adequate staff and resources to operate according to textbook guidelines. However, each court should have a goal to do the best they can with the resources they have. In fact, some extra precautions should be taken in those situations where there is a lack of adequate staff and other resources because the chances for problems are higher.

In this chapter, internal control will be defined and described and the basic components of internal control will be presented and explained. More detailed and specific controls relating to specific subject areas will be covered in subsequent chapters. A detailed internal control checklist is included in Appendix C.

5.2 Internal Control Defined and Described

Although more technical definitions exist, a practical definition of internal control (as used in this manual) is:

Internal Control: the plans and procedures implemented in a municipal court designed to provide reasonable assurance of: (1) reliable financial information; (2) compliance with applicable laws and regulations; and (3) effective and efficient operations.

One easy way to think of internal control is as a set of financial management checks and balances. Internal control is a major part of managing a municipal court. A sound system of internal control should:

- Minimize the possibilities for errors and misuse of funds;
- Provide a clear audit trail (show who did what and when they did it); and
- Provide for earlier detection of errors and/or irregularities than would otherwise be the case.

Good controls make the work of both the internal auditor and external auditor easier and less time-consuming. However, keep in mind that good internal control provides “reasonable” (see the definition above), not “absolute” assurance that operations are as they should be. Internal control systems have inherent limitations. For example, the collusion of two or more people could circumvent the controls or management could override the system.

Internal control used to be primarily something that only auditors and accountants talked about. But the frequency of publicized wrongdoing in governmental financial management has increased the need for awareness and understanding of internal control at all levels of government. In addition to actual monetary losses that can result from poor controls, perhaps the biggest loss is the decline in the public’s perception of and confidence in government.

The importance of internal control relates to both money and people. The people component, which in the long run can prove more important than the money “side,” is often overlooked. An internal control system should protect the people who do their jobs right. The vast majority of people who are not involved in errors and/or irregularities deserve to work in an office that can show their innocence when errors and/or irregularities do occur. They do not deserve to be clouded with unnecessary suspicion.

Most internal controls are not complicated. They are, however, frequently overlooked because officials and employees tend to focus on what they consider to be the primary function(s) of their office. For example, a municipal court clerk

generally thinks in terms of case-related duties, rather than financial management duties and internal control.

When it comes to financial management, an individual should not want someone to just trust him/her. Rather, he/she should want a set of procedures that are followed, and that will show he/she did the right thing should a question ever arise concerning city or state money. One thing that makes sound financial management so important is the realization that something only has to go wrong once and it can plague someone for a long time.

One quick way to determine if there may be some internal control weaknesses in the court is for everyone to take a "Blank Paper Test." Simply have each person in the court write down the things that could cause him/her to be accused or unnecessarily suspected of wrongdoing, even if he/she did things right.

For example, assume three people all work from the same cash drawer, and there is \$50 missing from the drawer at the end of the day. It does not matter whether it was intentional or unintentional. Any one of the three could be at fault. This means that the two innocent people may be unnecessarily suspected. A sound system of internal control would pinpoint responsibility for the missing money, preventing those who did not have anything to do with it from being unnecessarily suspected.

Other examples include: (1) not getting a receipt when turning in money to someone; (2) not using official, chronologically, pre-numbered receipts for intakes of money; and (3) not balancing out receipts before turning money and receipts over to someone else.

Internal control is not just the responsibility of auditors. To some degree, internal control is the responsibility of everyone in the municipal court and should be part of everyone's job description. However, ultimate responsibility rests with management (i.e., court management and city management).

One additional matter should be kept in mind concerning internal control—and that is the "Cost Benefit Rule." This rule simply provides that, in general, the cost of internal controls should not exceed the expected benefit. For example, \$10,000 should not be spent to protect \$500. The rule takes into account that funds should be spent efficiently and effectively.

5.3 Internal Control Components

There are five interrelated components of internal control. Not all municipal courts will implement and execute the components in the same way. For example, a large municipal court will implement and execute them differently than a much smaller municipal court. The five components are:

- Control Environment;
- Risk Assessment;
- Control Activities;
- Information and Communication; and
- Monitoring.

A. Control Environment

The control environment sets the tone of the municipal court. In essence, it is the foundation for all of the other components. The control environment includes the following:

- Integrity and ethical values;
- Competence;
- Philosophy and operating style of management;
- Assignment of authority and responsibility; and
- How personnel are developed.

Guidance needs to be provided for proper behavior. To the extent possible and practical, temptations for unethical behavior need to be removed. When necessary, discipline should be used. If the way something should be handled is not perfectly clear, an individual should consult the appropriate supervisor/manager. Good questions for the individual and supervisor/manager to ask include: Is it legal? Does it follow the spirit of the law? Is it ethical? Is it fair? What are the possible and probable outcomes? Who benefits?

Everyone in the court needs to be competent to properly accomplish their job. Court management needs to identify the needed skills and knowledge for the variety of jobs in the court. Positions should be filled with the most qualified and competent persons possible. Under-qualified persons tend to be less able to perform their duties without undue errors. All personnel should know exactly what they are supposed to do and how they are supposed to do it. They need to understand how important internal control is. Needed training should be provided and constructive performance appraisals should periodically be conducted.

Management's attitude about internal control has a big impact on internal control in the court. Staff can tell whether they are just providing "lip service." For example, how does management respond to an audit? Do they "blow it off" or make sure the recommended changes are implemented? If sound internal control is not important to management, most likely it will not be to the staff either.

The court's organizational structure should show clear lines of authority and responsibility. Everyone should know who reports to whom and when. Authority and responsibility should be delegated in a way that promotes sound internal control rather than circumventing it. For example, when someone is out on leave,

is that person's duties delegated to someone that would maintain a proper division of duties or is the delegation based upon friendship or some other criteria?

A proper balance of supervision should exist throughout the court. Additionally, the court should have good employment practices—hiring, training, compensating, evaluating, and when needed, disciplining. The success (or failure) of an internal control system is often largely influenced by the extent to which individuals recognize they will be held accountable for their actions.

B. Risk Assessment

Every municipal court faces risks from both internal and external sources. Risk assessment involves identifying and analyzing the risks, and determining how to manage them. In identifying risks, all relationships and interactions within the court, the city, and with external parties should be considered. Determining the possible impact of risks, along with trying to identify the likelihood of occurrence, will help determine how the risks should be managed. Consider some sort of classification system for risks impact and probability. For example the potential impact of a risk could be low, medium, or high. Similarly, the probability of a risk could be low, medium, or high. Keep in mind that risks are both quantitative (e.g., loss of money, equipment) and qualitative (e.g., loss of public trust, injury to the court's reputation).

It might help to answer the following questions:

- What could go wrong?
- Where are we most vulnerable?
- How could someone steal from the court?
- How could court information and data be manipulated?
- How do we collect delinquent amounts?
- What transactions provide the most risk?
- How can our controls be bypassed?

C. Control Activities

Control activities are the specific policies and procedures in the court. They help ensure that needed actions are taken to address the identified risks. Control activities include a wide range of activities and encompass what has traditionally been known as principles of internal control.

Appropriate Division of Duties

If possible, three basic functions should be performed by three different people in a municipal court:

- Authorization (approval) of transactions;

- Recording of transactions; and
- Custody of assets (cash and other property).

For example, a clerk making collections and issuing receipts (having custody of assets) should not be the person to balance and prepare the bank deposit or remittance (approving the day's receipts), and neither of these persons should record the day's receipts in the bookkeeping system.

If one person does perform two, or all three of these functions, there is no independent check for mistakes, and errors are likely to go undiscovered for long periods. Fraud is also much easier if, for example, the same person collects cash, prepares the bank deposit and/or records the receipts in the books. The division of duties should be configured to prevent someone misusing funds and then concealing it.

In many municipal courts, it is often not practical to maintain a strict separation of duties due to a limited staff size. If such is the case, other means will take on added importance in helping assure reliable internal control, including:

- Rotation of duties among personnel;
- More strict supervision;
- Special double-checking of work;
- Enforced vacations;
- Additional training to improve quality of work; and
- More frequent internal audits.

Also, when necessary, a reasonable separation of duties can be maintained when there are just two persons. For example, when money is received:

Person A

1. Payment received and receipt issued.
3. Deposit made.
5. Deposit total matched against total posted to receipts journal.

Person B

2. Deposit slip prepared (matched against receipts and cash drawer balance).
4. Receipts posted to receipts journal and docket book.

The basic principle to remember is that no person should handle a transaction from beginning to end.

Sound Procedures for Authorizing, Recording, and Reporting Transactions

All municipal courts should have logical, consistent procedures that describe in detail the duties that must be performed, how they are to be performed, and who is to perform them. If personnel clearly understand what is expected of them, they will tend to do a better, more accurate job. Also, errors will be fewer, and chances of fraud will be less if each person understands what he/she should be doing. Procedures should provide for:

- Use and control of pre-numbered forms;
- Cross-referencing of documents;
- Periodic reconciliation of subsidiary records to control totals;
- Proper authorization of transactions;
- Safeguarding of assets;
- Appropriate flow of documents;
- Reasonable amount of checking work of others; and
- Bonding of all employees with access to cash and other valuables.

A good system of division of duties and sound, written procedures, will not guarantee good internal control – the system must be followed. Operations and results must be monitored and evaluated to see if the system is working as it should (see Monitoring below).

D. Information and Communication

Appropriate information must be identified and communicated in a way and timeframe that enables others (e.g., court administrator, city manager, city council) to properly carry out their responsibilities. Information should not just flow upward in a municipal court and city. Court and city management should also provide needed information to staff so they can adequately do their jobs. Likewise, appropriate information needs to be shared among staff for effective and efficient job performance.

Court management should make it clear that internal control responsibilities are to be taken seriously. Everyone in the court needs to understand their role in the internal control system and how their work relates to the work of others in the court and the city.

E. Monitoring

Municipal court operations need to be monitored to determine if the internal control system is effective. There are two types of monitoring – ongoing monitoring and separate evaluations. Ongoing monitoring includes regular management, supervisory activities, and staff activities. Separate evaluations include examinations and audits, whether conducted by court personnel, city personnel, or external auditors. How detailed and how often separate evaluations

take place should depend on the effectiveness of ongoing monitoring and results of the risk assessment. Any audit findings should be promptly resolved.

There are also two basic types of controls – preventive and detective. Preventive controls attempt to stop something before it happens (e.g., computer passwords, division of duties, proper authorization of transactions). Detective controls attempt to find out if anything is wrong before it gets any worse (e.g., reconciliations, audits) and stop it.

Chapter 6

Receipts, Disbursements, and Remittances

6.1 Introduction

A large part of municipal court financial management consists of receipts, disbursements, and remittances – dealing with money on a recurring basis. This chapter presents general procedures and information for receipts, disbursements, and remittances. Since every municipal court is different, the procedures and information will need to be adapted to meet the individual court's needs.

In this chapter, general procedures and information will be presented for:

- Change funds;
- The receipt form;
- Over-the-counter receipts;
- Mail receipts;
- Lockbox receipts;
- Electronic receipts;
- Installment and partial payments;
- Accounting for receipts;
- Disbursements and remittances; and
- Accounting for disbursements.

6.2 Change Funds

(The materials on pages 61 and 62 were adapted from the *Justice of the Peace Manual (1994)* – a Texas Comptroller of Public Accounts publication.)

Change funds are used for the purpose of making change for customers. There should be a separate change fund for each person taking in money and issuing receipts. Change funds should be maintained at the lowest practical level – generally what is needed for daily operations. To determine the amount needed:

- Analyze prior transactions;
- Check with the city auditor and/or city treasurer for guidance; and
- Check with personnel from other municipal courts.

It is recommended that signs be posted in the court indicating:

- Checks and money orders will be accepted for the amount of payment only;
- Checks will not be cashed;
- Any currency denominations that will not be accepted; and
- When paying in cash, have as close to the exact amount as possible.

The goals with change funds are to keep the funds secure and pinpoint responsibility for the funds.

A. Creating a Change Fund

1. After the city council or appropriate official (e.g., city auditor or finance director) authorizes the change fund, the municipal court administrator (or other appropriate employee) should receive the amount from the city treasurer, count it to verify the amount, and then sign for the receipt of it.
2. The person receiving the money in 1. above will then turn over money to each individual responsible for operating a fund, have him/her count it to verify the amount, and then sign for the amount received.
3. Each fund should be maintained in a secured location. Generally, only the responsible individual should be allowed access to the fund.

B. Managing a Change Fund

The individual responsible for operating a fund must:

1. Count and verify the change fund at the beginning of each day. The amount should be consistent from day to day.
2. Make change as necessary. When making change, always count it until the same amount is arrived at twice.
3. Count and verify the change fund at the end of each day. The dollar amount in the change fund after receipts are removed should equal the authorized amount of the fund.
4. Periodically review the adequacy of the change fund amount and make adjustments as needed.

C. Control of Change Funds

1. Maintain each fund at the lowest practical level (\$50 - \$200 per cashier is usually adequate).
2. Under no circumstances should the fund be:
 - a. Commingled with personal funds;
 - b. Used to make advances to officials or employees;
 - c. Used to cash personal checks; or
 - d. Used to balance daily receipts (e.g., making up for a shortage).

3. Unannounced reconciliations or audits of cash receipts and change funds should be made on an irregular basis to help ensure the integrity of the fund.
4. The fund should be appropriately secured at all times, during the day and night. During the work day, each cashier should keep their change fund and collections in a location that is out of reach of those making payments. Each change fund should be locked, with access restricted when the cashier responsible for the fund is away for any reason. Change funds also need to be secured when the work day is over, with access restricted and accountability pinpointed.

There are times when a cashier's fund needs to be accessed in their absence. There should always be two people present when this is done and the amount documented. One way this can be handled is to have a dual key box where duplicates of the individual cashier's keys are stored. Keys to the dual key box would be kept by two different individuals; thus two people would need to be present to access an absent cashier's funds.

6.3 Receipt Form

Each municipal court should have a process which ensures that all money received is properly processed, deposited, and accounted for. A proper receipt form is essential. For internal control purposes, the receipts must be chronologically numbered. Remember, even if computer-generated receipts are used, hardcopy receipts are needed for those instances when the computer goes down.

Some courts use a two-part receipt. However, better internal control can be achieved using a three-part receipt as follows:

- One part (the original) for the person making payment;
- One part for the city auditor (or the city treasurer if the city does not have a city auditor); and
- One part to be retained by the court.

One of the copies can be electronic. In some courts a four-part receipt is used with two parts being retained by the court instead of one.

For accounting and auditing purposes, the receipt should provide space for the following information:

- Date;
- Reference number (e.g., case number);

- Who the money is being received from;
- Method of payment (e.g., cash, check, money order, credit card);
- Indication of whether the payment is a full or partial payment;
- Total amount received;
- What the money is being received for;
- Signature or initials of the individual preparing the receipt. (For hardcopy receipts, the signature or initials would be written by the cashier. For computer-generated receipts, the signature or initials would be generated by the computer); and
- Any other relevant information.

Sample Format

No particular format is required by law. A sample format is shown on the following page. Each court should adapt the format to meet their specific needs.

6.4 Over-The-Counter Receipts

- Getting started;
- Opening up;
- Basic operations; and

- Closing out.

A. Getting Started

There are some basic things that should be covered before a court and employee begins receiving money over-the-counter. Many of them are common sense, but often get overlooked in the fast pace of day-to-day operations.

1. Develop written procedures. The procedures should:
 - a. Be comprehensive;
 - b. Be dated (i.e., indicate their effective date); and
 - c. Periodically be reviewed and updated (at least annually if possible).
2. Appropriately bond cashiers. Whether employees are bonded individually, as part of an entire office, or as part of the city as a whole varies. The more common practice appears to be bonding cashiers as part of the city as a whole. Bonding amounts vary based upon specific city requirements (e.g., as set by the city council or finance director), and are generally based on the amount at risk, historical experience, and other factors.
 - a. Only bonded employees should receive and/or handle money; and
 - b. The adequacy of bond amounts should periodically be reviewed (at least annually) and any necessary changes made.
3. Provide a physically secure place for cashiers. Cashiers should have a feeling of safety as they do their jobs. Each city should take reasonable steps to ensure a safe working environment for employees by:
 - a. Providing appropriate physical barriers and restrictions between cashiers and the public;
 - b. Using signs to show restrictions (e.g., Only Employees Beyond This Point); and
 - c. Providing cashiers with some sort of panic button or similar device.

Providing a physically secure place for cashiers would be a good use of the Municipal Court Building Security Fund provided for in Code of Criminal Procedure, Article 102.017. The money in that fund comes from a \$3 fee on misdemeanor convictions if the governing body has passed the appropriate ordinance.

4. Adequately train cashiers. To best represent the office and the city, cashiers should be trained in a wide range of areas, including:
 - a. Court operations;
 - b. City operations in general;
 - c. Dealing with people;
 - d. Handling money;
 - e. Security issues;
 - f. Types of collections:
 - (1) Cash;
 - (2) Money orders and cashiers checks;
 - (3) Credit cards;
 - (4) Electronic payments; and
 - (5) Any other applicable types of collections;
 - g. Determining the proper amounts to be collected; and
 - h. Forms to be used and how to use them.
5. Have a fireproof place (preferably a safe) to lock up money and any unissued hardcopy receipts overnight. Money should not only be safeguarded during the day, but also overnight and at other times the office is closed.
6. Explain to cashiers that no commingling of money is acceptable. This would include:
 - a. Commingling personal money with court money;
 - b. Cashing personal checks;
 - c. Using court money to make personal change; and
 - d. Using personal money to make court change.
7. Post signs indicating court policies. Individuals should not be surprised about certain court policies when they are ready to make a payment. The signs should be posted even if notification is also made via other methods (e.g., letters, citations, etc.). In this situation, the signs reinforce the policies and make the job of the cashiers somewhat easier. The signs should:
 - a. State the methods of payment accepted and not accepted;
 - b. State any currency denominations not accepted;
 - c. Indicate that someone paying in cash should have as close to the exact amount owed as possible;
 - d. Instruct payors to obtain a receipt as proof of payment; and
 - e. If the court accepts personal checks, state the court's policy for non-sufficient fund (NSF) checks.

8. Obtain an adequate supply of pre-printed, hardcopy, chronologically numbered receipts. Using chronologically numbered and controlled receipts is a significant component of a sound system of receiving payments. Even if the office issues computer-generated receipts, hardcopy receipts are needed for those instances when the computer goes down.
 - a. If computer-generated receipts are used, they should also be chronologically numbered (the number is usually affixed as the transaction occurs);
 - b. Restrict the ability to set or reset the computer-generated receipt numbers;
 - c. Receipts should display the name of the city and "Municipal Court.";
 - d. Receipts should have at least three parts (it is okay for one part to be electronic):
 - (1) One part for the person making the payment;
 - (2) One part for the court; and
 - (3) One part for the city auditor or city treasurer.

Please note that generic receipts (e.g., from a local office supply store) should not be used.

9. Distribute the pre-printed, hardcopy, chronologically numbered receipts to the cashiers.
 - a. Explain to them their responsibilities concerning the receipts and what steps to take when they are aware of any problems;
 - b. Have them count all the receipts being distributed to them; and
 - c. Have them sign something indicating specifically what receipts they received (i.e., receipt numbers xxx – xxx).
10. Periodically reconcile all receipts. It is important to periodically account for all receipts – not just the issued ones, but the unissued ones as well. The idea is to make sure that all unissued receipts are in fact unissued and accounted for. In other words, making sure someone has not been issuing receipts out of sequence and taking the money.

Comments reference 8., 9., and 10.

One person in the office should be designated as the custodian for the hardcopy receipts. This person should be responsible for: receiving the receipts ordered centrally from the city; counting and inspecting all of the receipts before signing for them; assigning receipts to individual clerks; receiving completed receipts back from the clerks; reconciling used and unused receipts; and notifying the city when new receipts need to be ordered and the number to start with. It is

important to make sure there are no gaps in the numbers from the current batch of receipts and the receipts being ordered. Custodians should maintain a log with the following information:

- *Date assigned;*
- *Clerk's name;*
- *Beginning receipt number;*
- *Ending receipt number;*
- *Clerk's signature;*
- *Date returned; and*
- *Result (e.g., completed and all accounted for; incomplete and to be reassigned).*

A sample log is shown on Page 76.

11. Provide each cashier with a separate cash box, drawer, or register. It is usually impossible to properly affix responsibility for over-the-counter errors or irregularities when two or more people work out of the same box, drawer, or register. For example, if Carol and Bob work out of the same cash drawer and \$50.00 is missing at the end of the day, it is virtually impossible to appropriately pinpoint responsibility for who made the mistake or took the money. The problem is compounded as the number of people who work out of a single box, drawer, or register increases. Even if a single register is used that requires each cashier to key in a unique user number before processing a transaction, responsibility for missing money still cannot be properly pinpointed. This is because someone can take out more money or put in less money than they should. Here again, it would not be possible to affix responsibility to a specific cashier. It is recommended that the following procedures be implemented:
 - a. Provide each cashier with their own key;
 - b. Explain to each cashier their responsibility for the key and the box, drawer, or register;
 - c. Make sure another key is kept by someone higher in authority and is only used as needed and in the presence of at least two people; and
 - d. Make sure the boxes, drawers, or registers are compartmentalized to allow keeping currency and coin denominations separate. Using compartmentalized boxes, drawers, or registers reduces the chances of giving someone the wrong change.
12. Distribute a change fund to each cashier. Since each cashier needs their own box, drawer, or register, they need their own change fund as well.

- a. Maintain the change fund at the lowest practical level – generally what is needed for daily operations;
 - b. \$50 - \$200 per change fund will be adequate in most instances;
 - c. Have cashiers count and sign for the money they receive; and
 - d. Periodically review the adequacy of the change fund amount (occasionally, determine how often coins and currency exchanges are needed) and make appropriate adjustments.
13. Make sure cashiers do not also handle mail receipts. If, due to a limited staff size, a cashier does have to handle mail receipts, mail should be handled at a time when the cashier is not handling over-the-counter receipts and when the cashier does not have access to his/her cash box, drawer, or register.

B. Opening Up

This area focuses on those things that should be done by a cashier each day before he/she begins handling transactions.

1. Obtain change fund and unissued receipts.
 - a. The fund and receipts should have been locked up in a secure place overnight; and
 - b. If obtaining a fund and receipts provides a cashier access to another cashier's fund or receipts, at least two people should be present when the fund and receipts are obtained.
2. Count and verify the change fund amount. It is important to verify that the beginning amount is correct. For example, if someone took money out of a change fund during the night, and the amount was not checked before starting to handle transactions the following day, the assumption would be that something happened during the day's transactions, not before the day's transactions started. A cashier could be unnecessarily suspected of wrongdoing.
 - a. Indicate on the Cashier Reconciliation Form that the beginning change fund amount is correct and was verified; or
 - b. If the amount is incorrect:
 - (1) List the amount missing;
 - (2) If possible, indicate specifically what is missing (i.e., the number of specific coin and currency denominations); and
 - (3) Make appropriate notification as required by the court/city.
3. Count and verify unissued receipts. It is also important to verify that the unissued receipts that are supposed to be there are in fact there. For example, if someone took unissued receipts during the night, and

that was not checked before starting to handle transactions the following day, the assumption might be that the responsible cashier issued the receipts and pocketed the money. Remember, a good audit trail shows who did what, when they did it, and how much was involved.

- a. Indicate on the Cashier Reconciliation Form that the unissued receipts that are supposed to be there are in fact there; or
 - b. If any receipts are missing:
 - (1) List, by number, the receipts missing; and
 - (2) Make appropriate notification as required by the court/city.
4. Put change fund and receipts in working location. The working location should be a box, drawer, or register that can be adequately secured.
5. Make sure items needed to handle over-the-counter receipts are present and in good working condition. A cashier should have what they need to do the job before the first person comes in to make a payment. Items needed may include:
- a. Calculator;
 - b. Date stamp (changed to current date);
 - c. Ink pads;
 - d. Restrictive endorsement stamp;
 - e. Payee stamp;
 - f. Court costs, fees, and fine schedule;
 - g. Pens and paper; and
 - h. Any information to be disseminated to persons making payments.
6. If applicable, get computer "up and running." This would include:
- a. Turning the computer on and logging on;
 - b. Making sure needed applications are working; and
 - c. Making notifications and adjustments for any items not working.

C. Basic Operations

Below are the procedures a cashier should follow each day there is cashiering activity. Remember, the procedures should be adjusted to fit the circumstances of a particular court.

1. Be professional and courteous to each person. Each cashier represents both the municipal court and the city.

2. Make sure the amount being paid is correct. The documents or information to check to make sure the amount being paid is correct include:
 - a. A court judgment;
 - b. Court costs, fees, or fine schedules;
 - c. A payout agreement; and/or
 - d. An applicable law.
3. Prepare and issue a receipt for each intake of money.
 - a. Information on a receipt should normally include:
 - (1) The date;
 - (2) The docket, case, or account number;
 - (3) The amount received;
 - (4) The name of the person making the payment;
 - (5) What the money is being received for;
 - (6) The method of payment (e.g., cash, check, money order) and, if applicable, the number of the check or money order;
 - (7) The name of the city and "Municipal Court";
 - (8) Additional information as needed; and
 - (9) The signature of the person issuing the receipt.
 - b. For hand-prepared receipts:
 - (1) Fill out the necessary information on the receipt before signing it;
 - (2) Make sure the payment is received and the amount is correct before entering the amount on the receipt.
If checks are accepted, make sure they are completely filled out, the amount is correct, and are signed. If payment is by credit card, make sure the payor signs the court copy); and
 - (3) If a hand-prepared receipt is being prepared because the computer is down and the system requires that a computer-generated receipt be issued later, appropriately cross-reference and attach the receipts.
 - c. When making change, count it until the same amount is arrived at twice;
 - d. Keep the payment received in view until the receipt is issued and the payor is satisfied.
 - e. Restrictively endorse checks and money orders (with payor present);
 - f. Put the payment in the box, drawer, or register; and
 - g. Appropriately place any paperwork and/or documents (e.g., receipt copies, payout agreement, files).

4. Lock up money and receipts (both issued and unissued) if the immediate work area is left for any reason, including:
 - a. Breaks;
 - b. Lunch;
 - c. Appointments; or
 - d. Meetings.
5. Establish a procedure for making any needed coin and currency exchanges. When doing so:
 - a. Double-count what you give up; and
 - b. Double-count what you receive.
6. For high volume operations, have a system in place to remove excess cash during the day. Doing so reduces security problems and should allow for more rapid deposits.
 - a. Make the removals at predetermined times or levels; and
 - b. Amounts removed should be signed for, or if that is not possible, counted by both the cashier and the person receiving the cash.
7. Retain all voided receipts. When voided receipts occur:
 - a. Clearly mark "VOID" on the receipt copies;
 - b. Do not alter the receipt in any way; and
 - c. If the payor's copy is missing, attach something explaining why.
8. Make sure automated systems provide a clear audit trail (i.e., who did what, when they did it, and how much was involved).
 - a. Utilize a multi-level access structure that permits changes to only be made by authorized personnel; and
 - b. Ensure the system traces changes and shows who made them.
Financial management information should not be able to be changed on a computer without a clear audit trail. For example, if someone can reduce the amount the computer shows as owing on a case – say from \$400 to \$200, it would be easier for someone to steal \$200 than would otherwise be the case.
9. If someone performs a cash count on the cashier, the cashier should never leave the person performing the count alone with the money and receipts. The cashier should:
 - a. Watch carefully what the person does;
 - b. Sign the cash count form indicating the date and time; and

- c. Indicate on the form if he/she disagrees with the count, and if so, in what way.

D. Closing Out

The following procedures for closing out are based on the use of the sample Cashier Reconciliation Form shown on Page 77. The procedures can easily be adapted to use with other reconciliation forms.

1. Each cashier should initially balance out his/her own cash box, drawer, or register. If a cashier turns in money to someone without counting it and something is missing, it is difficult to prove who is at fault.
2. Each cashier should balance out each day he/she has any cashing activity.
3. To balance out, a cashier should:
 - a. Go to the designated location for balancing out. The location should:
 - (1) Generally not be in the public's view; or
 - (2) Be so isolated that the cashier is completely alone (i.e., there should be at least two people present);
 - b. Separate the money and checks/money orders and any other applicable documents (e.g., credit card slips);
 - c. Verify that checks/money orders were restrictively endorsed;
 - d. Further separate the currency and coins into denominations;
 - e. Count the currency and coins by denomination, entering the individual denomination totals and the overall total in the "Cash and Currency" section of the Cashier Reconciliation Form. The overall total should also be entered in the "Recap" section of the Cashier Reconciliation Form.
The form should be completed in ink;
 - f. Rubber-band (or otherwise secure) the currency together in descending denomination size and put coins in an appropriate envelope or container;
 - g. List the individual checks, money orders, and credit card payments with amounts and the overall total in the "Checks/Money Orders/Credit Card" section of the Cashier Reconciliation Form, and
 - (1) Run an adding machine tape of the checks, money orders, and credit card payments, and write "Checks/Money Orders/Credit Card" on the top of the tape;
 - (2) Attach the tape to the checks, money orders, and credit card slips; and
 - (3) Enter the overall total in the "Recap" section of the Cashier Reconciliation Form

Because of the volume of transactions, some courts do not list individual checks, money orders, and credit card payments, but list a total for each instead. However, some courts use their adding machine tape to list check numbers. Many calculators allow a check number and a check amount to be entered, with only the amount of the checks being totaled. This is usually done by entering the check number and pressing the “#” key, followed by entering the check amount and pressing the “+” key. The “total” key is pressed at the end;

- h. Add the “Cash and Currency” total in the “Recap” section to the “Checks/Money Orders/Credit Card” total in the “Recap” section to arrive at the “Total Monies on Hand” in the “Recap” section;
- i. Replenish the change fund (counting the amount twice) and enter the change fund amount in the “Recap” section.
The change fund amount should generally remain constant from day to day;
- j. Subtract the “Less Change Fund Amount” in the “Recap” section from the “Total Monies on Hand” amount in the “Recap” section to arrive at “Total Monies on Hand (Excluding Change Fund Amount)”;
- k. Put the copies of the receipts issued in numerically chronological order and enter the beginning receipt number and ending receipt number in the “Receipts to Account For” section of the Cashier Reconciliation Form. *The form has space for three batches of receipts if needed;*
- l. Enter the total amount of the receipts issued in the “Receipts to Account For” section of the Cashier Reconciliation Form; and
 - (1) Run an adding machine tape of the receipts and write “Receipts” on the top of the tape;
 - (2) Attach the tape to the receipts;
 - (3) Enter the total amount of the receipts issued in the “Recap” section of the Cashier Reconciliation Form;
- m. Subtract the total of “Receipts To Account For” from “Total Monies on Hand (Excluding Change Fund Amount)” and enter the amount in the space provided in the Cashier Reconciliation Form. The amount should be zero. A positive number represents an overage. A negative number represents a shortage.
- n. If there is an overage or shortage repeat steps e. through m. and compare individual receipt amounts to check, money order, and credit card payment amounts. If a mistake was made doing the reconciliation and there is not an overage or a shortage, correct the form. If there continues to be an overage or a shortage, continue to the next step;
- o. Verify unissued receipts are all present – in unbroken series

(Cashier Reconciliation Forms should be maintained for audit and personnel purposes. For example, if a cashier consistently fails to balance out properly, the forms could be supporting documentation for a personnel action.)

- ## Hardcopy Receipt Log

Texas Municipal Courts
Financial Management Handbook

TEXAS MUNICIPAL COURTS FINANCIAL MANAGEMENT HANDBOOK

CASHIER RECONCILIATION FORM _____ Municipal Court For the Date of _____					
CASH AND CURRENCY				RECAP	
Denomination	Amount				
.01	_____	Cash and Currency _____			
.05	_____	Checks/Money Orders/Credit Card _____			
.10	_____	Total Monies on Hand _____			
.25	_____	Less Change Fund Amount _____			
.50	_____	Total Monies on Hand _____			
1.00	_____	(Excluding Change Fund Amount) _____			
2.00	_____	Receipts to Account For _____			
5.00	_____	Overage (Shortage) _____			
10.00	_____				
20.00	_____				
50.00	_____				
100.00	_____				
Total	=====				
RECEIPTS TO ACCOUNT FOR					
Beginning Receipt No.		Ending Receipt No.		Batch	
Total					
_____		_____			
_____		_____			
_____		_____			
Total		=====			
CHECKS / MONEY ORDERS / CREDIT CARD					
Source	Amount	Source	Amount	Source	Amount
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	Total	=====
ADDITIONAL INFORMATION					
Beginning change fund amount verified _____			Unissued receipts verified _____		
Cashier Signature / Date / Time			Verifier Signature / Date / Time		

6.5 Mail Receipts

(The materials on pages 78 through 80 were adapted from the *Justice of the Peace Manual* (1994) – a Texas Comptroller of Public Accounts publication.)

Proper management of mail collections is particularly important because the person making payment is not present, and no receipt is issued at the time of collection. To make matters worse, many people send cash through the mail. The goals concerning mail collections are to establish a clear audit trail, and to ensure and document the proper handling of mail collections. The collections should be processed correctly and timely. This means mail payments should be processed daily.

How well an office is run can often be gauged by how the office handles mail receipts. If they are handled properly and timely, then the rest of the office is usually in pretty good shape. However, if mail is not handled properly, odds are high there are problems in other areas of office operations. In other words, if an area in which the involved party is not present (as with mail collections) is in good shape, the probability is that other areas (where the involved parties generally are present) are in good shape, also.

Basic Procedures

The following procedures are general in nature and can be adapted for use in most municipal courts. Each court should adapt the procedures to fit their specific situation.

1. Mail Cashier(s)

If possible, two clerks, working together, should open the mail and record the payments on the Daily Mail Collection Report. One person prepares the Report and the other person verifies the report.

- a. Open all mail addressed to the office;
- b. Sort out mail intended for others, retaining all that contain currency or checks. Forward other mail to appropriate parties;
- c. Restrictively endorse all checks immediately (i.e. "For Deposit Only, Account # _____");
- d. List all payments received on the Daily Mail Collection Report (see sample on Page 80) in sufficient detail to identify the person who sent the payment, the amount received, and for what it was received;
- e. Total all currency and checks and compare that amount to the total on the Daily Mail Collection Report. Find and correct any errors. Sign and date the report;
- f. Forward the mail collections and the Daily Mail Collection Report to the cash receipts cashier;
- g. Forward a copy of the Daily Mail Collection Report to the accounting department; and

- h. Retain a copy of the report.

2. Cash Receipts Cashier

- a. Receive the mail collections and Daily Mail Collection Report from the mail cashier;
- b. Verify that the amount received equals the amount shown on the Daily Mail Collection Report. If not, investigate discrepancies;
- c. Prepare receipts (whether they are mailed will depend upon office policy). Enter receipt numbers on Daily Mail Collection Report;
- d. Prepare bank deposit or remittance to city treasurer;
- e. Make deposit or remittance;
- f. Forward the Daily Mail Collection Report and deposit slip or remittance receipt to accounting department for bookkeeping entries; and
- g. Retain a copy of the report.

3. Accounting Department

- a. Receive a copy of the Daily Mail Collection Report from the mail cashier;
- b. Receive the Daily Mail Collection Report and deposit slip or remittance receipt from the cash receipts cashier;
- c. Verify that the amount shown on the copy of the Daily Mail Collection Report received from the mail cashier is the same as the amount shown on the Daily Mail Collection Report received from the cash receipts cashier;
- d. Verify that the amount shown on the Daily Mail Collection Report equals the amount on the deposit slip or remittance receipt; and
- e. Make appropriate bookkeeping entries and file paperwork.

Page ____ of ____

[illegible]**Verifier Signature / Date / Time**

6.6 Lockbox Receipts

Some municipal courts only accept payments when the office is open. Other municipal courts provide a mechanism for payments to be made when the office is closed. Those courts that do provide for after-hours, in-person payments, generally do so via some sort of lock or drop box.

Similar to mail collections, proper management of lockbox collections is important because the person making payment is not present when the payment is physically received by the court. Additionally, lockbox payments are even more likely to be made in cash than payments received in the mail. The goals concerning lockbox collections are to establish a clear audit trail and to ensure and document the proper handling of lockbox collections. Lockbox collections should be processed correctly and timely. Lockbox collections should also be processed daily.

Basic Procedures

Lockbox procedures are very similar to the procedures for mail receipts. The following procedures are general in nature and can be adapted for use in most municipal courts. Each court should adapt the procedures to fit their specific situation.

1. Lockbox Cashier(s)
If possible, two clerks, working together, should open the lockbox and record the payments on the Daily Lockbox Collection Report. One person prepares the report and the other person verifies the report.
 - a. Open the lockbox or receive lockbox contents.
The box should be opened in an open area, not in an enclosed office;
 - b. Restrictively endorse all checks immediately (i.e., "For Deposit Only, Account # _____");
 - c. List all payments received on the Daily Lockbox Collection Report (see sample on Page 83) in sufficient detail to identify the person who sent the payment, the amount received, and for what it was received;
 - d. Total all currency and checks and compare that amount to the total on the Daily Lockbox Collection Report. Find and correct any errors. Sign and date the report;
 - e. Forward the lockbox collections and Daily Lockbox Collection Report to the cash receipts cashier;
 - f. Forward a copy of the Daily Lockbox Collection Report to the accounting department; and
 - g. Retain a copy of the report.

2. Cash Receipts Cashier

- a. Receive the lockbox collections and Daily Lockbox Collection Report from the lockbox cashier;
- b. Verify that the amount received equals the amount shown on the Daily Lockbox Collection Report. If not, investigate any discrepancies;
- c. Prepare receipts (whether they are mailed will depend on court policy). Enter receipt numbers on the Daily Lockbox Collection Report;
- d. Prepare bank deposit or remittance to city treasurer;
- e. Make deposit or remittance;
- f. Forward the Daily Lockbox Collection Report and deposit slip or remittance receipt to the accounting department for bookkeeping entries; and
- g. Retain a copy of the report.

3. Accounting Department

- a. Receive a copy of the Daily Lockbox Collection Report from the lockbox cashier;
- b. Receive the Daily Lockbox Collection Report and deposit slip or remittance receipt from the cash receipts cashier;
- c. Verify that the amount shown on the copy of the Daily Lockbox Collection Report received from the lockbox cashier is the same as the amount shown on the Daily Lockbox Collection Report received from the cash receipts cashier;
- d. Verify that the amount shown on the Daily Lockbox Collection Report equals the amount on the deposit slip or remittance receipt; and
- e. Make appropriate bookkeeping entries and file paperwork.

6.7 Electronic Receipts

Local Government Code, Chapter 132 authorizes a city's governing body to authorize the collection of court costs, fees, and fines electronically. Electronic collection generally increases revenue because defendants are given an additional way to pay and the ease with which payment can be made. The goals concerning electronic payments are to establish a clear audit trail and process and account for the payments correctly and timely.

Basic Procedures

The following procedures are general in nature and can be adapted for use in most courts. Each court should adapt the procedures to fit their specific situation.

1. Electronic Receipts Cashier

- a. Receive notification of electronic payments.
Notification is usually via a report of the previous day's transactions;
- b. If notification is not in a usable report format, list all payments received on the Daily Electronic Collection Report (see sample on Page 86) in sufficient detail to identify the person who made the payment, the amount of the payment, and for what it was received;
- c. Forward a copy of the Daily Electronic Collection Report to the cash receipts cashier;
- d. Forward a copy of the Daily Electronic Collection Report to the accounting department; and
- e. Retain a copy of the report.

2. Cash Receipts Cashier

- a. Receive the Daily Electronic Collection Report from the Electronic Receipts Cashier;
- b. Prepare receipts (whether they are mailed will depend upon office policy). Enter receipt number on the Daily Electronic Collection Report;
- c. Forward the Daily Electronic Collection Report to accounting department for bookkeeping entries; and
- d. Retain a copy of the report.

3. Accounting Department

- a. Receive copy of the Daily Electronic Collection Report from the electronic receipts cashier;
- b. Receive copy of the Daily Electronic Collection Report from the cash receipts cashier;

- c. Verify that the amount shown on the copy of the Daily Electronic Collection Report received from the electronic receipts cashier is the same as the amount shown on the Daily Electronic Collection Report received from the cash receipts cashier.
- d. Receive notification from bank of amount credited from electronic payments.
- e. Verify that the amount shown on the Daily Electronic Collection Report equals the amount shown credited by the bank; and
- f. Make appropriate bookkeeping entries and file paperwork.

Page ____ of ____

Signature / Date / Time

6.8 Installment and Partial Payments

Many municipal courts either currently receive installment payments or will at some time in the future. For example, the judge may direct the defendant to pay:

- The entire fine, costs, and fees when sentence is pronounced;
- The entire fine, costs, and fees at some later date; or
- A specified portion of the fine, costs, and fees at designated intervals.

In addition to establishing a clear audit trail and properly handling payments, the goals concerning installment payments include ensuring that payments are made timely and there is prompt follow-up on missed payments.

Basic Procedures

The following procedures are general in nature and can be adapted for use in most courts. Each court should adapt the procedures to fit their specific situation.

1. Have a written description of the circumstances under which installment payments are usually allowed.

Even though the decision rests with the judge, it is best to have a written description of when installment payments are generally allowed. This indirectly causes the judge to think about the pros and cons, as well as the reasons for allowing or not allowing defendants to pay what they owe over a period of time. The end result is usually a more consistent application of when installment agreements are used.

2. There should be a signed, written court order whenever installment payments are allowed.

- a. The order should clearly spell out the terms of the order, including payment amounts, dates, and location of office where payments are to be made;
- b. The order should be signed by the judge; and
- c. A copy of the signed order should be given to the payor.

3. There should be an efficient way to monitor payments when defaults occur.

Some municipal courts have computer software specifically designed to simplify the installment payment process. In the absence of an automated method, a manual system will be needed. One easy manual method is to use a copy of the installment agreement with pre-printed columns on the back of the order. A minimum of four columns are needed – date paid, receipt number, amount paid, and balance. A separate sheet or index card will work as well. An example is shown

at the bottom of the next page. The advantage of using the back of the order is that all necessary reference information is in one place and files do not normally have to be pulled to see what the payment requirements are. If a manual system is used:

- a. Simply file a copy of the installment orders, index cards, or separate sheets in a file folder, cabinet or box, based on due dates (or due dates plus a grace period), depending on how your court operates;
 - b. Each day pull the installment orders that are delinquent and follow up on them;
 - c. As payments are made, enter the appropriate information in the columns on the back of the order and file the order under the next payment due date or in the permanent file if paid in full;
 - d. Ensure that payments and other appropriate information are also entered in the regular bookkeeping system and records; and
 - e. Consider maintaining a list of individuals with an installment order. If an individual receives an installment order in another matter(s), this will enable the terms to be more appropriately set (e.g., the same due dates for payments).
4. Maintain a control total for all outstanding amounts owed and periodically check to ensure the amount is correct.
A court should be able to tell at any point in time the total amount owed, and who owes what amount.
 5. Consider maintaining a list of individuals who default on payments, and check that list before ordering new payments.

Example

Back of Court Order, Separate Sheet, or Index Card.

(If a separate sheet or index card is used, the case number will need to be added along with required payment dates and amounts.)

Case # 06-9841

The total amount owed is \$300.00 with \$100.00 due by the 10th of each month beginning in July 2007.

Date Paid	Receipt Number	Amount Paid	Balance
			\$300.00
July 10, 2007	14525	\$100.00	200.00
August 10, 2007	16856	100.00	100.00
September 7, 2007	17423	100.00	0.00

6.9 Accounting for Receipts

Each municipal court needs an effective and efficient method for recording financial transactions. Officials are responsible for ensuring that sound bookkeeping procedures are followed in the municipal court. This includes making sure that those responsible for the bookkeeping function are qualified and trained, and that access to accounting records is appropriately restricted. The accounting system should ensure that all transactions related to receipts are properly reported. There should be a good audit trail from the time money is received until it is disbursed or remitted.

A. The Receipts Journal

(The materials on the rest of this page were adapted from the *Justice of the Peace Manual* (1994) – a Texas Comptroller of Public Accounts publication.)

A receipts journal should be used to chronologically account for individual receipts issued. The journal enables a municipal court to:

- Properly keep track of and account for each receipt issued;
- Properly separate and account for the different types of monies collected;
- Group collections in order to easily figure the total collections for each type;
- Balance daily, weekly, and monthly reports; and
- Leave a good audit trail for internal and external auditors.

The receipts journal should be maintained on a daily basis and should include:

- The date of the transaction;
- The name of the person making the payment;
- A reference number (e.g., the docket or case number);
- The receipt number;
- An actual column to keep up with the total amount received; and
- Several individual columns indicating what the money received is for (e.g., court costs, fees, and fines by type).

Many municipal courts have an automated financial management system that prepares receipts, journalizes transactions, makes subsidiary entries, and prepares various financial reports. However, if a court does not have such a system, a receipts journal should be maintained manually. Entries to the journal should be made from the receipt copies maintained by the court.

Daily entries should be verified for mathematical accuracy and should periodically be reviewed by someone other than the person making them, comparing them to appropriate source documents. Preferably, entries should be made by someone not receiving payments, preparing bank deposits, or approving disbursements.

An example manual receipts journal is shown on Page 95. Descriptions of the individual columns are:

FINES

- Weight – fines collected for offenses involving a vehicle having a single axle weight, tandem axle weight, or gross weight that is more than 5,000 pounds heavier than the vehicle's allowable weight, of which 50 percent has to be sent to the state unless the offense occurred within 20 miles of an international border;
- Safety Belt/Seat – fines collected for Child Safety Seat Systems and certain Safety Belt offenses, of which 50 percent must be sent to the state;
- Other Title 7 - other fines collected for offenses under Title 7 of the Transportation Code, which can only be used for specified purposes (all Title 7 fines are subject to the provisions of the Excess Highway Fines law for applicable cities);
- Parent Contributing – fines collected for the offense of Parent Contributing to Nonattendance of which 50 percent has to be sent to the appropriate school district, open-enrollment charter school, or juvenile justice alternative education program; and
- Other – other fines that are retained by the city.

STATE COURT COSTS AND FEES

- CCC – Consolidated Court Cost, of which 90 percent must be remitted to the state;
- JRF – Jury Reimbursement Fee, of which 90 percent must be remitted to the state;
- JSF – Judicial Support Fee, of which 85 percent must be remitted to the state (On January 1, 2008 the city must remit 90 percent of JSF on offenses that occur January 1, 2008 and after—the fee is increased to \$6 on January 1, 2008 for those offenses that occur January 1, 2008 and after.);
- STF – State Traffic Fine, of which 95 percent must be remitted to the state;
- IDF – Indigent Defense Fund, of which 90 percent must be remitted to the state.
- TPF – Time Payment Fee, of which 50 percent must be remitted to the state;
- FTA – Failure to Appear/Pay/Satisfy Judgment Fee, of which two-thirds must be remitted to the state; and
- AF – Arrest Fee, of which 20 percent must be remitted to the state if the service is performed by a state peace officer (If the service is performed by a city peace officer the city retains 100 percent of the arrest fee.).

LOCAL COURT COSTS AND FEES

- CS – Child Safety Court Cost, which is retained locally;
- TFC – Traffic Court Cost, which is retained locally;
- MCBS – Municipal Court Building Security Fee, which is retained locally;
- MCT – Municipal Court Technology Fee, which is retained locally;
- JCM – Juvenile Case Manager Court Cost, which is retained locally;

- AF – Arrest Fee for service of local peace officers, which is retained locally; and
- Other – any other court cost or fee which is retained locally.

OTHER

- Special Expense/Title 7 – the special expense provided for in Code of Criminal Procedure, Article 45.051 (Suspension of Sentence and Deferral of Final Disposition) for offenses under Title 7 of the Transportation Code, which is retained locally (and is subject to the provisions of the Excess Highway Fines law for applicable cities);
- Special Expense/Other – the special expense provided for in Code of Criminal Procedure, Article 45.051 (Suspension of Sentence and Deferral of Final Disposition) for all other offenses, which is retained locally;
- Bonds – the amount received for the bonds; and
- Miscellaneous – any other receipts received by the office.

The sample journal format can be adapted to meet the specific needs of most municipal courts that maintain their accounting records manually. Just tailor the columns to the level of detail desired by the court and city. The level of detail will generally be based on several factors, including the city budget, accounting system, number of restricted revenues, city auditor and/or finance director requirements, and external reporting requirements.

In some courts with a small number of transactions, rather than maintain a cash receipts journal, a copy of each receipt is kept with the day's transactions and a report for each day is prepared showing the summary total of each type of collection (e.g., consolidated court cost, time payment fee.)

B. Example Cash Receipts Journal Operations

The following example shows how a cash receipts journal can be used. Assume the following transactions were recorded in the cash receipts journal for a municipal court during the month of March. Also assume the city has adopted the municipal court building security fee and the municipal court technology fee, but has not adopted the juvenile case manager court cost. The small number of transactions is for illustrative purposes only. The entries are shown on Page 96.

March 3: \$205.00 was collected from Nancy Noshow for failure to appear. Docket No. 06-301. Receipt No. 1246 was issued.

March 6: \$160.00 was collected from Lack Control for disorderly conduct. Docket No. 06-302. Receipt No. 1247 was issued.

March 10: \$160.00 was collected from Bobby Bottle for public intoxication. Docket No. 06-303. Receipt No. 1248 was issued.

March 13: \$235.00 was collected from Randy Risk for failure to maintain financial responsibility. Docket No. 06-304. Receipt No. 1249 was issued.

March 14: \$260.00 was collected from Franklin Fish for fishing in a no fishing area (a municipal ordinance violation). Docket No. 06-305. Receipt No. 1250 was issued.

March 17: \$70.00 was collected from Marilyn Meter for a parking violation. Docket No. 06-306. Receipt No. 1251 was issued.

March 20: \$210.00 was collected from Lance Labrador for an animal control offense (a municipal ordinance violation). Docket No. 06-307. Receipt No. 1252 was issued.

March 21: \$193.00 was collected from Randal Rush for speeding. The time payment fee was included. Docket No. 06-308. Receipt No. 1253 was issued.

March 22: \$143.00 was collected from Lonnie Lately for an expired motor vehicle inspection certificate. Docket No. 06-309. Receipt No. 1254 was issued.

March 23: \$810.00 was collected from Grayson Gross for improper storage of food (a municipal ordinance violation). Docket No. 06-310. Receipt No. 1255 was issued.

March 27: \$103.00 was collected from Carol Course who requested to take a driving safety course for a speeding violation. Docket No. 06-311. Receipt No. 1256 was issued.

March 28: \$140.00 was collected from Mike Cycle for no motorcycle protective headgear. Docket No. 06-312. Receipt No. 1257 was issued.

March 31: \$200.00 was collected from Justin Case for a cash bond. Docket No. 06-313. Receipt No. 1258 was issued.

March 31: \$193.00 was collected from Beatrice Belt for a child passenger safety seat system offense. Docket No. 06-314. Receipt No. 1259 was issued.

C. Chart of Accounts

Cities generally develop their financial management system around a standard classification system, commonly referred to as a chart of accounts. A chart of accounts is simply a city's structure of funds, functions, departments, assets, liabilities, fund balances (equity), revenues, expenses, and expenditures,

and a numbering system to reflect that structure. A city's chart of accounts should be used consistently throughout the budget, accounting records, and reports.

In municipal courts, the emphasis is primarily on codes for receipts/revenues (expenditures are generally handled centrally by the city). Thus, receipts/revenues may need to be maintained by using a code number in addition to a title, name, or abbreviation.

For example, codes can easily be added to the individual receipts/revenues in the sample receipts journal as follows:

FINES (301-310)

➤ Weight	301
➤ Safety Belt/Seat	302
➤ Other Title 7	303
➤ Parent Contributing	304
➤ Other	305

STATE COURT COSTS AND FEES (311-320)

➤ CCC	311
➤ JRF	312
➤ JSF	313
➤ IDF	314
➤ STF	315
➤ TPF	316
➤ FTA	317
➤ AF	318

LOCAL COURT COSTS AND FEES (321-330)

➤ CS	321
➤ TFC	322
➤ MCBS	323
➤ MCT	324
➤ JCM	325
➤ AF	326
➤ Other	327

OTHER (331-340)

➤ Special Expense/ Title 7	331
➤ Special Expense/Other	332
➤ Bonds	333
➤ Miscellaneous	334

The codes can easily be added to the receipts journal, as shown on Page 97. Additional numbers can also be used to indicate the funds the receipts/revenues are to be credited to.

TEXAS MUNICIPAL COURTS FINANCIAL MANAGEMENT HANDBOOK

Date	Received From	Index No.	Receipt No.	Actual	Fines			State Court Costs and Fees							Local Court Costs and Fees										Other		
					Weight	Safety Res/Year	Other Title	Parent Cont.	CCC	RRF	JSP	STF	DPF	ITF	PTA	AF	CS	TRC	MCBS	MCI	JCM	AF	Other	Safety Title	Other	Bond	Other
3/2	Nancy New Law	06-301	1246	205.00					40.00	4.00	6.00		2.00						3.00		4.00						
3/6	Central	06-302	1247	160.00					40.00	4.00	6.00		2.00						3.00		4.00	5.00					
3/9	Bobby Battle	06-303	1248	160.00					40.00	4.00	6.00		2.00						3.00		4.00	5.00					
3/13	Randy Risk	06-304	1249	235.00			175.00		40.00	4.00	6.00		2.00						3.00		4.00	5.00					
3/14	Franklin	06-305	1250	260.00					40.00	4.00	6.00		2.00						3.00		4.00	5.00					
3/16	Martyn Moore	06-306	1251	70.00			25.00		40.00	4.00	6.00	30.00						3.00		3.00	4.00	5.00					
3/20	Lefander	06-307	1252	210.00					40.00	4.00	6.00		2.00						3.00		4.00	5.00					
3/21	Randal	06-308	1253	193.00			75.00		40.00	4.00	6.00	30.00	2.00	25.00				3.00		3.00	4.00	5.00					
3/22	Lennie Lately	06-309	1254	143.00			50.00		40.00	4.00	6.00	30.00	2.00					3.00		3.00	4.00	5.00					
3/23	Grayson	06-310	1255	810.00					40.00	4.00	6.00		2.00						3.00		4.00	5.00					
3/26	Carol Gross	06-311	1256	103.00				750.00	40.00	4.00	6.00		2.00						3.00		4.00	5.00					
3/26	Carol Gross	06-311	1256	103.00					40.00	4.00	6.00	30.00	2.00					3.00		3.00	4.00	5.00	10.00				
3/27	Mike	06-312	1257	140.00					40.00	4.00	6.00		2.00						3.00		4.00	5.00					
3/27	Cycle	06-312	1257	140.00			80.00		40.00	4.00	6.00		2.00						3.00		4.00	5.00					
3/28	Justin Case	06-313	1258	200.00																							200.00
3/28	Beatrice Bell	06-314	1259	193.00		100.00			40.00	4.00	6.00	30.00	2.00					3.00		3.00	4.00	5.00					
3/29	Monthly Total			3,082.00	0.00	100.00	405.00	0.00	880.00	48.00	72.00	1,500.00	24.00	25.00	0.00	0.00	3.00	15.00	23.00	32.00	0.00	68.00	10.00	0.00	0.00	0.00	0.00
Prior																											
Year to Date				6,144.00		200.00	810.00	0.00	960.00	96.00	144.00	390.00	48.00	50.00	0.00	0.00	0.00	30.00	78.00	104.00	0.00	120.00	20.00	0.00	0.00	0.00	0.00
Current Year to Date				9,246.00		300.00	1,215.00	0.00	1,440.00	144.00	216.00	450.00	72.00	75.00	0.00	0.00	0.00	45.00	117.00	156.00	0.00	180.00	30.00	0.00	0.00	0.00	0.00

1. The first part of the document is a title page. It contains the title "The Role of the State in the Development of the Economy" and the author's name "John Doe".

2. The second part of the document is an abstract. It provides a brief summary of the main findings of the study.

3. The third part of the document is the introduction. It discusses the importance of the state in the development of the economy and the objectives of the study.

4. The fourth part of the document is the literature review. It examines the existing research on the role of the state in the development of the economy.

5. The fifth part of the document is the methodology. It describes the research methods used in the study.

6. The sixth part of the document is the results and discussion. It presents the findings of the study and discusses their implications.

7. The seventh part of the document is the conclusion. It summarizes the main findings of the study and provides recommendations for future research.

8. The eighth part of the document is the references. It lists the sources used in the study.

9. The ninth part of the document is the appendix. It contains additional information related to the study.

10. The tenth part of the document is the index. It provides a list of the topics covered in the document.

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6.10 Disbursements and Remittances

In addition to properly safeguarding and accounting for money received, it is important to make sure the money gets to the right destination and gets there timely. In this manual, the term “remittance” is used to refer to turning money into the city treasurer and the term “disbursement” is used to refer to making payments (e.g., to the state).

Making payments (disbursements) and turning in money (remittances) promptly and accurately is an important responsibility of department heads and a way for them to show accountability to the public.

Most municipal courts do not maintain a bank account and, as a result, are only concerned with “remittances” and not with “disbursements.” This is generally preferable unless the court has a staff size large enough to maintain a proper division of duties and handle the additional safekeeping responsibilities that are part of maintaining a bank account. Even then, a city should make sure maintaining an account in the court enhances city efficiency and effectiveness.

Basic Procedures

The following procedures should help ensure that a municipal court has addressed the important issues relating to disbursements and remittances. They are general in nature and can be adapted for use in most courts. Each court should adapt the procedures to fit their specific situation. Procedures should be developed in consultation with the city auditor and the city treasurer.

1. If a bank account is not maintained by the court:
 - a. Remittances should be made to the city treasurer daily; and
 - b. A receipt should be obtained for all remittances.
2. If a bank account is maintained by the court:
 - a. All deposits and disbursements should be processed through the accounts maintained at the city depository. Disbursements should not be made in cash.
Refunds should also be made by issuing a check. If the money has already been turned into the city treasurer, the refund should not be made by the court. Rather it should be made centrally by the city;
 - c. All checks should be sequentially pre-numbered and used in order;
 - d. Checks should be preprinted with the name of the city and “Municipal Court;”

- e. All unused checks should be safeguarded and periodically accounted for;
- f. A checkbook with sufficient room on the stub for an adequate description of the disbursement should be used;
- g. Checks should not be pre-signed;
- h. Checks should not be made out to "cash" or "bearer;"
- i. Voided checks should be marked "void" and accounted for. They should be kept with the checkbook and later placed in the reconciliation envelope or folder. Do not destroy voided checks;
- j. Authorized check signatures should be kept to a minimum;
- k. If a "stamp" or "check-signing" device is used, it should be appropriately safeguarded and access appropriately restricted;
- l. Checks should be prepared only when:
 - (1) Supporting documentation is present and has been verified;
 - (2) All figures have been double-checked; and
 - (3) There is an adequate balance in the account;
- m. The payee line should be completed by the person preparing the checks, not the person signing them;
- n. Checks should be signed by someone not keeping the books or preparing the checks;
- o. Checks should be mailed without allowing them to be returned to the person who approves them or does the bookkeeping for them;
- p. Checks should be appropriately entered in the court's bookkeeping system; and
- q. If a check is reported as lost:
 - (1) Verify that the check has not cleared the bank. Check the last bank statement. If the check was not cleared on the last bank statement, contact the bank to make sure it has not cleared since then;
 - (2) Initiate a "stop payment" on the check;
 - (3) Write an explanation as to why the "stop payment" was done, when it was done, and who did it. Attach the explanation to the check stub or cash disbursements journal; and
 - (4) Back out the check from the accounting records.
This should be done in the current disbursements journal as the next entry. On the disbursements journal page where the original entry was made, write "canceled" beside the entry. If the check was shown as outstanding on any bank reconciliations it is also a good idea to write "canceled" by the check number on the reconciliations.

6.11 Accounting for Disbursements

Each municipal court that maintains a bank account needs an effective and efficient method for keeping up with and recording disbursements. Proper accounting for disbursements helps complete the cycle of having a good audit trail from the time money is received until it is disbursed.

A. The Disbursements Journal

The materials on the rest of this page were adapted from the *Justice of the Peace Manual (1994)* – a Texas Comptroller of Public Accounts publication.

A disbursements journal should be used to account for all disbursements from a court. The journal enables a court to:

- Properly keep track of and account for each disbursement made;
- Properly separate and account for the different types of disbursements;
- Group disbursements in order to easily calculate the total disbursements for each type;
- Balance daily, weekly, and monthly reports; and
- Leave a good audit trail for internal and external auditors.

The disbursements journal should be maintained on a daily basis and should include:

- The date of the transaction;
- The name of the payee and, where necessary, what the payment is for;
- A reference number (i.e., the check number);
- An actual column to keep up with the total amount disbursed;
- Several individual columns indicating what the disbursement is for (e.g., State Comptroller or City Treasurer); and
- A memorandum column to add any additional information needed (e.g., the reason for a refund).

If a municipal court does not have an automated system of accounting for disbursements, a disbursements journal should be maintained manually. Entries to the journal should be made from the checks and applicable supporting documentation. Daily entries should be verified for mathematical accuracy and should periodically be reviewed by someone other than the person making them.

If a court makes only a few disbursements each month, a journal is normally not needed. In this situation, the checks, supporting documentation, and reports are usually sufficient. The decision not to maintain a disbursements journal should be made after consulting with the city auditor and finance director.

An example manual disbursements journal for a municipal court is shown on Page 103.

B. Example Cash Disbursements Journal Operations

Following is an example of how a cash disbursements journal can be used. Assume the transactions below were recorded in the cash disbursements journal during the month of October (there will normally be many more monthly transactions). Also, assume payments to the state are made directly by the court (in many cities where the municipal court maintains a bank account, disbursements to the state are made by the city treasurer after the money is remitted to the treasurer from the court). The entries are shown on Page 104.

October 9: Check No. 345 in the amount of \$200.00 was issued to Didnt Doit, refunding a cash bond paid the previous month. Docket No. 06-916.

October 20: Check No. 346 in the amount of \$1,940.00 was issued to the Comptroller of Public Accounts for 50 percent of the fines received during the previous fiscal year for Safety Seat System and certain Seat Belt offenses.

October 31: Check No. 347 in the amount of \$2,905.00 was issued to the Comptroller of Public Accounts for the quarterly amount of state court costs and fees.

October 31: Check No. 348 in the amount of \$3,695.00 was issued to the City Treasurer for the city's share of state court costs and fees, local court costs and fees, and fines collected during the previous quarter.

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Date	Paid To/For	Reference No.	Actual	City Treasurer	State Comptroller	School	Other	Memorandum
08/9	Didnt Doit	345	200.00					
08/20	Comptroller of Public Accounts	346	1,940.00		1,940.00		200.00	Refund/Docket No. 06-916
08/30	Comptroller of Public Accounts	347	2,905.00		2,905.00			
08/30	City Treasurer	348	3,695.00	3,695.00				
08/30	Monthly Totals		8,740.00	3,695.00	4,845.00	0.00	200.00	
	Prior year to date		0.00	0.00	0.00	0.00	0.00	
	Current year to date		8,740.00	3,695.00	4,845.00	0.00	0.00	

Chapter 7 Special Topics

7.1 Introduction

This chapter covers several financial management areas not covered in Chapters 5 or 6. Areas include:

- Petty cash;
- Bank account reconciliations;
- Jail time credits;
- Community service credits;
- Monthly reporting; and
- Monitoring the budget.

7.2 Petty Cash

Petty cash consists of a sum of money set aside for making small cash purchases on a contingency basis. It is recommended that municipal courts not have petty cash funds. Purchases made for the court should be made centrally by the city.

However, in some cities, municipal court operations cannot be kept separate from regular city operations and the city petty cash fund has to be handled by an individual working in the court. In those instances, the petty cash fund should be kept separate from the municipal court change fund(s).

7.3 Bank Account Reconciliations

Each municipal court that maintains a bank account(s) should do regular reconciliations. Monthly reconciliations of the bank statement(s) with the books maintained by the court is necessary to help assure that errors and/or irregularities, if any, are found and appropriately handled without delay.

Bank account reconciliations should be done promptly upon receipt. Additionally, the reconciliations should be done by someone who is not responsible for receiving money, preparing deposits or signing checks.

Almost all bank statements include a reconciliation format. Many formats are similar to the one on the following page. A city auditor or finance director may even have a specific format for the court to use.

As a general rule, reconciliations should be done initially by the office that maintains the account(s). The city auditor will usually review the reconciliations as part of the audit of the court, and he/she may even perform what is known as a "proof of cash," which is even more inclusive of an office's transactions than is a bank reconciliation.

A. Bank Reconciliation Procedures

After receiving the bank statement unopened (to ensure it has not been altered) from the bank:

STEP ONE

1. Enter the balance from the books in the space provided on the reconciliation form;
2. Deduct any bank charges indicated on the bank statement;
3. Make any other necessary adjustments such as adding interest earnings; and
4. Total the amounts in 1., 2., and 3. to arrive at the adjusted book balance.

STEP TWO

1. From the bank statement, write the stated bank balance in the space provided on the reconciliation form;
2. Compare checks, deposits, and other transactions listed on the statement with the books;
3. List, in the space provided on the reconciliation form, all outstanding checks;
4. Add any deposits made by the end of the period not posted to the bank statement;
5. Make any other necessary adjustments; and
6. Total the amounts in 1., 2., 3., 4., and 5. to arrive at the adjusted bank balance.

STEP THREE

1. Compare the amounts arrived at in Steps One and Two; and
2. If they do not agree, investigate and resolve any differences.

STEP FOUR

1. Sign and date the reconciliation; and
2. Submit the bank statement and reconciliation to appropriate personnel for review and approval.

B. Sample Bank Reconciliation Form

Bank Reconciliation					
Book Balance	<u> </u>	Bank Balance	<u> </u>		
	<u> </u>				
Bank Charges	<u> </u>	Less Outstanding Checks	<u> </u>		
	<u> </u>				
Other Adjustments	<u> </u>	Add Deposits in Transit	<u> </u>		
	<u> </u>				
	<u> </u>	Other Adjustments	<u> </u>		
	<u> </u>				
	<u> </u>				
Adjusted Book Balance	<u> </u>	Adjusted Bank Balance	<u> </u>		
	<u> </u>				
Outstanding Checks					
Date	Check #	Amount	Date	Check #	Amount
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total					<u> </u>

C. Example Bank Reconciliation

Assume the following:

- The book balance on February 28th was \$2,195.17;
- The bank balance on February 28th was \$2,333.72;
- Interest for the month of \$2.74 was credited on February 28th;
- There were three outstanding checks on February 28th: (1) Check No. 1431 dated February 22nd for \$75.00; (2) Check No. 1435 dated February 24th for \$50.00; and (3) Check No. 1438 dated February 27th for \$10.81.

Bank Reconciliation					
Book Balance	\$2,195.17		Bank Balance	\$2,333.72	
Bank Charges	0.00		Less Outstanding Checks	135.81	
Other Adjustments	2.74		Add Deposits in Transit	0.00	
	0.00		Other Adjustments	0.00	
	0.00			0.00	
Adjusted Book Balance	<u>\$2,197.91</u>		Adjusted Bank Balance	<u>\$2,197.91</u>	
Outstanding Checks					
Date	Check #	Amount	Date	Check #	Amount
2/22/07	1431	75.00			
2/24/07	1435	50.00			
2/27/07	1438	10.81			
			Total		<u>\$135.81</u>

7.4 Jail Time Credits

Some defendants satisfy part or all of what they owe by spending time in jail. The goals concerning these jail time credits are to establish a clear cut audit trail, and to properly apply and account for the credits. Refer to Page 191 of this manual for detailed information on jail time credit, including what constitutes a “period of time” for credit purposes and historical credit amounts.

Basic Procedures

1. Jail Time Credit Clerk

- a. Receive jail time credit forms from the jail. These forms should be received daily.

There should be a form from the jail showing the time the defendant was placed in jail and the time the defendant was released from jail. The form should be signed or initialed by the appropriate individual at the jail showing the date and time the defendant was placed in jail. The form should also be signed or initialed by the appropriate individual at the jail showing the date and time the defendant was released from jail;

- b. Verify there is appropriate documentation for the defendant to spend time in jail (e.g., an order—judgment—signed by the judge);
- c. Determine the amount of credit that the defendant should receive. Calculate the credit amount based on the periods of time spent in jail multiplied by the judge’s rate of credit (minimum of \$50 per period of time—eight to 24 hours); and indicate the correct amount of credit on the jail time credit form.
- d. Forward the jail time credit forms to the accounting department for bookkeeping entries; and
- e. Retain a copy of the forms.

2. Accounting Department

- a. Receive the jail time credit forms from the jail time credit clerk;
- b. Verify that the amount of credit shown on the form is the correct amount; and
- c. Make appropriate bookkeeping entries and file paperwork.

(In courts with automated systems, credits are usually posted to the computer as non-cash transactions, but automated courts should check with their software provider to verify how to account for jail time credit transactions.)

7.5 Community Service Credits

Some defendants satisfy part or all of what they owe by performing community service. The goals concerning these community service credits are to establish a clear cut audit trail, and to properly apply and account for the credits. Refer to Page 193 of this manual for detailed information on community service credit including how to handle cases where a defendant starts performing community service and then decides to pay and what to do when a community service order is not complied with.

Basic Procedures

1. General

- a. Give the defendant a copy of the court order or other appropriate paperwork that indicates the specifics about the required community service (i.e., entity or organization name and location, number of hours to be worked, when they must be completed by, etc.);
- b. Send written notification to the entity or organization about the community service requirement, as well as a form to complete concerning the defendant's community service. The written notification and form can be combined into one form. The form should provide space for the entity or organization to indicate whether the work was performed as specified by the judge's order. The entity or organization should specifically indicate when and how many hours the defendant worked. The form should also provide space for the entity or organization to enter any additional comments they feel are warranted. The form should be signed and dated by an appropriate representative of the entity or organization; and
- c. Forward a copy of the court order or other appropriate paperwork to the accounting department.

2. Community Service Credit Clerk

- a. Receive community service credit forms from the entity or organization.
- b. Determine the amount of credit that the defendant should receive. Calculate the credit amount based on the numbers of hours worked multiplied by the judge's rate of credit (minimum of \$6.25 per hour), and indicate the correct amount of credit on the community service credit form;
- d. Forward the community service credit forms to the accounting department for bookkeeping entries; and

- e. Retain a copy of the forms.

3. Accounting Department

- d. Receive copies of the court orders or other appropriate paperwork;
- e. Receive the community service credit forms from the community service credit clerk;
- f. Verify that the amount of credit shown on the form is the correct amount; and
- g. Make appropriate bookkeeping entries and file paperwork.
(In courts with automated systems, credits are usually posted to the computer as non-cash transactions, but automated courts should check with their software provider to verify how to account for community service credit transactions.)

7.6 Monthly Reporting

To the Office of Court Administration

Government Code, Section 71.035(b) requires courts to report information as required by the Texas Judicial Council. In Texas Administrative Code, Sections 171.1 and 171.2, the Council requires monthly activity reports by the 20th of each month after the month the statistics are being reported for.

Reports can be: (1) submitted on forms provided by the Texas Judicial Council; (2) generated from a case management system as long as the report is an exact replica of the form provided by the Texas Judicial Council; or (3) entered directly into the trial court activity database at <http://data.courts.state.tx.us/OCA/secure/login.aspx>. Detailed report instructions can be found at <http://www.courts.state.tx.us/oca/required.asp>.

***Important Note:** The "Total Revenue" amount required on the report includes the total amount collected by the court during the month regardless of when the case was disposed of. The amount includes money collected both for the city and the state. However, it does not include amounts retained by a collections agency for service fees authorized under Code of Criminal Procedure, Article 103.0031.*

To the City

A report should be prepared at the end of each month summarizing and highlighting the court's operations for the month. The information to be included in the report should be selected after consultation with the governing body, finance director, and city manager.

For example, one council member may be interested in the court's backlog, another council member may be interested in juvenile statistics, and another council member may only be interested in the revenue amount for the month.

The goal is to include the relevant and requested information, but to do so in a way that is easy to read and understand. Too much information reduces the likelihood that the information will be looked at. Remember, the municipal court is just one department, and the governing body, finance director, and city manager look at information from other departments as well. If possible, keep the report to just one or two pages. Additional information can always be provided if requested. It is also a good idea to include a cover memo (maximum of one page and in a larger font size if space permits) identifying or summarizing the main points you want to get across. Try to vary (to the extent possible) what is included in the cover memo from month to month so it does not become repetitive.

For caseload and financial information, try to include comparable information from the same month last year as a comparison. An example report starts on Page 113. Information to be included on a report will vary from city to city.

City of Moderate Growth Memorandum

TO: City Council;
City Manager; and
Finance Director

FROM: Court Administrator

REF: Municipal Court Report for March 2007

DATE: April 6, 2007

Attached is the monthly report for March 2007. Please note the following:

1. Although our disposition rate (93.2%) was higher than the same month last year (91.8%), our backlog continues to increase (from 2,748 cases at the end of March 2005 to 3,552 cases at the end of March 2007).
(Note: If the part-time judge and part-time clerk positions being requested in next year's budget are funded, we should be able to increase our disposition rate to over 100 percent and eliminate most of the backlog by the end of the next fiscal year.)
2. Collections continue to improve. Total collections increased 25 percent compared to the same month last year (from \$100,000 to \$125,000). The City's share also increased 25 percent (from \$66,667 to \$83,333). We are becoming more effective collectors. Collections per case disposed were approximately \$16 higher even though there has been no change in our standard fine schedule.
3. Our increased collection effectiveness is also reflected in the percent of budgeted revenue collected year-to-date. With one-half of the year completed, 58 percent of budgeted revenue has been received, compared to 52 percent at this time last year.
4. The community-wide focus on juveniles appears to be paying off. The number of juvenile cases filed this March was the lowest total for the month of March since 2002.

Please let me know if you have any questions or need additional information.

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City of Moderate Growth Municipal Court Monthly Report for March 2007

<u>Description</u>	<u>March 2007</u>	<u>March 2006</u>
Cases Filed	992	917
Cases Disposed	925	842
Disposition Rate	93.2%	91.8%
Cases Disposed per FTE	103	94
Current Backlog	3,552	2,748
City Collections	\$83,333	\$66,667
State Collections	<u>41,667</u>	<u>33,333</u>
Total Collections	\$125,000	\$100,000
Collections per Case Disposed	\$135.14	\$118.76
City Collections	\$83,333	\$66,667
Part of Fiscal Year Completed	50%	50%
Part of Budgeted Revenues Received	58%	52%
Juvenile Cases Filed	43	59
Arrest Warrants Issued	305	291

7.7 Monitoring the Budget

Monitoring the municipal court budget (both revenues and expenditures) should be done monthly. Although others in the city (e.g., finance director and budget officer) monitor the budgets of the various departments, including the municipal court budget, they are not as familiar with the court budget and court operations as the court administrator.

For example, a new legislative requirement might increase or decrease revenues or increase expenditures. Another example might be a court employee who is going to be out on extended medical leave for several months. The court administrator is much more likely to understand the impact these changes would have on the budget and operations.

Most courts receive (or should receive) a monthly print-out that shows budget and other financial information for the court. The information provided should include, for each budget line-item, budgeted amounts and amounts received or expended. An example of part of a monthly report is shown on Page 116. The example is for the Municipal Court Building Security Fund. A complete monthly budget report for the municipal court would include similar type information for all municipal court-related funds (e.g., Municipal Court Technology Fund, Child Safety Fund, and General Fund).

Monitoring the budget includes:

1. Reviewing revenues to determine if it appears the amount(s) budgeted for the year will be received.

If it appears that the amount(s) will not be received, appropriate personnel (e.g., budget officer, finance director) in the city should be notified. If possible, determine what you think the revised amount(s) should be and include that with your notification. Prompt notification is important because the city may need to amend the budget.

Appropriate city personnel should also be notified if it appears that substantially more than the amount(s) budgeted will be received. If possible, determine what you think the revised amount(s) should be and include that with your notification. Here again, the city may want to amend the budget. Much higher than anticipated revenues could mean increased funding for the court or another department or program.

2. Reviewing expenditures to determine if it appears the amount(s) budgeted for the year will be sufficient.

If it appears that the amount(s) will not be sufficient, appropriate personnel (e.g., budget officer, finance director) in the city should be notified. If possible, determine what you think the revised amount(s) should be and include that with your notification. Prompt notification is important because the city may need to amend the budget to increase overall expenditures for the court.

In some cities, there is little chance of increasing overall spending in the court once the budget is set. If that is the case, changes will need to be made to ensure that the appropriated amounts are not exceeded. This could still require a budget amendment (depending upon at what level the city amends the budget). The sooner an expenditure problem is identified, the sooner (and often easier) it can be remedied. For example, assume the budget year for a court is half over and at the current rate of spending, budgeted expenditures will be exceeded by \$18,000 for the year. If changes are made beginning in month seven of the budget year, spending would need to be reduced an average of \$3,000 per month not to exceed the budgeted total for the year. However, if changes are not made until month ten of the budget year, then spending would need to be reduced an average of \$6,000 per month not to exceed the budgeted total for the year.

City of Moderate Growth Municipal Court Budget Report Municipal Court Building Security Fund As of April 30, 2007					
Description	Current Month	Year to Date	Budget Balance	Percent of Year Completed	Percent of Budget Expended
REVENUE					
Building Security Fee	\$7,200	\$49,700	\$34,300	58%	59%
Interest Income	<u>85</u>	<u>600</u>	<u>360</u>	<u>58%</u>	<u>63%</u>
Total Revenue	\$7,285	\$50,300	\$34,660	58%	59%
EXPENDITURES					
Personnel	\$4,800	\$32,100	\$21,900	58%	59%
Training	0	4,000	2,000	58%	67%
Equipment	2,100	5,400	6,600	58%	45%
Maintenance	<u>300</u>	<u>1,500</u>	<u>2,500</u>	<u>58%</u>	<u>38%</u>
Total Expenditures	\$7,200	\$43,000	\$33,000	58%	57%

Chapter 8 Auditing

8.1 Introduction

A. Auditing Defined

Auditing is the examination of information and operations for mathematical accuracy, legality, and propriety. It is a process for determining whether all transactions are properly recorded in the accounts and appropriately reflected in statements and reports.

B. Objectives of Auditing

The broad purpose of auditing in municipal courts is to help ensure the integrity of the court's financial operations. Specific objectives are to help ensure that:

- The court has collected all the money they are supposed to;
- Money collected was properly remitted to the appropriate party(ies);
- Property is properly managed;
- Money and other property is properly accounted for, properly reported, and adequately safeguarded; and
- Operations conform to laws, rules, and prescribed procedures.

Auditing cannot guarantee that collections, records, and reports are 100 percent correct. Auditing can, however, be a means for minimizing and providing for early detection and correction of material mistakes and irregularities.

C. Auditing Requirement

State law requires that a city be audited annually and a financial statement prepared based on the audit (Local Government Code, Section 103.001). Although the law provides that the audit can be done by someone employed by the city (Local Government Code, Section 103.002), it is recommended that the audit be done by an independent certified public accountant. The law does not require internal audits of the municipal court in a city.

D. Types of Audits

1. State Audits

The Comptroller of Public Accounts is responsible for administering state court cost and fee laws. That responsibility includes audit authority to examine a

city's books and records to ensure that correct state court cost and fee amounts are properly assessed, collected, reported, and remitted.

A state audit can result from one or more of the following:

- Random selection;
- Predetermined selection (meeting certain selection criteria);
- Request from the city to be audited; or
- Taxpayer complaint.

However, a taxpayer complaint or request from the city does not automatically result in an audit.

A state auditor meets with the city before the audit starts to explain the process. Several factors can impact how long the audit takes. Those factors include city size, condition and volume of records, and the availability of computer records. At the conclusion of the on-site part of the audit, the auditor meets with the city to summarize the results and estimate any balance owed or refund amount. The city is notified of the final audit results after the audit report goes through the Comptroller's internal review process. Refunds are made when the audit shows the city overpaid. However, the city is sent a bill if they underpaid. The city can appeal if they disagree with the results. The audit usually covers a four-year period.

Common mistakes found by auditors that result in cities being billed include:

- Allocating wrong amounts to court costs and fees;
- Failing to properly implement legislative changes;
- Failing to assess court costs and fees when they should have been assessed; and
- Improperly waiving court costs and fees.

2. Local Audits

In addition to a possible state audit, cities should ensure that municipal courts are audited locally. That would include both internal and external (or outside) audits.

Most cities have an annual external (outside) audit by an independent certified public accountant. The external auditor's main focus is to satisfy themselves that the city's financial statements are reasonable and presented in conformity with generally accepted accounting principles. As a result, these external audits should not be expected to and normally do not devote as much audit attention to the municipal court as is needed. That is where internal auditing helps.

An internal audit is an audit done by someone who works for the city. Internal auditors can devote more time and effort to the municipal court. A good internal audit function can result in lower operating costs, more efficient ways of getting things done, better service to the public, and less costly outside audits.

At least quarterly, some sort of internal audit work should be done relating to court operations. Some cities have a regular internal audit department or an individual from a department other than the municipal court designated to perform that function. Most cities do not. However, in some cases, someone from the finance department or treasurer's office could periodically do some internal audit work in the court. If there is not any type of internal audit function in the city, someone from the municipal court should periodically do some audit work related to the court's operations. Even in cities with an internal audit function the municipal court may want to also do some audit work, possibly so things get looked at more often, or in more detail.

Some of the audit work that should be done in a municipal court includes:

- Conducting surprise cash counts;
- Reviewing bank reconciliations;
- Accounting for all receipts;
- Auditing receipts for proper amount collected, proper deposit/remittance, and correct bookkeeping;
- Confirming amounts paid (or the fact that nothing was paid) with defendants; and
- Reviewing reports.

All of the above does not have to be done each quarter. But some of it should be. The mere fact that some audit work is periodically and consistently done is a deterrent to wrongdoing.

E. Areas to Check

Starting on Page 120, information on how to check different aspects of municipal court financial management is presented. The information is being presented in a way that the areas can be checked by someone from the municipal court. Areas included are:

- Property;
- Computer security;
- Analytical review;
- Citations docketed;
- Hardcopy receipts;
- Receipts general;
- Credits;

- Confirmations;
- Surprise cash counts;
- Bank reconciliation review;
- Flow and composition of funds; and
- Fraud red flags.

8.2 Property

All municipal court property should be physically observed and counted at least once a year. This is almost always done by someone outside the court. However, each court should have an up-to-date copy of the property inventory record prepared for the court and the court can use that inventory record to help make sure they are ready for a property audit by following the steps below.

Property inventory records are almost always prepared and maintained by the office responsible for the accounting function in the city, such as the Finance Department. That department has the city-wide information necessary to properly account for property (i.e., purchases, disposals, transfers, trade-ins, depreciation, account numbers, etc.) The inventory should include the following:

- Inventory/asset number;
- Description of the asset;
- Asset serial number; and
- Asset location.

Other information may also be included on the form, such as account coding, depreciation, and estimated useful life information.

Steps

1. Obtain an up-to-date copy of the property inventory record for the court.
2. Verify the existence and location for all property shown on the inventory, checking the inventory/asset number, description of the asset, asset serial number, and asset location. Investigate for any property listed that cannot be located. Pay special attention to unrecorded transfers to another city office/department or unrecorded disposals or trade-ins of property. Locate any supporting documentation.
3. Search for the existence of property not shown on the inventory. List any found. Pay special attention to unrecorded purchases or transfers from another city office/department. Locate the supporting documentation for the property.

4. If applicable, determine location and reason for property out for repairs and maintenance or use by an employee (e.g., laptop computer). Based on judgment, consider:
 - Obtaining written confirmation from service provider as to existence, work being done, and inventory/asset number, description of the asset, and asset serial number; or
 - Going to location of asset to physically verify existence of the property, checking the inventory/asset number, description of the asset, and asset serial number.
5. Note condition of the property. Investigate abnormal deterioration, usage, or other factors implying misuse.
6. Check to ensure property is being utilized. Note any unutilized or underutilized property.
7. Update the court copy of the inventory record to keep until an updated one is received from the city.
8. Initiate any necessary property and accounting record changes.
9. Notify appropriate city personnel of any missing property or other significant items of interest (e.g., unutilized or underutilized property).

Note: If your city does not maintain an inventory record by department, your court may want to consider preparing a simplified version just for control (not accounting) purposes. Pick a date (usually the last day of a month works best) and simply list all major assets, asset descriptions, serial numbers if available, and asset locations. Please note that if your city does not keep an inventory, it will be unlikely for an asset to have an inventory/asset number. Update the inventory record as assets are added or deleted. Save the updates so there will be an audit trail. The inventory record can usually be maintained on an Excel spreadsheet or manually on index cards. A simplified example format for control purposes is shown below.

*Municipal Court Inventory
As of September 30, 2007*

Description	Serial Number	Location / Responsibility
Dell Dimensions 5150 computer - acquired June 15, 2005 for \$1,299.00	HF4WX-381	Assigned to Cathy Cashier
HP Laser Jet 1320 printer - acquired July 15, 2006 for \$999.00	493-JRT	Collections Section
Xerox Fax Machine F116 - acquired September 1, 2006 for \$1,050.00	SFS2390001	Administration Section

8.3 Computer Security

Computer security awareness is a must in today's automated environment. Internal control is important in automated court operations just like it is in manual court operations. The internal control system in an automated environment should:

- Minimize the possibilities for errors and misuse of funds;
- Provide a clear audit trail (show who did what and when they did it); and
- Provide for earlier detection of errors and/or irregularities than would otherwise be the case.

Everyone in the municipal court should take the responsibility of computer security and controls seriously. Unfortunately, it is an area that is often overlooked because of the other demanding day-in and day-out responsibilities that have to be fulfilled.

The security needs of a particular court will vary from city to city based on the type of system, software, and city requirements. However, there are some basics that promote sound financial management that apply to just about every system.

Steps

1. Obtain a copy of the written policies and procedures relating to computer security, controls, and use.
2. Check to see if each employee has signed a statement indicating that they have read, understand, and agree to follow the policies and procedures. Correct the situation for employees for which there is not a signed statement.
3. Check to see if the policies and procedures cover:
 - Who is responsible for what and how;
 - Who has access to what (both physical access and computer access);
 - How that access is controlled; and
 - How passwords are to be used.

This would include basics such as locking the computer or signing off the computer when leaving the workstation so someone else cannot make unauthorized entries

It would also include setting up a multi-level access structure to only allow access and the ability to make changes to those authorized to do so (e.g., supervisory access for case corrections when needed). Additionally, there should be an audit trail showing who did what and when.

4. Check with appropriate city personnel (if not handled by the court) to determine if passwords were changed timely and are appropriate. Passwords should:
 - Be changed periodically (several times a year);
 - Not include personal information, such as a family member's or pet's name;
 - Have a minimum length of seven to eight characters;
 - Contain a combination of numbers, symbols, and upper/lower case letters; and
 - Not be used for multiple purposes (e.g., at home and work).
5. Through interviews, observation, and reviewing any applicable reports, determine if:
 - Access restrictions are being followed;
 - Passwords are not easily accessible;
 - Logging off and locking are occurring when they are supposed to; and
 - Computers are not being shared without the current user logging off and the new user logging on.
6. Correct any problems.

8.4 Analytical Review

Analytical review is a process of reviewing information about the municipal court's operations to identify any unusual or unexpected relationships, changes, or fluctuations. Analytical review can identify possible problem areas that might be missed using more traditional audit procedures. It is a way of looking at the big picture without getting lost in the details. For example, analytical review would look to see if the numbers, relationships of numbers, and results look like they should, and if they do not, try to determine why.

Steps

1. Determine what information, relationships, and time period(s) to include in the review. For example:
 - The time period to compare might be the current fiscal year-to-date with the same period last fiscal year;
 - Numbers to compare might be cases disposed, disposition rate, total collections, collections per case disposed, and estimated collection rate; and
 - Relationships to compare might be the ratio of the state traffic fine collections to the local traffic court cost collections and city revenue as a percent of total collections.

(Since the state traffic fine and local traffic court costs are charged in the same cases, the ratio should be consistent from period to period. A change could indicate improper assessments. Additionally, if city revenue as a percent of total collections is decreasing, it would be beneficial to determine why.)

2. Obtain the information.
3. Perform the review. If the numbers, relationships, or results are not what would be expected, find out why. For example,
 - If the ratio of state traffic fine collections to local traffic court cost collections is eight to one (8:1) there is probably a problem. The ratio should be approximately ten to one (10:1) since the state traffic fine is \$30 and the local traffic court cost is \$3 and they both apply on the same cases. Further investigation might reveal that there is a set of offenses that the state traffic fine is not being assessed when it should be.
 - If the percentage of city revenue to total collections is 60 percent compared to 70 percent for the same time period last fiscal year, there should be an explanation. It could be something as simple as the state adding new mandated court costs and total assessments for those offenses staying the same. In other words, the city fine amount is being reduced. Reducing the fine is something the judge(s) can do, but they may not be aware of what is happening.
4. Correct any problems that can be corrected.

8.5 Citations Docketed

It is important to make sure that all cases that are supposed to be set up are in fact set up. This may require the cooperation of the police department.

Steps

1. Obtain a complete listing of citations issued.
(How this listing is obtained will vary from city to city. In cities that use ticket writers, the court will have a list of citations. In some cities that do not use ticket writers, the police department maintains the ticket books and a complete listing of citations will have to be obtained from the police department. In other cities that do not use ticket writers, the court maintains the ticket books and will have a listing of citations issued.)

In courts that maintain and issue the ticket books, completed books should be received back from officers before they are issued a new one. All tickets must be accounted for, including "voids" and "warnings."

2. Select a sample of citations. Depending on how the citations are sequenced, try to make sure citations from each officer are included in the sample.
3. Trace the citations to the court docket. Verify the citations were entered. Verify the offenses entered are correct.
4. Correct any problems.

8.6 Hardcopy Receipts

Even if computer-generated receipts are used, hardcopy receipts are needed for those instances when the computer goes down. Using chronologically numbered and controlled receipts is a significant component of a sound system of receiving payments. All hardcopy receipts, both issued and unissued, need to be periodically accounted for. Additionally, the process for ordering and receiving the receipts needs to be sound.

Steps

1. Through observation and interviews, determine the process for ordering, receiving, distributing, and securing receipts.
2. Make sure the process includes the following:
 - Receipts are ordered centrally by the city (not by the municipal court);
 - When received by the court, receipts are counted, inspected, and signed for as to what is received;
 - When received by individual clerks, receipts are counted, inspected, and signed for as to what is received; and
 - All receipts (both assigned and unassigned) are kept secure at all times with accountability pinpointed.
3. Verify that the receipts display the name of the city and "Municipal Court." Generic receipts should not be used.
4. Verify that receipts are three-part receipts (one part for the person making the payment, one part for the court, and one part for the city auditor or city treasurer.)

(When a hardcopy receipt is issued because the computer is down or there is some other reason why a computer-generated receipt cannot be issued at the time of payment, most courts enter the payment on the computer later with a computer-generated receipt being issued then. In most cases like this the computer will generate two receipt copies. One copy should be attached to the court's copy of the hardcopy receipt issued to the defendant.)

5. Verify that a Hardcopy Receipt Log is being maintained, is up-to-date, and is correct.
6. Account for all receipts, both issued and unissued. There should be no gaps in the numbers.
7. Correct any problems.

8.7 Receipts General

Checking receipts to make sure they are correct is an integral part of a sound financial management system in municipal courts. All appropriate information must be included, the amounts must be correct, and the amounts must agree with what is shown on other records.

Steps

1. Using a cutoff of pre-numbered receipts at the end of the period of the last review and at the end of the current period under review, determine the number of receipts issued.
2. Select a sample of receipts to be examined. Consider a minimum of 25 receipts even if the population of receipts is small and the review period is a month. Consider a minimum of 50 receipts even if the population of receipts is small and the review period is a three-month period. *This is not a statistical sample like an external auditor would use.*

There are numerous ways to select the sample. An easy method is to divide the total population of receipts by the number of receipts needed in the sample and then select every “nth” (i.e., a specific number selected at random, such as 5, 10, 12, 25, etc.) receipt until the total number is received. For example, if there are 500 receipts in the population and a sample of 50 receipts is needed, select every 10th receipt starting with a random number, such as three. So the sample would be as follows: 3rd receipt, 13th receipt, 23rd receipt, 33rd receipt, etc.

Additionally, try to make sure the sample includes some receipts from each clerk.

3. Examine the receipts to determine if they contain the following:
 - Date;
 - Reference number (e.g., case number);
 - Who the money was received from;
 - Method of payment (e.g., cash, check, money order, credit card in person, telephone payment, internet payment);

- Indication of whether the payment is a full or partial payment;
 - Total amount received;
 - What the money was received for; and
 - Signature or initials of the individual who prepared the receipt.
4. Verify that any voided receipts are clearly marked "VOID" and all copies are accounted for.
 5. Examine the receipts to determine the math is correct.
 6. Examine the receipts to determine that court costs, fees, and fines are correct for the offenses and the date they occurred. Pay special attention to the following:
 - State traffic fines;
 - Time payment fees;
 - Safety seat system and safety belt offense fines;
 - Overweight offense (over 5,000 pounds) fines;
 - Excess highway fines;
 - Allocation and pro-ration; and
 - Deferred disposition cases.
 7. Examine the receipts to determine that court cost, fee, and fine amounts agree with the judgment.
 8. Examine the receipts to determine that court cost, fee, and fine amounts agree with the accounting records.
 9. Correct any problems.

8.8 Credits

Jail time and community service credits need to be applied correctly. Those who are supposed to receive credit should receive credit. Outstanding assessments that are to be satisfied by credits should not slip through the cracks. Additionally, the area of credits is subject to manipulation because payments can actually be received with the records reflecting that only credits were applied.

Steps

1. Identify cases where credits were applied. If there are a lot of cases with credits, select a sample.
2. Examine case documentation to determine:
 - Credits were properly authorized;

- Credits were actually earned (e.g., by looking at jail time credit forms from the jail);
 - Credit amounts were calculated properly;
 - Credits were properly applied to court costs, fees, and fines (i.e., to fines first and court costs and fees last); and
 - Payments were not received for any of the amounts shown as credits.
3. Identify cases where credits are shown as outstanding (e.g., community service is to be performed at a later date). If there are a lot of cases with outstanding credits, select a sample.
 4. Examine case documentation to determine:
 - Credit amounts are in fact outstanding; and
 - Payment was not received for any amount shown as outstanding.
 5. Correct any problems.

8.9 Confirmations

A good audit procedure often overlooked in municipal courts is doing confirmations. Confirmations are also a great deterrent to wrongdoing, especially if employees know they are being done. There are two basic types of confirmations – negative confirmations and positive confirmations.

Negative confirmations only require a response if the information trying to be confirmed is incorrect. For example, a confirmation letter sent to defendant Sam Speed might read:

Our records indicate you received deferred disposition for the offense of speeding (case number 06-1493) and paid the court a total of \$198.00 on May 3, 2006. If that is NOT CORRECT, please contact Rhonda Right at (512) 111-2222 or P.O. Box 3333, Hometown, Texas 44721.

Since negative confirmations require no response if the information is correct, no response is considered a good response. However, negative confirmations are generally only effective if a large percentage of the cases being audited is sent confirmations.

Positive confirmations require a response whether the information trying to be confirmed is correct or incorrect. For example a letter sent to defendant Sam Speed might read:

Our records indicate you received deferred disposition for the offense of speeding (case number 06-1493) and paid the court a total of \$198.00 on May 3, 2006. If that is CORRECT, please sign Part A below. If that is NOT

CORRECT, please sign Part B below and provide us the information according to your records.

After signing, please return this form to Rhonda Right at P.O. Box 3333, Hometown, Texas 44721. A postage-paid, self-addressed envelope is enclosed for your convenience. If you have any questions, please contact me at (512) 111-2222.

Confirmations should also be used to confirm cases shown as dismissed with no payment being made, cases shown as dismissed with only \$10.00 being paid, cases shown with part or all of the amount assessed being satisfied by credit (i.e. jail-time or community service), and cases showing amounts still due.

Positive confirmations are generally more appropriate for a municipal court to use for self review.

Steps

1. Determine the type and number of cases for possible review. For example, the number of cases could include all cases disposed during the review period and all cases outstanding at the end of the review period.
2. Select a sample(s) of cases for confirmation. If both disposed and outstanding cases are to be confirmed, two samples will be needed. *This is not a statistical sample like an external auditor would use.*

Use judgment to determine the size of the sample, but try to make sure the sample includes a mix of cases showing a payment being made, cases showing no payment being made, cases where a credit is indicated, and outstanding cases.

3. Prepare and mail the letters.
4. Receive responses. Consider a follow-up mailing if the response rate is too low.
5. Analyze responses. Investigate any discrepancies.
6. Correct any problems.

8.10 Surprise Cash Counts

Cash counts should be made on a surprise basis at irregular intervals. Often, but not always, a good time for a cash count is when the clerk(s) balances out at the end of the day.

Steps

1. Select the drawer(s) or fund(s) to be counted. If the office is small and there are only one, two, or three drawers/funds, try to count all of them. In larger offices with numerous cashiers, be random and irregular in the drawers/funds selected. For example, in a large court, if employee A's fund is counted in March, that employee should not feel that they could not be selected again for at least a year.
2. Count the cash in the drawer or fund. Use a cash count and reconciliation form to record your results. An example form is shown on Page 77. Never allow the custodian of the drawer/fund being counted to leave you alone with the cash during the count.
3. Using the receipts (or tapes or computer printout), add up how much should have been received, according to the receipts/tapes/printout. Enter the results on the form.
4. Enter on the form the amount of cash that should be in the drawer/fund for making change.
5. From the total monies counted, subtract the total receipts per the receipts/tapes/printout (Step 3), and the authorized change fund (Step 4).
6. The answer should be zero. If it is not, recheck the entries and math on the form. If they are correct, the problem is probably in the receipts. Find the problem.
7. Account for all the receipt numbers. Additionally, if manual, hardcopy receipts are used, examine the unused ones and make sure all that are supposed to be there are in fact there, in unbroken series.
8. Examine all receipts that are voided. All copies of the receipts should be there and should be marked "void."
9. Examine the fund for inappropriate items, such as IOU's, checks from city employees, or checks or money orders dated prior to the date they should be included in this day's transactions. Investigate any inappropriate items found.
10. Have the custodian sign the form.
11. If all the drawers/funds in the court were counted, trace the amount to the remittance to the treasurer or the deposit to the bank statement (when it arrives).
12. Correct any problems.

8.11 Bank Reconciliation Review

Procedures for a bank reconciliation, along with a sample format and example start on Page 107. Bank reconciliation is being included again here as a review procedure. Review and approval of bank reconciliations should be a standard operating procedure as recommended on Page 106.

Steps

1. Obtain the most recently completed bank reconciliation(s).
2. Determine if the reconciliation(s) was done timely. If possible, reconciliations should be done within three days of receipt.
3. Review the reconciliation(s). The procedure on Page 106 can be followed.
4. Investigate any unusual items (e.g., disbursements to unusual parties, unusual or suspicious endorsements, or signs of alteration).
5. Compare deposits made as shown by the bank statement with a specific day's receipts. Pay special attention to outstanding items and deposits in transit. Investigate anything unusual.
6. Correct any problems.

8.12 Flow and Composition of Funds

It is important to make sure that the amounts shown as daily receipts are the same amounts deposited/remitted and reflected in the accounting records and reports. In addition, the composition (i.e., how much is cash, how much is checks, how much is money orders, etc.) of deposits/remittances should be consistent with what is shown on the daily balancing out forms.

Steps

1. Obtain the daily balancing out forms and the deposit/remittance records for the review period.
2. Compare submitted deposit/remittance records with validated deposit/remittance records to make sure they are the same. Investigate any discrepancies.

3. Compare the balancing out forms with the deposit/remittance records for the same days to make sure they are the same. If the amounts should be different, reconcile the difference. Investigate any discrepancies.
4. Compare the composition shown on the balancing out forms with the composition shown on the deposit/remittance records to make sure they are the same. If the amounts should be different, reconcile the difference. Investigate any discrepancies.
5. Make sure the amounts shown on the balancing out forms and deposit/remittance records are accurately reflected in the accounting records and reports. Investigate any discrepancies.
6. Correct any problems.

8.13 Fraud Red Flags

Unfortunately, fraud does happen. In addition to the regular review procedures, an eye should be kept out for possible fraud. Employee fraud can seriously damage the court's and city's reputation. Be aware that inadequate internal control increases the likelihood of fraud. A whistleblower hotline that employees can use to report wrongdoing is a good deterrent and detection tool.

Steps

1. Keep an eye out for the following concerning court personnel:
 - Personal financial trouble;
 - Living beyond apparent means;
 - Drug, alcohol, gambling addictions;
 - Sloppy records;
 - Anxious, upset, edgy when questioned;
 - Wants to be in total control of financial records;
 - Discrepancies between procedures and operations;
 - Cannot find supporting documentation;
 - No, or very short, vacations;
 - Significant or unusual delays in providing requested documentation;
 - Excessive adjustments to records;
 - Employee or odd endorsements on checks received; and
 - Unexplained fluctuations in cash/collections.
2. If it appears that a possible fraud(s) may have occurred, notify appropriate people in the court/city.
3. Correct any problems.

13.6 Allocation and Proration

Code of Criminal Procedure, Article 103.0031 (*see Appendix B – Page 270*) provides that a city's governing body may enter into a contract with a private attorney or a public or private vendor for the provision of collection services for:

- (1) debts and accounts receivable such as unpaid fines, fees, court costs, forfeited bonds (excluding commercial bail bonds), and restitution ordered paid by:
 - (A) a court serving the city; or
 - (B) a hearing officer serving the city under Chapter 682, Transportation Code; and
- (2) amounts in cases in which the accused has failed to appear:
 - (A) as promised under Subchapter A, Chapter 543, Transportation Code, or other law;
 - (B) in compliance with a lawful written notice to appear issued under Article 14.06(b) or other law;
 - (C) in compliance with a lawful summons issued under Article 15.03(b) or other law;
 - (D) in compliance with a lawful order of a court serving the city; or
 - (E) as specified in a citation, summons, or other notice authorized by Section 682.002, Transportation Code, that charges the accused with a parking or stopping offense.

The city's governing body may authorize the addition of a collection fee in the amount of 30 percent on each of the items described in (1) and (2) above that is more than 60 days past due, and that has been referred for collection. However, the fee does not apply to a case that has been dismissed or to any amount that has been satisfied through jail credit or community service.

An item is considered more than 60 days past due if it remains unpaid on the 61st day after the following:

- with respect to items in (1) above, the date on which the debt, fine, fee, forfeited bond, or court cost must be paid in full as determined by the court or hearing officer; or
 - with respect to items in (2) above, the date by which the accused promised to appear or was notified, summoned, or ordered to appear.
- For cases described in (2) above, the 30 percent collection fee applies to:
- the amount to be paid that is communicated to the accused as acceptable to the court under its standard policy for resolution of the case, if the accused voluntarily agrees to pay that amount; or
 - the amount ordered paid by the court after plea or trial.

If the court of original jurisdiction determines the defendant is indigent, has insufficient resources or income, or is otherwise unable to pay all or part of the underlying fine or costs, then the defendant is not liable for the collection fees.

If a person pays an amount that is less than the aggregate total owed, the allocation to the comptroller, the city, and the private attorney or vendor is reduced proportionately.

Article 103.0031 also provides that the governing body of a city with a population of more than 1.9 million (i.e. the City of Houston) may authorize the addition of collection fees for a collection program performed by employees of the city.

The revisions made to Article 103.0031 by the 78th Legislature, Regular Session, in Senate Bill 782 were effective June 18, 2003. That bill provides that a city may enter into a contract for collection services for debts incurred as a result of offenses committed before June 18, 2003, but that the collection fee does not apply to those offenses.

Allocation and proration of court costs, fees, and fines collected by a private attorney or private vendor under a contract authorized by Code of Criminal Procedure, Article 103.0031, will be handled differently from the allocation and proration of all other collections of court costs, fees, and fines.

A. Amounts Collected in General (Not Under an Article 103.0031 Contract by a Private Attorney or Public or Private Vendor)

When the full amount of court costs, fees, and fine is paid at one time, allocating the payment among the various costs, fees, and fine is pretty straightforward. However, allocation can become more difficult when multiple payments are made on the same case. Cities must ensure that state court costs and

fees are reported and remitted properly. To do so, they must follow the *Allocation Rule*.

1. Allocation Rule

Allocate amounts to court costs and fees first (both state and local) and then to fines (*see Attorney General Opinion GA-147, 2004*). That opinion provides in part:

...allocate monies received from a defendant first to pay costs and then to pay a fine. If the monies received do not cover all of the costs, then the monies must be allocated to costs on a pro rata basis.

The Time Payment Fee is treated like other court costs and fees (e.g., consolidated court cost, jury reimbursement fee, judicial support fee, state traffic fine) when allocating and prorating. When the full amount owed by a defendant is not received, the Time Payment Fee takes precedence over fines and shares pro rata with other costs and fees.

2. Reporting and Remitting

State court costs and fees are reported and remitted on a calendar quarter basis (*see page 198*). If the full amount of costs and fees is paid at one time, reporting and remitting is fairly simple. They are reported and remitted on the report covering the calendar quarter during which they were collected. For example, court costs and fees collected in March would be reported on the first quarter report covering January through March.

Multiple payments present more of a challenge. Assuming total court costs and fees (excluding the Time Payment Fee) for a case is \$98.00, consider two examples. In example one, \$50.00 is received in February and \$50.00 is received in March. Since the amount received is enough to cover all the court costs and fees (and even part of the fine), the state court costs and fees would be reported on the first quarter report covering January through March.

In example two, \$50.00 is received in March and \$50.00 is received in April. In this example, the state's share of the \$50.00 received in March would be reported on the first quarter report covering January through March and the state's share of the \$50.00 received in April would be reported on the second quarter report covering April through June.

3. Common Mistakes

Some cities make mistakes that result in underpayments to the state, while others make mistakes that result in overpayments. Keep in mind that

underpayments (whether intentional or not), once detected, generally result in loss of the city's administrative fee.

Four common mistakes made by cities in allocating and prorating court costs and fees are:

- 1) allocating payments to the fine first and then to court costs and fees;
- 2) allocating payments to state court costs and fees first, local court costs and fees second, and then to the fine;
- 3) allocating payments pro rata among court costs, fees, and the fine; and
- 4) not remitting timely (frequently as the result of holding payments until the full amount of the court costs, fees, and fine is paid before reporting and remitting state court costs and fees).

For those cities that accept installment payments, one way to minimize the number of mistakes is to require that the first payment at least cover all court costs and fees. This makes it easy to know for which reporting period to report the costs/fees and prevents payments from having to be prorated.

4. Examples

Assume the defendant was convicted of Disorderly Conduct under Penal Code, Section 42.01, and judgment was entered on May 10. The offense occurred in 2006. The amount owed is:

- \$200.00 if the full amount is paid within 30 days after the date the judgment is entered (\$69.00 court costs and fees and \$131.00 fine).
- \$225.00 if any part is paid on or after the 31st day after the date the judgment is entered (\$94.00 court costs and fees, which includes the \$25.00 time payment fee, and \$131.00 fine).

Example 1 – Full Amount Paid in a Lump Sum – Upon Sentencing

Defendant pays the full amount of the court costs, fees, and fine, on May 10.

Allocation: \$69.00 to court costs and fees, \$131.00 to fine.

Reporting and Remitting: State court costs and fees are reported on the second quarter report covering the period April through June.

Example 2 – Full Amount Paid in a Lump Sum – At a Later Date

Defendant pays the full amount of the court costs, fees, and fine within 30 days, on June 8.

Allocation: \$69.00 to court costs and fees; \$131.00 to fine.

Reporting and Remitting: State court costs and fees are reported on the second quarter report covering the period April through June.

Example 3 – Full Amount Paid in Installments (All in the Same Quarter)

Defendant pays the full amount of the court costs, fees, and fine in two installments, \$112.50 on May 20 and \$112.50 on June 20. Since part of what is owed is paid on or after the 31st day after the date the judgment is entered, the \$25.00 Time Payment Fee is added.

Allocation:

May 20: \$112.50 received (\$69.00 applied to court costs and fees;
 \$43.50 applied to the fine).

June 20: \$112.50 received (\$25.00 applied to court costs and fees;
 \$87.50 applied to fine).

Reporting and Remitting: State court costs and fees are reported on the second quarter report covering the period April through June.

Example 4 – Full Amount Paid in Installments (In Different Quarters)

Defendant pays the full amount of the court costs, fees, and fine in six \$37.50 installments, on the tenth of each month, beginning June 10. Since part of what is owed is paid on or after the 31st day after the date the judgment is entered, the \$25.00 Time Payment Fee is added.

Allocation:

June 10: \$37.50 received (\$37.50 applied to court costs and fees;
 \$0.00 applied to fine).

July 10: \$37.50 received (\$37.50 applied to court costs and fees;
 \$0.00 applied to fine).

August 10: \$37.50 received (\$19.00 applied to court costs and fees;
 \$18.50 applied to fine).

September 10: \$37.50 received (applied to fine).

October 10: \$37.50 received (applied to fine).

November 10: \$37.50 received (applied to fine).

Reporting and Remitting: The part paid in June is reported on the second quarter report covering the period April through June and the part paid in July and August is reported on the third quarter report covering the period July through September.

The allocations would be determined as follows:

STATE CRIMINAL COSTS AND FEES – CITY QUARTERLY REPORT
FOR THE **SECOND QUARTER** – APRIL THROUGH JUNE

$$\frac{\text{amount collected}}{\text{total costs/fees}} = \text{percentage to apply to each cost/fee}$$

<u>37.50</u>	=	39.89% to each	
94.00		cost/fee	
39.89%	x	40.00 CCC	= 15.96
39.89%	x	4.00 JRF	= 1.60
39.89%	x	6.00 JSF	= 2.39
39.89%		2.00 IDF	= 0.80
39.89%	x	3.00 MCBS	= 1.20
39.89%	x	4.00 MCT	= 1.60
39.89%	x	5.00 JCM	= 1.99
39.89%	x	5.00 AF	= 1.99
39.89%	x	25.00 TPF	= 9.97
<u>39.89%</u>	<u>x</u>	<u>94.00</u>	<u>= 37.50</u>

STATE CRIMINAL COSTS AND FEES – CITY QUARTERLY REPORT
FOR THE **THIRD QUARTER** – JULY THROUGH SEPTEMBER

Simply take the total amount for each fee and subtract the amount previously reported as follows:

CCC	(40.00 – 15.96)	=	24.04
JRF	(4.00 – 1.60)	=	2.40
JSF	(6.00 – 2.39)	=	3.61
IDF	(2.00 – 0.80)	=	1.20
MCBS	(3.00 – 1.20)	=	1.80
MCT	(4.00 – 1.60)	=	2.40
JCM	(5.00 – 1.99)	=	3.01
AF	(5.00 – 1.99)	=	3.01
TPF	(25.00 – 9.97)	=	15.03
<u>Total</u>	<u>(94.00 – 37.50)</u>	<u>=</u>	<u>56.50</u>

Example 5 – Full Amount Not Paid – One Payment Made (Costs and Fees Satisfied)

The only payment ever made by the defendant is \$100.00 on May 10. Since no part of what is owed is paid on or after the 31st day after the date the judgment is entered, the Time Payment Fee is not added.

Allocation: \$69.00 to court costs and fees; \$31.00 to fine.

Reporting and Remitting: State court costs and fees are reported on the second quarter report covering the period April through June.

Example 6 – Full Amount Not Paid – One Payment Made (Costs and Fees Not Satisfied)

The only payment ever made by the defendant is \$25.00 on May 10. Since no part of what is owed is paid on or after the 31st day after the date the judgment is entered, the Time Payment Fee is not added.

Allocation: \$25.00 to court costs and fees; \$0.00 to fine.

Reporting and Remitting: State court costs and fees are reported on the second quarter report covering the period April through June.

Proration: Since the full amount of court costs and fees was not collected, prorate the \$25.00 among all the court costs and fees using the following formula:

$$\frac{\text{amount collected}}{\text{total costs/fees}} = \text{percentage to apply to each cost/fee}$$

$$\frac{25.00}{69.00} = 36.23\% \text{ to each cost/fee}$$

36.23%	x	40.00 CCC	=	14.49
36.23%	x	4.00 JRF	=	1.45
36.23%	x	6.00 JSF	=	2.17
36.23%		2.00 IDF	=	0.73
36.23%	x	3.00 MCBS	=	1.09
36.23%	x	4.00 MCT	=	1.45
36.23%	x	5.00 JCM	=	1.81
36.23%	x	5.00 AF	=	1.81
<u>36.23%</u>	<u>x</u>	<u>69.00</u>	<u>=</u>	<u>25.00</u>

Example 7 – Full Amount Not Paid – Multiple Payments Made (Costs and Fees Satisfied)

Defendant makes two installments, \$50.00 on May 15 and \$50.00 on June 15. Since part of what is owed is paid on or after the 31st day after the date the judgment is entered, the \$25.00 Time Payment Fee is added.

Allocation:

May 15: \$50.00 received (\$50.00 applied to court costs and fees; \$0.00 applied to fine).

June 15: \$50.00 received (\$44.00 applied to court costs and fees; \$6.00 applied to fine).

Reporting and Remitting: State court costs and fees are reported on the second quarter report covering the period April through June.

Example 8 – Full Amount Not Paid – Multiple Payments Made (Costs and Fees Not Satisfied)

Defendant makes two installments, \$30.00 on July 15 and \$30.00 on August 15. Since part of what is owed is paid on or after the 31st day after the date the judgment is entered, the \$25.00 Time Payment Fee is added.

Allocation:

July 15: \$30.00 received (\$30.00 applied to court costs and fees; \$0.00 to fine).

Aug. 15: \$30.00 received (\$30.00 applied to court costs and fees; \$0.00 to fine).

Reporting and Remitting: State court costs and fees are reported on the third quarter report covering the period July through September.

Proration: Since the full amount of court costs and fees was not collected, prorate the \$60.00 among all the court costs and fees using the following formula:

$$\frac{\text{amount collected}}{\text{total costs/fees}} = \text{percentage to apply to each cost/fee}$$

$$\frac{60.00}{94.00} = 63.83\% \text{ to each cost/fee}$$

63.83%	x	40.00 CCC	=	25.53
63.83%	x	4.00 JRF	=	2.55
63.83%	x	6.00 JSF	=	3.84
63.83%		2.00 IDF	=	1.28
63.83%	x	3.00 MCBS	=	1.91
63.83%	x	4.00 MCT	=	2.65
63.83%	x	5.00 JCM	=	3.19
63.83%	x	5.00 AF	=	3.19
63.83%	x	25.00 TPF	=	15.96
63.83%	x	94.00	=	60.00

Example 9 – Part Paid and Part Satisfied by Jail Time Credit

Defendant receives \$100.00 credit for two 24-hour periods spent in jail and pays \$100.00 on May 15.

Allocation: \$69.00 to court costs and fees; \$31.00 to fine.

Reporting and Remitting: State court costs and fees are reported on the second quarter report, covering the period April through June.

Example 10 – Full Amount Satisfied by Community Service

Defendant receives \$200.00 credit for four days community service at \$50.00 a day.

Allocation: \$0.00 to court costs and fees; \$0.00 to fine.

Reporting and Remitting: Not applicable – nothing to report.

B. Amounts Collected Under an Article 103.0031 Collection Contract by a Private Attorney or Private Vendor

As indicated previously, allocation and proration of amounts collected by a private attorney or private vendor under a contract authorized by Code of Criminal Procedure, Article 103.0031, should be handled differently from the allocation and proration of other collections.

1. Allocation Requirement

If a person pays an amount that is less than the aggregate total owed (including the collection fee), allocations are reduced. The private attorney or vendor receives a proportionate share, and the comptroller and the city receive a proportionate share. Court costs and fees are satisfied first from the comptroller's and city's proportionate share.

2. Examples

Assume the defendant was convicted of a speeding offense under Transportation Code, Section 545.352. The offense occurred in March 2006. The city council has entered into a contract with a private vendor in which the collection rate is 30 percent and the amount owed is over 60 days past due. The total amount owed by the defendant is:

Court costs and fees:	
- consolidated court cost (fee)	\$40.00
- jury reimbursement fee	4.00
- judicial support fee	6.00
- indigent defense fee	2.00
- state traffic fine	30.00
- traffic	3.00
- municipal court building security	3.00
- municipal court technology	4.00
- juvenile case manager court cost	5.00
- arrest fee	5.00
- warrant fee	50.00
- time payment fee	<u>25.00</u>
Court costs and fees	177.00
Fine	<u>120.00</u>
Subtotal	297.00
Collection fee (\$293.00 x 30%)	<u>89.10</u>
Total	<u>\$386.10</u>

Example 1: A total of \$300.00 is received by the city.

Since the full amount of court costs and fees, fine, and collection fee was not received, first determine the amount to allocate to the collection fee, as follows:

$$\frac{\text{amount collected}}{\text{total amount due}} = \text{percentage to apply to the collection fee}$$

$$\frac{300.00}{386.10} = 77.70\%$$

Amount allocated to the collection fee:

Total collection fee	\$89.10
Multiply by	x .7770
Amount allocated to the collection fee	<u>\$69.23</u>

Since the amount left after allocation to the collection fee is enough to cover all the court costs and fees, they are satisfied in full, and the balance is applied to the fine, as follows:

Total received	\$300.00
Less the amount allocated to the collection fee	- <u>69.23</u>

Amount left	230.77
Less the amount allocated to the court costs and fees	- <u>177.00</u>
Amount applied to the fine	<u>\$53.77</u>

Example 2: A total of \$125.00 is received by the city.

Since the full amount of the court costs and fees, fine, and collection fee was not received, first determine the amount to allocate to the collection fee, as follows:

$$\frac{\text{amount collected}}{\text{total amount due}} = \text{percentage to apply to the collection fee}$$

$$\frac{125.00}{386.10} = 32.38\%$$

Amount allocated to the collection fee:

Total collection fee	\$89.10
Multiply by	x .3238
Amount allocated to the collection fee	<u>\$28.85</u>

Since the amount left after allocation to the collection fee is not enough to cover all the court costs and fees, prorate the amount left among all the court costs and fees as follows:

Total received	\$125.00
Less the amount allocated to the collection fee	- <u>28.85</u>
Amount left	<u>\$96.15</u>

$$\frac{\text{amount left}}{\text{total costs and fees}} = \text{percentage to apply to each cost and fee}$$

$$\frac{96.15}{177.00} = 54.32\%$$

54.32%	x	40.00 CCC	=	21.72
54.32%	x	4.00 JRF	=	2.17
54.32%	x	6.00 JSF	=	3.26
54.32%		2.00 IDF	=	1.09
54.32%	x	30.00 STF	=	16.30
54.32%	x	3.00 TFC	=	1.63
54.32%	x	3.00 MCBS	=	1.63
54.32%	x	4.00 MCT	=	2.17
54.32%	x	5.00 JCM	=	2.72
54.32%	x	5.00 AF	=	2.72
54.32%	x	50.00 WF	=	27.16
54.32%	x	25.00 TPF	=	13.58
54.32%	x	177.00	=	<u>96.15</u>

13.7 Accounting, Reporting, and Remitting

Accounting, reporting, and remitting requirements are based on state law and sound financial administration.

A. In the Municipal Court

State court costs and fees are required by law to be accounted for separately. Most state court cost and fee laws have a provision exactly like or very similar to the following:

Consolidated Court Cost

Local Government Code, Section 133.054

(a) An officer or clerk collecting a fee shall keep a record of the money collected.

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State Traffic Fine

Transportation Code, Section 542.4031

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(b) An officer collecting a state traffic fine under this section in a case in municipal court shall keep separate records of the money collected and shall deposit the money in the municipal treasury.

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Local court costs and fees should also be accounted for separately. For some costs and fees, separate accounting is required by law, such as with the municipal court building security fee. For this fee, the law requires a separate "fund." A separate fund simply means a self-balancing set of accounts. In other words, the Municipal Court Building Security Fund has its own assets, liabilities, and equity accounts just like the city's General Fund. Although the law requires a separate fund, it does not require a separate bank account.

Municipal Court Building Security Fee

Code of Criminal Procedure, Article 102.017

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(d) Except as provided by Subsection (d-2), the clerks of the respective courts shall collect the costs and pay them to the county or municipal treasurer, as appropriate, or to any other official who discharges the duties commonly delegated to the county or municipal treasurer, as appropriate, for deposit in a fund to be known as the courthouse security fund or a fund to be known as the municipal court building security fund, as appropriate. Money deposited in a courthouse security fund may be used only for security personnel, services, and items related to building security fund may be used only for security personnel, services, and items related to building that house the operations of district, county, or just courts, and money deposited in a municipal court building security fund may be used only for security personnel, services, and items related to buildings that house the operations of municipal courts. For purposes of this subsection, operations of a district, county, or justice court include the activities of associate judges, masters, magistrates, referees, hearing officers, criminal law magistrate court judges, and masters in chancery appointed under... .

(d-1) For purposes of this article, the term “security personnel, services, and items” includes:

- (1) the purchase or repair of X-ray machines and conveying systems;
- (2) handheld metal detectors;
- (3) walkthrough metal detectors;
- (4) identification cards and systems;
- (5) electronic locking and surveillance equipment;
- (6) bailiffs, deputy sheriffs, deputy constables, or contract security personnel during times when they are providing appropriate security services;
- (7) signage;
- (8) confiscated weapon inventory and tracking systems;
- (9) locks, chains, alarms, or similar security devices;
- (10) the purchase or repair of bullet-proof glass; and
- (11) continuing education on security issues for court personnel and security personnel.

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For other costs and fees, even though not required by law, sound financial administration requires separate accounting. Consider the \$3 court cost for traffic offenses.

Additional Court Cost – Traffic Offense

Transportation Code, Section 542.403(b)

The officer who collects a cost under this section shall:

- (1) deposit in the municipal treasury a cost collected in a municipal court case;

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For a cost such as this, sound financial administration requires separate accounting to determine possible budgetary impact. For example, if the Legislature decided to increase the cost from \$3 to \$5, separate accounting for the cost in the past would provide a basis for determining how much additional revenue to budget as a result of the increase. Separate accounting for a cost like this normally just means the ability to track the receipts – not to maintain a separate fund.

There should be a good audit trail for all monies received. The bookkeeping system used by the court, whether manual or automated, should show the following for each cost/fee:

- date received;
- amount received;
- from whom received;
- number of the receipt issued;
- when remitted; and
- to whom remitted.

If the court uses a manual bookkeeping system, one easy way to account for the costs and fees is to have a separate column for each cost/fee. For example, a receipts journal may be set up as follows:

- column 1: date received;
- column 2: from whom received;
- column 3: receipt number;
- column 4: total amount received; and
- columns 5, 6, 7, etc. (as many as are needed): individual columns for each cost/fee and other amounts that need to be accounted for separately

In cases where the amount owed is satisfied by jail time or community service credit, there should be supporting documentation. For example, community service credit should be supported by documentation authorizing the service (signed by the judge) and documentation showing that the work was actually done (signed by an appropriate individual with the organization for which the community service work was done).

Most municipal courts remit money to the city treasurer on a daily basis and do not maintain a bank account. A report should accompany the remittance showing exactly what the amount is comprised of. In other words, how much is turned in for each individual court cost/fee, how much is for fines, etc. A receipt should always be obtained for the amount remitted.

If the municipal court does maintain a bank account, amounts collected should be remitted to the city treasurer on a consistent basis in accordance with city policy. Here again, a report showing exactly what the amount is comprised of should accompany the remittance and a receipt should be obtained. A separate bank account is not required for state court costs and fees. In addition, state court costs and fees can be put in an interest-bearing account.

B. In the City Treasury

State court costs and fees are also required to be accounted for separately in the municipal treasury. Most state court cost and fee laws have a provision exactly like or very similar to the following:

Consolidated Court Cost

Local Government Code, Section 133.054

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(b) The treasurer shall keep a record of the money collected and on deposit in the treasury.

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State Traffic Fine

Transportation Code, Section 542.4031

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(e) The custodian of money in a municipal or county treasury may deposit money collected under this section in an interest-bearing account. The custodian shall:

(1) keep records of the amount of money collected under this section that is on deposit in the treasury; and

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Some local fees are required by law to be accounted for separately in the city treasury. As indicated previously, the municipal court building security fee must go into a separate fund (self-balancing set of accounts).

Municipal Court Building Security Fee

Code of Criminal Procedure, Article 102.017

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(d) Except as provided by Subsection (d-1), the clerks of the respective courts shall collect the costs and pay them to the county or municipal treasurer, as appropriate, or to any other official who discharges the duties commonly delegated to the county or municipal treasurer, as appropriate, for deposit in a fund to be known as the courthouse security fund or a fund to be known as the municipal court building security fund, as appropriate. A fund designated by this subsection may be used only to finance

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Court costs for child safety also have to be accounted for separately. If a city's population exceeds 850,000 according to the most recent federal decennial census, a separate fund is required. If a city's population is less than 850,000, separate accounting is still required, but a separate fund does not have to be used.

Court Costs for Child Safety

Code of Criminal Procedure, Article 102.014

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(f) In a municipality with a population greater than 850,000 according to the most recent federal decennial census, the officer collecting the costs in a municipal court case shall deposit money collected under this article in the municipal child safety trust **fund** established as required by Chapter 106, Local Government Code.

(g) In a municipality with a population less than 850,000 according to the most recent federal decennial census, the money collected under this article in a municipal court case must be used for a school crossing guard program if the municipality operates one. If the municipality does not operate a school crossing guard program or if the money received from municipal court cases exceeds the amount necessary to fund the school crossing guard program, the municipality may either deposit the additional money in an interest-bearing account or expend it for programs designed to enhance child safety, health, or nutrition, including child abuse prevention and intervention and drug and alcohol abuse prevention.

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Just like in the court, there must be a good audit trail in the treasury. The bookkeeping system used by the treasury, whether manual or automated, should show the following for each court cost/fee:

- date received;
- amount received;
- from whom received;
- number of the receipt issued;
- the period the funds received cover;
- when remitted;
- amount remitted; and
- to whom remitted.

A separate fund or bank account for state court costs and fees is not required in the treasury. Additionally, the bank account used can be interest-bearing.

Amounts due the state should be recorded as liabilities, rather than revenues. This is true whether the amounts are recorded in the general fund or some other fund.

Perhaps the best way to account for court costs and fees in the city treasurer's office is by using an agency fund. An agency fund is a self-balancing set of accounts used to account for assets held by a governmental unit as an agent for individuals, private organizations, other governmental units, and/or other funds. In this situation, the assets are held for another government (the state) and another fund (the general fund). When amounts are remitted to the state, the city's share (administrative fee) is transferred to the general fund. Purely local court costs and fees can go directly to the appropriate fund or through the agency fund.

The treasurer's office should always give a receipt when money is remitted.

C. To the State Comptroller

Cities are responsible for reporting on and remitting state court costs and fees. Most state court cost and fee laws have a provision exactly like or very similar to the following:

<i>Consolidated Court Cost (Fee)</i>

Local Government Code, Section 133.056

(a) On the last day of the month following a calendar quarter, the treasurer shall report the criminal fees collected for the preceding calendar quarter.

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Consolidated Court Cost

Local Government Code, Section 133.058

(a) Except as otherwise provided by this section, a municipality or county may retain 10 percent of the money collected from fees as a service fee for the collection if the municipality or county remits the remainder of the fees to the comptroller within the period prescribed by Section 133.055(a).

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State Traffic Fine

Transportation Code, Section 542.4031

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(e) The custodian of money in a municipal or county treasury may deposit money collected under this section in an interest-bearing account. The custodian shall:

- (1) keep records of the amount of money collected under this section that is on deposit in the treasury; and
- (2) not later than the last day of the month following each calendar quarter, remit to the comptroller money collected under this section during the preceding quarter, as required by the comptroller.

(f) A municipality or county may retain five percent of the money collected under this section as a service fee for the collection if the municipality or county remits the funds to the comptroller within the period prescribed in Subsection (e). The municipality or county may retain any interest accrued on the money if the custodian of the money deposited in the treasury keeps records of the amount of money collected under this section that is on deposit in the treasury and remits the funds to the comptroller within the period prescribed in Subsection (e).

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There are four reports for reporting state court costs, fees, and fines:

- State Criminal Costs and Fees – City Quarterly Report;
- Excess Highway Fines;
- Texas Excess Motor Carrier Fines; and
- Child Safety Seat and Seat Belt Violation Fines.

1. STATE CRIMINAL COSTS AND FEES – CITY QUARTERLY REPORT

State court costs and fees are reported on this report. Reports are due by the last day of the month following each calendar quarter.

<u>Quarter</u>	<u>Period Covered</u>	<u>Report Due By</u>
First	January – March	April 30
Second	April – June	July 31
Third	July – September	October 31
Fourth	October – December	January 31

The reporting cycle is **sometimes** altered during legislative years because of changes effective September 1. When that happens, reporting quarters are normally:

<u>Quarter</u>	<u>Period Covered</u>	<u>Report Due By</u>
First	January – March	April 30
Second	April – June	July 31
Third	July – August	October 31
Fourth	September – December	January 31

The Comptroller always notifies cities when a reporting change is going to take place.

The report form is mailed to each city before the end of each quarter – a little more than a month before it is due. The following pre-printed information is on the form:

- city identification number;
- city name and mailing address;
- due date of the report; and
- the period the report covers.

EXAMPLE

Anycity, Texas is preparing the quarterly report for the second calendar quarter of 2006 (April – June). During that period, the municipal court collected the following state court cost, fee, and fine amounts:

State traffic fines	\$4,500.00
Peace officer fees	100.00
Failure to appear/pay fees	1,200.00
Motor carrier weight violations	1,800.00
Time payment fees	1,400.00
Jury reimbursement fees	800.00

TEXAS MUNICIPAL COURTS FINANCIAL MANAGEMENT HANDBOOK

Judicial support fees	720.00
Driving record fees	0.00
Other state court costs and fees:	
For offenses committed 1/1/04 forward	16,000.00
For offenses committed 9/1/01 through 12/31/03	500.00
For offenses committed 8/31/99 through 8/31/01	0.00
For offenses committed 9/1/97 through 8/30/99	0.00
For offenses committed 9/1/95 through 8/31/97	0.00
For offenses committed 9/1/91 through 8/31/95	0.00
Total	<u>\$27,020.00</u>

The Report Form

(Note: At the printing of this book, the Comptroller has not yet revised this form. You can check the Comptroller's website for the most up-to-date form: www.state.tx.us.)

The part of the form where the amounts are reported looks similar to the following:

	Column 1	Column 2	Column 3
Description	TOTAL COLLECTED	SERVICE FEE	AMOUNT DUE STATE
SEE BACK FOR INSTRUCTIONS	(State court costs only)	(See Instructions)	(Col. 1 minus Col. 2)

Section I: Reports for offenses committed:

1.	01-01-04 Forward	_____	1.	_____
2.	09-01-01 --- 12-31-03	_____	2.	_____
3.	08-31-99 --- 08-31-01	_____	3.	_____
4.	09-01-97 --- 08-30-99	_____	4.	_____
5.	09-01-95 --- 08-31-97	_____	5.	_____
6.	09-01-91 --- 08-31-95	_____	6.	_____
7.	Jury Reimbursement Fee (JRF)	_____	7.	_____
8.	State Traffic Fine (STF)	_____	8.	_____

Section II: As applicable:

9.	Peace Officer Fees (Report 20% of fees from actions by state officers only)	9.	_____
10.	Failure to Appear/Pay Fees (FTA) (Report \$20 of the administrative fee)	10.	_____
11.	Motor Carrier Weight Violation (MCW) (Report 50% of the fines collected)	11.	_____
12.	Time Payment Fees (TP) (Report 50% of the \$25 fee)	12.	_____
13.	Driving Records Fee (DRF) (Report 100% of fees collected)	13.	_____
14.	Judicial Support Fee (JSF)	14.	_____
15.	TOTAL DUE FOR THIS PERIOD (Total of Items 1 - 14 in column 3)	15.	_____
16.	TOTAL AMOUNT DUE AND PAYABLE (Same as Item 15)	16.	_____

INSTRUCTIONS FOR COMPLETING STATE CRIMINAL COSTS AND FEES REPORT

This report must be filed by the due date even if no payment is due.
An amount or a zero (0) must be entered on all lines for columns 1 and 3.

Column 2 – A service fee may be taken **only** when the payment is postmarked by the due date. A ten (10) percent service fee applies to items 1 – 7. A five (5) percent service fee applies to item 8 – State Traffic Fine.

Section 1 (Items 1–6) – Report in a “lump sum” amount the total court costs collected, based on the date of the offense. Collections will be distributed to the various court costs in effect during each of these periods, based on historical data for that specific time period. *Note: Peace Officer fees, FTA, and Time Payment fees should be reported where indicated.*

Item 7 – Jury Reimbursement Fee (JRF) – A \$4 court cost assessed on convictions of all offenses except pedestrian or parking of a motor vehicle (Code of Criminal Procedure, Article 102.0045, effective September 1, 2005).

Item 8 – State Traffic Fine (STF) – A \$30 court cost shall be assessed on the conviction of any offense under Transportation Code, Title 7, Subtitle C “Rules of the Road” (Transportation Code, Section 542.4031). *Note: State parking and pedestrian violations are included. A five (5) percent service fee is allowed on this fine.*

Section II: As applicable

Item 9 – Peace Officer Fees – Report 20 percent for actions by state officers only (Code of Criminal Procedure, Article 102.011).

Item 10 – Failure to Appear/Pay Fee (FTA) – A \$30 administrative fee shall be assessed on a failure to appear or satisfy a judgment for certain violations (Transportation Code, Section 706.006) only if a city has contracted with the Department of Public Safety. Two-thirds (\$20) is sent to the state. One-third (\$10) is retained locally.

Item 11 – Motor Carrier Weight Violations (MCW) – Remit 50 percent of the fines collected on certain violations of Transportation Code, Section 621.506. Only the fines for Over Allowed Gross Weight single axle, tandem axle, or gross weight and Over Allowed Gross Weight-Zoned violations should be reported. For offenses committed on or after September 1, 1999, which occurred within 20 miles of an international border, the entire fine shall be deposited in the municipal treasury for the purpose of road maintenance.

Item 12 – Time Payment Fees (TP) – Report 50 percent of any portion of the \$25 fee collected from a person who pays any part of a fine, court costs, or restitution on or after the 31st day after the date on which a judgment is entered assessing the fine, court costs, or restitution (Local Government Code, Section 133.103).

Item 13 – Driving Records Fee (DRF) – A \$10 fee assessed by the judge when he orders a driving record from DPS for deferred adjudication cases (Code of Criminal Procedure, Article 45.0511(c-1), effective January 1, 2006).

Item 14 – Judicial Support Fee (JSF) – A \$4 court cost assessed on convictions of all offenses except pedestrian or parking of a motor vehicle. Local jurisdiction retains \$.60 of each fee and remits \$3.40 to the state (Local Government Code, Section 133.105, effective December 1, 2005).

Completing the report with the amounts used in the example would result in the following:

TEXAS MUNICIPAL COURTS FINANCIAL MANAGEMENT HANDBOOK

Description	Column 1 TOTAL COLLECTED (State court costs only)	Column 2 SERVICE FEE (See Instructions)	Column 3 AMOUNT DUE STATE (Col. 1 minus Col. 2)
<u>SEE BACK FOR INSTRUCTIONS</u>			

Section I: Reports for offenses committed:

1.	01-01-04 Forward	16,000.00	1,600.00	1.	14,400.00
2.	09-01-01 --- 12-31-03	500.00	50.00	2.	450.00
3.	08-31-99 --- 08-31-01	0.00	0.00	3.	0.00
4.	09-01-97 --- 08-30-99	0.00	0.00	4.	0.00
5.	09-01-95 --- 08-31-97	0.00	0.00	5.	0.00
6.	09-01-91 --- 08-31-95	0.00	0.00	6.	0.00
7.	Jury Reimbursement Fee (JRF)	800.00	80.00	7.	720.00
8.	State Traffic Fine (STF)	4,500.00	225.00	8.	4,275.00

Section II: As applicable:

9.	Peace Officer Fees (Report 20% of fees from actions by state officers only)		9.	20.00
10.	Failure to Appear/Pay Fees (FTA) (Report \$20 of the administrative fee)		10.	800.00
11.	Motor Carrier Weight Violation (MCW) (Report 50% of the fines collected)		11.	900.00
12.	Time Payment Fees (TP) (Report 50% of the \$25 fee)		12.	700.00
13.	Driving Record Fees (Report 100% of the fees collected)		13.	0.00
14.	Judicial Support Fees		14.	612.00
15.	TOTAL DUE FOR THIS PERIOD (Total of Items 1 – 14 in column 3)		15.	22,877.00
16.	TOTAL AMOUNT DUE AND PAYABLE (Same as Item 15)		13.	22,877.00

If the amount remitted is less than what is reported, the amount remitted is allocated based on reported amounts. Cities should consider timely reporting and remitting a priority so the service fee can be retained.

2. EXCESS HIGHWAY FINES

Excess highway fines are reported quarterly. Reports and remittances are due by the last day of the month following each calendar quarter. However, a report is not required to be filed until money is due. For example, if money first becomes due in May, it would be included on the second quarter report covering April through June and be due by the end of July. Once a year, usually in the spring, the Comptroller mails cities four blank report forms.

EXAMPLE

Assume the same example information given in the discussion of excess highway fines and special expenses in Chapter 2 of this manual (*see pages 152 through 155*) as follows:

Any city's fiscal year 2007 runs from October 1, 2006 through September 30, 2007; Total revenue for fiscal year 2006 was \$600,000. Federal funds and bond proceeds for fiscal year 2006 totaled \$100,000. Any city receives \$13,000 per month from Title 7 fines and special expenses in fiscal year 2006. Fines and special expenses are \$100 per case.

The Report Form

The part of the form where the amounts are reported looks similar to the following:

- | | |
|--|----------|
| 1. Total revenue less federal funds and bond proceeds from previous fiscal year
(Taken from audit required by Section 103.001, Local Government Code) | 1. _____ |
| 2. Multiply amount in item 1 by .30 (30%) | 2. _____ |
| 3. Enter the total amount of highway fines and special expenses collected this fiscal year (See definitions and instructions for Item 3) | 3. _____ |
| 4. Enter amount exceeded (Item 3 minus Item 2) | 4. _____ |
| 5. Multiply the total number of convictions by \$1.00 for all highway fines and special expenses collected after the 30% cap is reached | 5. _____ |
| 6. Excess highway fines and special expenses due the state (Item 4 minus Item 5) | 6. _____ |
| 7. Deduct the amounts on Items 5 and 8 from prior reports submitted this fiscal year. Enter zero if this is the first report filed this year | 7. _____ |
| 8. Excess highway fines and special expenses due this quarter (Item 6 minus Item 7) | 8. _____ |
| 9. TOTAL AMOUNT DUE AND PAYABLE (Same as item 8) | 9. _____ |

INSTRUCTIONS FOR REPORTING EXCESS HIGHWAY FINES AND SPECIAL EXPENSES

Item 3 - Highway fines – fines collected for offenses under V.T.C.A., Transportation Code, Title 7, Vehicles and Traffic

Special expenses – special expenses collected under Vernon's Ann.C.C.P. art. 45.051/45.0511, for offenses under V.T.C.A., Transportation Code, Title 7 – Vehicles and Traffic.

Note: Please include special expenses in calculating your city's total highway fines collected.

If Item 3 is LESS THAN Item 2, this report is not yet required to be filed.

If Item 3 is GREATER THAN Item 2, please complete the report and remit the amount due and payable on line 9.

NOTE: A financial statement must be filed when your city's current highway fines and special expenses reach 20 percent of your revenue less federal funds and bond proceeds. The financial statements and notification must be filed within 120 days of the end of your fiscal year.

Completing the report with the amounts used in the example would result in the following third quarter report (July – September 2005), due by the end of October.

1.	Total revenue less federal funds and bond proceeds from previous fiscal year (Taken from audit required by Section 103.001, Local Government Code)	1,500,000.00
2.	Multiply amount in item 1 by .30 (30%)	2,150,000.00
3.	Enter the total amount of highway fines and special expenses collected this fiscal year (See definitions and instructions for Item 3)	3,156,000.00
4.	Enter amount exceeded (Item 3 minus Item 2)	4, 6,000.00
5.	Multiply the total number of convictions by \$1.00 for all highway fines and special expenses collected after the 30% cap is reached	5, 60.00
6.	Excess highway fines and special expenses due the state (Item 4 minus Item 5)	6, 5,940.00
7.	Deduct the amounts on Items 5 and 8 from prior reports submitted this fiscal year. Enter zero if this is the first report filed this year	7, 0.00
8.	Excess highway fines and special expenses due this quarter (Item 6 minus Item 7)	8, 5,940.00
9.	TOTAL AMOUNT DUE AND PAYABLE (Same as item 8)	9, 5,940.00

3. TEXAS EXCESS MOTOR CARRIER FINES

Excess motor carrier fines are reported quarterly. Reports and remittances are due by the last day of the month following each calendar quarter. However, a report is not required to be filed until money is due. For example, if money first becomes due in October, it would be included on the fourth quarter report covering October through December and would be due by the end of January. Once a year, usually in the spring, the Comptroller mails cities four blank report forms.

EXAMPLE

Assume similar example information to that given in the discussion of excess motor carrier fines in Chapter 2 of this manual (see pages 155 through 157) as follows:

Anycity's fiscal year runs from July 1 through June 30. During fiscal year 2005 (7/1/04 – 6/30/05), the city's total expenses to enforce motor carrier violations were \$85,000.00. During fiscal year 2006 (7/1/06 – 6/30/07), fines from enforcement reached \$99,600.00. Fines passed the 110 percent amount in June 2007.

The Report Form

The part of the report form where the amounts are reported looks similar to the following:

- | | | | |
|----|---|----|-------|
| 1. | Total expenses to enforce motor carrier violations from previous fiscal year
(Taken from audit required by Local Government Code) | 1. | _____ |
| 2. | Multiply amount on Item 1 by 1.10 (110%) | 2. | _____ |
| 3. | Total motor carrier fines collected this fiscal year
(If Item 3 is greater than Item 2, then please complete this report and remit the amount on Item 7) | 3. | _____ |
| 4. | Enter amount exceeded (Item 3 minus Item 2) | 4. | _____ |
| 5. | Enter the total amount on Item 7 from prior reports submitted this fiscal year
Enter zero if this is the first report filed this fiscal year | 5. | _____ |
| 6. | Excess motor carrier fines due this quarter (Item 4 minus item 5) | 6. | _____ |
| 7. | TOTAL AMOUNT DUE AND PAYABLE (Same as item 6) | 7. | _____ |

Completing the report with the amounts used in the example would result in the following for the second quarter report (April – June 2007), due by the end of July.

- | | | | |
|----|---|----|-----------|
| 1. | Total expenses to enforce motor carrier violations from previous fiscal year
(Taken from audit required by Local Government Code) | 1. | 85,000.00 |
| 2. | Multiply amount on Item 1 by 1.10 (110%) | 2. | 93,500.00 |
| 3. | Total motor carrier fines collected this fiscal year
(If Item 3 is greater than Item 2, then please complete this report and remit the amount on Item 7) | 3. | 99,600.00 |
| 4. | Enter amount exceeded (Item 3 minus Item 2) | 4. | 6,100.00 |
| 5. | Enter the total amount on Item 7 from prior reports submitted this fiscal year
Enter zero if this is the first report filed this fiscal year | 5. | 0.00 |
| 6. | Excess motor carrier fines due this quarter (Item 4 minus item 5) | 6. | 6,100.00 |
| 7. | TOTAL AMOUNT DUE AND PAYABLE (Same as item 6) | 7. | 6,100.00 |

4. CHILD SAFETY SEAT AND SEAT BELT VIOLATION FINES

Child passenger safety system and safety belt fines are reported annually. Reports and remittances are due by the last day of the month following the end of the city's fiscal year.

The report form is mailed to each city before it is due. The following pre-printed information is on the form:

- city identification number;
- city name and mailing address;
- due date of the report; and
- the period the report covers.

EXAMPLE

Assume similar example information to that given in the discussion of child safety seat and seat belt violation fines in Chapter 2 of this manual (*see page 150-151*) as follows:

Anycity's fiscal year 2007 runs from October 1, 2005 through September 30, 2007. Total fines collected by Anycity during fiscal year 2007 for Transportation Code, Sections 545.412 and 545.413(b) offenses totaled \$32,000.

The Report Form

The part of the form where the amounts are reported looks similar to the following:

- | | | | |
|----|---|----|-------|
| 1. | Total Amount of Fines Collected | 1. | _____ |
| 2. | Total Amount of Fines Due the State (<i>Multiply Item 1 by 50%</i>) | 2. | _____ |
| 3. | Total Amount of Payment (<i>Same as Item 2</i>) | 3. | _____ |

Completing the report with the amount used in the example would result in the following:

- | | | | |
|----|---|----|--------|
| 1. | Total Amount of Fines Collected | 1. | 32,000 |
| 2. | Total Amount of Fines Due the State (<i>Multiply Item 1 by 50%</i>) | 2. | 16,000 |
| 3. | Total Amount of Payment (<i>Same as Item 2</i>) | 3. | 16,000 |

D. Remitting Electronically

Some cities are required to remit court costs and fees to the state electronically. If \$100,000 or more in court costs and fees is remitted to the Comptroller in a state fiscal year (September through August), payments must be made by electronic funds transfer in the following calendar year.

Government Code, Section 404.095

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(b) If during the preceding state fiscal year a person paid a state agency a total of \$500,000 or more in a category of payments and the agency reasonably anticipates that during the current state fiscal year the person will pay the agency \$500,000 or more in a category of payments, the state agency shall require the person to transfer payment amounts due to the agency in that category, on or before the date the payment is due, by one of the means of electronic funds transfer approved by the treasurer. For the purposes of this section, each of the following is a separate category of payments to a state agency:

(1) fees:

-
-
-

(c) A state agency by rule may require a person other than a person subject to Subsection (b) to transfer all payment amounts due in a category of payments to the agency on or before the date the payment is due by electronic funds transfer.

-
-
-

Texas Administrative Code

Title 34, Public Finance

Part I. Comptroller of Public Accounts

Chapter 3. Tax Administration

Subchapter A. General Rules

§3.9 Electronic Filing of Returns and Reports; Electronic Transfer of Certain Payments by Certain Taxpayers

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-
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(b) Electronic transfer of certain payments by certain taxpayers.

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-
-

(2) For payments that are due on or after January 1, 2002, the comptroller, pursuant to Tax Code §111.0625, shall require taxpayers who have paid the comptroller a total of \$100,000 or more in a single category of payments or taxes during the preceding state fiscal year to transfer all payment amounts in that category of payments or taxes to the comptroller by means of electronic funds transfer.

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-
-

(e) Notification of affected persons. The comptroller shall notify taxpayers who are affected by this section no less than 60 days before the first required electronic transmittal of report data or payment.

(f) A taxpayer who is required to electronically file report data may submit a written request to the comptroller for a waiver of the requirement.

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Approximately 200 cities remit state court costs and fees electronically. Some cities not required by law or administrative rule voluntarily remit electronically.

Even though remitting can be done electronically, reporting is still done manually.

Call the Comptroller for details and forms, at toll-free 1-800-531-5441, extension 33630.

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Appendix C
Internal Control Checklist

(This checklist was adapted from *City and County Financial Management Systems* – a Texas Comptroller of Public Accounts publication.)

	<u>Yes</u>	<u>No</u>	<u>NA</u>	<u>Comments</u>
<u>Procedures Manual</u>				
1. Is there a procedures manual for the office?	_____	_____	_____	_____
2. Does the manual cover all duties and responsibilities?	_____	_____	_____	_____
3. At a minimum, does the manual include the following:				
a) organizational chart?	_____	_____	_____	_____
b) list of employee positions, including job requirements and responsibilities?	_____	_____	_____	_____
c) description of each function in the court from start to finish?	_____	_____	_____	_____
d) description and sample of each form and document used in the court?	_____	_____	_____	_____
e) description of collecting, processing, and depositing or remitting payments?	_____	_____	_____	_____
f) description of the bookkeeping system to be used and how it is to be maintained?	_____	_____	_____	_____
g) description of the reports to be completed, who is to complete them, how to complete them, and where and when to send them?	_____	_____	_____	_____
h) internal controls within the office?	_____	_____	_____	_____
i) any other information useful in efficiently and effectively carrying out the duties and responsibilities of the municipal court?	_____	_____	_____	_____
4. Where possible, are flowcharts used in addition to narrative descriptions to enhance readability and understanding of the procedures?	_____	_____	_____	_____
5. Have appropriate staff within the city been consulted to ensure procedures related to financial management are sound and practical?	_____	_____	_____	_____
6. Were the following consulted:				
a) treasurer's office?	_____	_____	_____	_____
b) accounting department?	_____	_____	_____	_____
c) internal audit office?	_____	_____	_____	_____
7. Is there a review process for written/amended procedures to ensure correctness, consistency, and completeness?	_____	_____	_____	_____
8. Were legal aspects of the manual reviewed by the city attorney's office?	_____	_____	_____	_____

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	<u>Yes</u>	<u>No</u>	<u>NA</u>	<u>Comments</u>
9. Is each municipal court employee given a copy of the manual?	_____	_____	_____	_____
10. Is the manual reviewed and updated:				
a) whenever there are changes to laws, regulations, policies, or procedures?	_____	_____	_____	_____
b) at least annually?	_____	_____	_____	_____

General Internal Control

11. Are the basic functions of (a) authorization or approval of transactions, (b) recording of transactions, and (c) custody of assets performed by three different people?	_____	_____	_____	_____
12. Are duties periodically rotated?	_____	_____	_____	_____
13. Is the amount of supervision adequate?	_____	_____	_____	_____
14. Is there an adequate amount of double-checking of work?	_____	_____	_____	_____
15. Is everyone required to take vacations?	_____	_____	_____	_____
16. Is the work of persons on vacation performed by someone else during their absence?	_____	_____	_____	_____
17. Are employees appropriately bonded?	_____	_____	_____	_____
18. Is the adequacy of bonds periodically reviewed?	_____	_____	_____	_____
19. Are employees performing their duties adequately?	_____	_____	_____	_____
20. Are they adequately trained?	_____	_____	_____	_____
21. Are training needs periodically assessed?	_____	_____	_____	_____
22. Is the workload current?	_____	_____	_____	_____
23. Is staffing adequate?	_____	_____	_____	_____
24. Is there an inventory of all tangible court assets?	_____	_____	_____	_____
25. Is the inventory up to date?	_____	_____	_____	_____
26. Is responsibility for the assets fixed?	_____	_____	_____	_____
27. Is the inventory periodically reviewed and the assets accounted for?	_____	_____	_____	_____
28. Are staff positions filled with the most qualified and competent persons possible?	_____	_____	_____	_____
29. Is information given on applications and resumes verified?	_____	_____	_____	_____
30. Are references given on applications and resumes checked?	_____	_____	_____	_____

TEXAS MUNICIPAL COURTS FINANCIAL MANAGEMENT HANDBOOK

	<u>Yes</u>	<u>No</u>	<u>NA</u>	<u>Comments</u>
31. Do personnel clearly understand what is expected of them?	_____	_____	_____	_____
32. Do personnel understand how their duties fit in with the duties of others in the court?	_____	_____	_____	_____
33. Do personnel understand how the functions and responsibilities of the municipal court fit in with the functions and responsibilities of other offices in the city?	_____	_____	_____	_____

Bank Accounts

34. Are only the minimum number of bank accounts maintained?	_____	_____	_____	_____
35. Are any bank accounts appropriately authorized by the city?	_____	_____	_____	_____
36. Are bank accounts only at a financial institution that the city has a contract with?	_____	_____	_____	_____
37. Are balances appropriately safeguarded via provisions in the depository contract and FDIC coverage?	_____	_____	_____	_____

Petty Cash and Change Funds

38. Does the court have a petty cash fund?	_____	_____	_____	_____
39. If the court has to have a petty cash fund, is it kept separate from change fund(s)?	_____	_____	_____	_____
40. Are any change funds appropriately authorized by the city?	_____	_____	_____	_____
41. Has the individual responsible for a change fund signed for the amount received?	_____	_____	_____	_____
42. Are change funds maintained in a secure location?	_____	_____	_____	_____
43. Is access to a change fund limited to the individual responsible for it?	_____	_____	_____	_____
44. Are change fund amounts counted and verified at the beginning and end of each work day?	_____	_____	_____	_____
45. Are change funds maintained at the lowest practical level?	_____	_____	_____	_____
46. Are change funds prevented from:				
a) being commingled with personal funds?	_____	_____	_____	_____
b) being used to make advances to officials or employees?	_____	_____	_____	_____
c) being used to cash personal checks?	_____	_____	_____	_____

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	<u>Yes</u>	<u>No</u>	<u>NA</u>	<u>Comments</u>
47. Are unannounced reconciliations or audits of change funds made on an irregular basis?	_____	_____	_____	_____
48. Are signs posted in the court stating that:				
a) checks (if accepted) and money orders will be received for amount of payment only?	_____	_____	_____	_____
b) checks will not be cashed?	_____	_____	_____	_____
c) when paying in cash, please have as close to the exact amount as possible?	_____	_____	_____	_____

Receipts

49. Are all receipts prenumbered?	_____	_____	_____	_____
50. If the court generally uses computer-generated receipts, are regular prenumbered, hardcopy receipts available for when there are computer problems?	_____	_____	_____	_____
51. Are receipts adequately controlled?	_____	_____	_____	_____
52. Are hardcopy receipts ordered centrally by the city and distributed to the court periodically as needed?	_____	_____	_____	_____
53. When receipts are distributed, does the person receiving them count and make sure that all that are supposed to be there are in fact there?	_____	_____	_____	_____
54. Does the person receiving receipts sign for them indicating responsibility?	_____	_____	_____	_____
55. Do receipts have at least three parts:				
a) the original for the payee?	_____	_____	_____	_____
b) a copy for the appropriate city office?	_____	_____	_____	_____
c) a copy for the court?	_____	_____	_____	_____
56. Does the receipt contain space for the following:				
a) date?	_____	_____	_____	_____
b) docket number?	_____	_____	_____	_____
c) amount received?	_____	_____	_____	_____
d) who the money is being received from?	_____	_____	_____	_____
e) what the money is being received for?	_____	_____	_____	_____
f) method of payment and check number when applicable?	_____	_____	_____	_____
g) signature or initials of individual preparing it?	_____	_____	_____	_____
h) any other relevant information?	_____	_____	_____	_____

TEXAS MUNICIPAL COURTS FINANCIAL MANAGEMENT HANDBOOK

	<u>Yes</u>	<u>No</u>	<u>NA</u>	<u>Comments</u>
57. Are all receipts (both issued and unissued) periodically accounted for?	_____	_____	_____	_____
<u>General Over-the-Counter Payments</u>				
58. Does each person receiving payments have a separate cash box or drawer?	_____	_____	_____	_____
59. Is the change fund amount verified each day before handling transactions?	_____	_____	_____	_____
60. Is the change fund amount consistent from day to day?	_____	_____	_____	_____
61. Is a receipt prepared and given to each person making payment?	_____	_____	_____	_____
62. Are all receipts dated and signed or initialed by the person issuing them?	_____	_____	_____	_____
63. Are checks and money orders promptly and restrictively endorsed with the words "For Deposit Only" and the account number?	_____	_____	_____	_____
64. Is strict control maintained over access to cash?	_____	_____	_____	_____
65. Are money and receipts locked up when not in use?	_____	_____	_____	_____
66. Do individuals responsible for a cash box or drawer refrain from leaving them unattended?	_____	_____	_____	_____
67. Do individuals responsible for a cash box or drawer never allow anyone access to their box or drawer except under their direct supervision?	_____	_____	_____	_____
68. Are transactions handled one at a time?	_____	_____	_____	_____
69. Is money and paperwork from one transaction put away before starting another one?	_____	_____	_____	_____
70. Is money received not put away until change is made and the receipt is given?	_____	_____	_____	_____
71. Are currency, coins, and checks always arranged in a box or drawer in a consistent manner?	_____	_____	_____	_____
72. Is all cash and currency counted in the presence of the person making payment?	_____	_____	_____	_____
73. In making change, is the amount counted until the same amount is arrived at least twice?	_____	_____	_____	_____
74. Does each individual receiving payments balance out his or her box or drawer daily?	_____	_____	_____	_____
75. Is the balancing out verified and approved by someone else not receiving money in the presence of the individual who balanced out?	_____	_____	_____	_____

TEXAS MUNICIPAL COURTS FINANCIAL MANAGEMENT HANDBOOK

	<u>Yes</u>	<u>No</u>	<u>NA</u>	<u>Comments</u>
76. Are receipts deposited in the bank or remitted to the city treasurer daily?	_____	_____	_____	_____
77. Are receipt copies forwarded timely to appropriate personnel for accounting and auditing purposes?	_____	_____	_____	_____

Payments Made after Hours

78. Does the city avoid having the police department accept municipal court payments?	_____	_____	_____	_____
79. If the police department does accept municipal court payments:				
a) does the person receiving payments issue a receipt to each payor?	_____	_____	_____	_____
b) does the person receiving payments somehow indicate to the payor that the municipal court will contact them with any questions or problems and that making payment at the police department does not constitute complete acceptance or satisfaction by the municipal court?	_____	_____	_____	_____
c) are checks and money orders promptly restrictively endorsed with the words "For Deposit Only" and the account number?	_____	_____	_____	_____
d) is a daily collection report prepared by the police department and forwarded to the appropriate office in the city?	_____	_____	_____	_____
e) does the daily collection report include the:				
• date?	_____	_____	_____	_____
• name of payor?	_____	_____	_____	_____
• amount received?	_____	_____	_____	_____
• method of payment and check number when applicable?	_____	_____	_____	_____
• purpose of payment?	_____	_____	_____	_____
• accounting information?	_____	_____	_____	_____
• cause number?	_____	_____	_____	_____
f) is the report signed or initialed and dated by the person preparing it?	_____	_____	_____	_____
g) is a copy of the collections report and one copy of the receipts forwarded to the court for entering in the accounting records and files?	_____	_____	_____	_____

TEXAS MUNICIPAL COURTS FINANCIAL MANAGEMENT HANDBOOK

	<u>Yes</u>	<u>No</u>	<u>NA</u>	<u>Comments</u>
h) is one copy of the receipts retained by the police department or forwarded to the city auditor based on city policy?	_____	_____	_____	_____
i) if the municipal court does not maintain a bank account, are payments remitted to the city treasurer on a daily basis?	_____	_____	_____	_____
j) if the municipal court does maintain a bank account, are payments forwarded to the court on a daily basis and daily bank deposits made?	_____	_____	_____	_____
80. If some sort of drop or lock box is used to receive payments after a municipal court is closed:				
a) is the box opened and emptied daily?	_____	_____	_____	_____
b) is the box opened by someone who is not handling other monies?	_____	_____	_____	_____
c) if the person opening the box also has responsibilities for other monies, is the box opened at a time of the day and in a location when other monies are not being handled?	_____	_____	_____	_____
d) is the box opened out in the open, not in an enclosed office?	_____	_____	_____	_____
e) does the person opening the box restrictively endorse all checks and money orders with the words "For Deposit Only" and the account number?	_____	_____	_____	_____
f) does the person opening the box prepare a daily drop/lock box collections report and forward it to the appropriate city office?	_____	_____	_____	_____
g) does the daily drop/lock box collections report include the:				
• date?	_____	_____	_____	_____
• name of payor?	_____	_____	_____	_____
• amount received?	_____	_____	_____	_____
• method of payment and check number when applicable?	_____	_____	_____	_____
• purpose of payment?	_____	_____	_____	_____
• accounting information?	_____	_____	_____	_____
• cause number?	_____	_____	_____	_____
h) is the report signed or initialed and dated by the person preparing it?	_____	_____	_____	_____

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	<u>Yes</u>	<u>No</u>	<u>NA</u>	<u>Comments</u>
i) are the payments and report forwarded to the appropriate individual for preparation of the receipts?	_____	_____	_____	_____
j) does the individual verify that the amount received matches the amount on the report?	_____	_____	_____	_____
k) are receipts deposited to the bank daily or remitted to the treasurer daily?	_____	_____	_____	_____
l) are receipt copies forwarded to appropriate personnel for accounting and auditing purposes?	_____	_____	_____	_____
<u>Mail Payments</u>				
81. Is mail opened daily?	_____	_____	_____	_____
82. Is mail opened by someone who is not handling other monies?	_____	_____	_____	_____
83. If the person opening the mail also has to have responsibilities for other monies, is mail opened at a time of the day and in a location where other monies are not being handled?	_____	_____	_____	_____
84. Is mail opened out in the open, not in an enclosed office?	_____	_____	_____	_____
85. Does the person opening the mail:				
a) separate all money from other correspondence?	_____	_____	_____	_____
b) restrictively endorse all checks and money orders with the words "For Deposit Only" and the account number?	_____	_____	_____	_____
c) prepare a daily mail collections report?	_____	_____	_____	_____
86. Does the daily mail collections report include the:				
a) date?	_____	_____	_____	_____
b) name of payor?	_____	_____	_____	_____
c) amount received?	_____	_____	_____	_____
d) method of payment and check number when applicable?	_____	_____	_____	_____
e) purpose of the payment?	_____	_____	_____	_____
f) accounting information?	_____	_____	_____	_____
87. Is the daily mail collections report signed or initialed and dated by the person preparing it?	_____	_____	_____	_____
88. Are the payments and the report forwarded to the appropriate individual for preparation of the receipts?	_____	_____	_____	_____

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	<u>Yes</u>	<u>No</u>	<u>NA</u>	<u>Comments</u>
89. Does the individual verify that the amount received matches the amount on the report?	_____	_____	_____	_____
90. Are payments deposited in the bank daily or remitted to the city treasurer daily?	_____	_____	_____	_____
91. Are receipt copies forwarded to appropriate personnel for accounting and auditing purposes?	_____	_____	_____	_____

Installment Payments

92. Is there a written description of under what circumstances installment or partial payments can generally occur?	_____	_____	_____	_____
93. Is there a written installment agreement anytime payouts are used?	_____	_____	_____	_____
94. Does the agreement clearly spell out the terms of the agreement, including payment amounts and dates?	_____	_____	_____	_____
95. Is the agreement signed and dated by both the judge and the defendant?	_____	_____	_____	_____
96. Is a copy of the signed agreement given to the defendant?	_____	_____	_____	_____
97. Is there an efficient way to keep up with payments and indicate past due amounts?	_____	_____	_____	_____
98. Are delinquents promptly followed up on?	_____	_____	_____	_____
99. Does the office maintain a list of individuals who did not adhere to an agreement so that can be taken into account if they are ever considered for another agreement?	_____	_____	_____	_____
100. Is there a control total for all outstanding amounts?	_____	_____	_____	_____
101. Is the control total periodically compared to subsidiary records?	_____	_____	_____	_____

Jail Credits

102. Is there appropriate documentation for the defendant to spend time in jail - a commitment order or motion signed by the defendant? Do judgments reflect the period of time that must be served to obtain \$100 of credit under Article 45.048(b), C.C.P.?	_____	_____	_____	_____
103. Is there a form at the jail showing the time the defendant was placed in jail and the time the defendant was released from jail?	_____	_____	_____	_____

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	<u>Yes</u>	<u>No</u>	<u>NA</u>	<u>Comments</u>
104. Is the form signed or initialed by the appropriate individual at the jail showing the date and time the individual was placed in jail?	_____	_____	_____	_____
105. Is the form signed or initialed by the appropriate individual at the jail showing the date and time the individual was released from jail?	_____	_____	_____	_____
106. Is a copy of the completed form forwarded to the municipal court?	_____	_____	_____	_____
107. Does the appropriate individual in the court enter the credit in the accounting and other records and appropriately file the form?	_____	_____	_____	_____
108. If not previously entered, is the cause number entered on the form?	_____	_____	_____	_____
109. Is the amount of the credit and how it was arrived at entered on the form?	_____	_____	_____	_____
110. Is the form signed or initialed and dated by the individual entering the credit in the accounting records?	_____	_____	_____	_____
111. Is there a determination made as to whether there is anything still owed by the defendant?	_____	_____	_____	_____
112. If an additional amount is owed, are appropriate procedures followed to satisfy the balance?	_____	_____	_____	_____
113. If multiple judgments are stacked under Article 42.08, C.C.P. and there is more than one open case against a defendant, are jail credits applied against the cases on a FIFO (first-in-first-out) basis? In other words, are the oldest cases satisfied first?	_____	_____	_____	_____

Community Service Credits

114. Is there appropriate documentation for the defendant to perform community service - an order signed and dated by the judge requiring the defendant to participate in community service?	_____	_____	_____	_____
115. Does the order specify:				
a) the number of hours the defendant is required to work?	_____	_____	_____	_____
b) by what date does the work have to be completed?	_____	_____	_____	_____
116. Has the court verified that the entity or organization:				
a) is a governmental entity or nonprofit organization that provides services to the general public that enhance social welfare and the general well-being of the community?	_____	_____	_____	_____

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	<u>Yes</u>	<u>No</u>	<u>NA</u>	<u>Comments</u>
b) agrees to supervise the defendant's work and report on the work to the judge?	_____	_____	_____	_____
117. Has it been verified that the judge did not order the defendant to perform more than 16 hours per week of community service unless the judge has determined it will not work a hardship on the defendant or the defendant's dependents?	_____	_____	_____	_____
118. If the judge has ordered more than 16 hours in a week has the judge indicated in writing why it will not work a hardship on the defendant or the defendant's dependents?	_____	_____	_____	_____
119. Is a copy of the order given to the defendant?	_____	_____	_____	_____
120. Is a copy of the judge's order and a form sent to the entity or organization?	_____	_____	_____	_____
121. Does the form provide space for the entity or organization to indicate whether or not the work was performed as specified in the judge's order?	_____	_____	_____	_____
122. Do entities or organization specifically indicate how many hours defendants work?	_____	_____	_____	_____
123. Does the form provide space for the entity or organization to enter any additional comments about defendants they feel are warranted?	_____	_____	_____	_____
124. Are forms signed and dated by appropriate entity or organization representatives?	_____	_____	_____	_____
125. Are orders kept in some sort of tickler system so they can be timely pulled and followed up on if not received back when due?	_____	_____	_____	_____
126. When completed forms are received back from entities or organizations does the appropriate individual in the court verify the amount and enter the credit in the accounting and other records and file the form with the case records?	_____	_____	_____	_____
127. Does the individual in the court entering the credit in the accounting records sign or initial and date the form?	_____	_____	_____	_____
128. Does the court determine if there are any additional amounts owed, and if so, follow appropriate procedures to satisfy any balance?	_____	_____	_____	_____
<u>Forfeiture of Cash Bonds</u>				
129. Does the defendant sign and receive appropriate paperwork?	_____	_____	_____	_____

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	<u>Yes</u>	<u>No</u>	<u>NA</u>	<u>Comments</u>
130. Is a receipt issued to the defendant when payment is made?	_____	_____	_____	_____
131. Is it indicated on the receipt that payment is for a cash bond?	_____	_____	_____	_____
132. Is money adequately safeguarded until deposited or remitted?	_____	_____	_____	_____
133. If part or all of the bond is refunded to the defendant, is any interest earned on the refunded amount returned to the defendant as well?	_____	_____	_____	_____
134. Are receipt copies forwarded to appropriate personnel for accounting and auditing purposes?	_____	_____	_____	_____
135. If defendant fails to appear, are the appropriate procedures in Chapter 22 (appearance bond) or 45 of the Code of Criminal Procedure followed?	_____	_____	_____	_____
136. If the bond is collected under Article 45.044, C.C.P. and the money has already been remitted to the city treasurer, is appropriate paperwork forwarded to the treasurer, indicating that the bond amount should now be applied to court costs, fees, and fine and how much to apply to each?	_____	_____	_____	_____
137. If the bond is collected under Article 45.044, C.C.P. and the money has been kept in a cash bond account in the court, is the appropriate amount remitted to the city treasurer, indicating how much is court costs, fees, and fine?	_____	_____	_____	_____
138. If the court is using the bond forfeiture provisions of Chapter 22 and the money has already been remitted to the city treasurer, is appropriate paperwork forwarded to the treasurer, indicating the amount that should be applied as general revenue for the city?	_____	_____	_____	_____
139. If the court is using the bond forfeiture provisions of Chapter 22 and the money has been kept in a cash bond account in the court, is the appropriate amount remitted to the city treasurer, indicating the amount should be applied as general revenue for the city?	_____	_____	_____	_____

Receipts Journal

140. Is a receipts journal used to chronologically account for individual receipts issued?	_____	_____	_____	_____
141. Is the receipts journal maintained on a daily basis? _____	_____	_____	_____	_____
142. Does the receipts journal include:				
a) date of transactions?	_____	_____	_____	_____
b) names of payors?	_____	_____	_____	_____

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	<u>Yes</u>	<u>No</u>	<u>NA</u>	<u>Comments</u>
c) docket numbers?	_____	_____	_____	_____
d) receipt numbers?	_____	_____	_____	_____
e) an actual column to keep up with the total amount received?	_____	_____	_____	_____
f) individual columns indicating what the money is received for (e.g., fines, fees by type, court costs by type)?	_____	_____	_____	_____
143. Are entries to the receipts journal made from the receipt copies maintained by the court?	_____	_____	_____	_____
144. Are entries verified for mathematical accuracy?	_____	_____	_____	_____
145. Are entries periodically reviewed by someone other than the person making them, comparing the entries with appropriate source documents?	_____	_____	_____	_____
146. Are entries made by someone not receiving payments, preparing bank deposits, or approving disbursements?	_____	_____	_____	_____

Disbursements

If the court maintains a bank account:

147. Are all disbursements by check?	_____	_____	_____	_____
148. Are all checks prenumbered?	_____	_____	_____	_____
149. Are all checks preprinted with the name of the city and indicate "municipal court"?	_____	_____	_____	_____
150. Are all unused checks accounted for and adequately safeguarded?	_____	_____	_____	_____
151. Does the checkbook contain sufficient room on the stubs for adequate descriptions of disbursements?	_____	_____	_____	_____
152. Are checks prepared only when supporting documentation is present and after such is verified?	_____	_____	_____	_____
153. Is the payee line on checks completed by the person preparing the checks, not the person signing them?	_____	_____	_____	_____
154. Are checks prevented from being made out to "cash" or "bearer"?	_____	_____	_____	_____
155. Are checks prepared and delivered timely?	_____	_____	_____	_____
156. Are checks signed by someone not keeping the books or preparing the checks?	_____	_____	_____	_____
157. Are authorized check signatures kept to a minimum?	_____	_____	_____	_____

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	<u>Yes</u>	<u>No</u>	<u>NA</u>	<u>Comments</u>
158. If a stamp or check-signing device is used, is it appropriately safeguarded?	_____	_____	_____	_____
159. Are checks prevented from being presigned?	_____	_____	_____	_____
160. Is the account balance verified prior to issuing checks to ensure it is sufficient?	_____	_____	_____	_____
161. Are checks issued without allowing them to be returned to the person who approves them or does the bookkeeping for them?	_____	_____	_____	_____
162. Are all voided checks clearly marked "void" and and kept with the checkbook and later placed in the reconciliation envelope or folder?	_____	_____	_____	_____
163. Has a determination been made as to whether a disbursements journal is needed (based on number of disbursements per month)?	_____	_____	_____	_____
164. If it is determined that a journal is needed:				
a) is it used to chronologically account for all disbursements?	_____	_____	_____	_____
b) is it maintained on a daily basis?	_____	_____	_____	_____
c) does it include:				
• date of transaction?	_____	_____	_____	_____
• name of payee?	_____	_____	_____	_____
• check number?	_____	_____	_____	_____
• an actual column to keep up with total amounts disbursed?	_____	_____	_____	_____
• several individual columns indicating what the disbursements are for?	_____	_____	_____	_____
d) are entries to the journal made from check copies or check stubs?	_____	_____	_____	_____

Unclaimed Funds

165. When someone identifies money that he or she does not know who paid it or what it was for, does he or she document in writing what was found, where it was found, and how it was found?	_____	_____	_____	_____
166. Does he or she sign the documentation?	_____	_____	_____	_____
167. Does the person identifying the money communicate it to appropriate personnel within the court and city?	_____	_____	_____	_____
168. Is a thorough analysis made to try and determine who the money belongs to?	_____	_____	_____	_____
169. If it can be determined who the money belongs to, is it turned in to the city treasurer and steps initiated to get it to the rightful owner?	_____	_____	_____	_____

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	<u>Yes</u>	<u>No</u>	<u>NA</u>	<u>Comments</u>
170. If it can not be determined who the money belongs to, is it turned in to the city treasurer for contacting the Unclaimed Property Section in the Comptroller's Treasury Operations Division?	_____	_____	_____	_____

Daily Balancing

171. Are receipts balanced out daily?	_____	_____	_____	_____
172. Is each person receiving money initially responsible for balancing out his or her cash box or drawer?	_____	_____	_____	_____
173. Does each person receiving money fill out a daily reconciliation form?	_____	_____	_____	_____
174. Does the individual preparing the form sign or initial and date it?	_____	_____	_____	_____
175. Is the reconciliation verified and approved by someone else in the presence of the person preparing it?	_____	_____	_____	_____
176. Does the person approving the reconciliation also sign or initial and date the form?	_____	_____	_____	_____
177. When doing a reconciliation, does the person check to see that the total amount of money in the cash box or drawer less the amount of the change fund equals the total amount shown on the receipts issued for the day?	_____	_____	_____	_____
178. Are any overages or shortages clearly shown on the reconciliation form?	_____	_____	_____	_____

Remittance of Collections

179. If the municipal court maintains a bank account:				
a) are remittances made to the city treasurer on a consistent basis?	_____	_____	_____	_____
b) in determining the frequency of remittances, has size of the city and court and the amount of money involved been taken into consideration?	_____	_____	_____	_____
c) are remittances made no less frequently than monthly?	_____	_____	_____	_____
d) are remittances made by check?	_____	_____	_____	_____
180. If the municipal court does not maintain a bank account are remittances made to the city treasurer on a daily basis?	_____	_____	_____	_____
181. Is a remittance form showing what the money is for included with the remittance?	_____	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>NA</u>	<u>Comments</u>
182. Is the breakdown on the remittance form detailed enough so that the treasurer will know what fund(s) and account(s) to deposit the money into and how to complete any applicable related reports?	_____	_____	_____	_____
183. Is the remittance form signed by an appropriate individual in the court?	_____	_____	_____	_____
184. Is a receipt obtained from the treasurer showing the amount remitted?	_____	_____	_____	_____
185. If a receipt cannot be obtained, does the treasurer sign and date the remittance form indicating agreement with the amount? Is a copy made and kept for the court?	_____	_____	_____	_____

Bank Account Reconciliation

186. Are bank statements reconciled promptly upon receipt?	_____	_____	_____	_____
187. Are bank reconciliations performed by someone who is not responsible for writing, recording, or signing checks?	_____	_____	_____	_____
188. Does the person who reconciles the bank statements receive those statements unopened from the bank?	_____	_____	_____	_____
189. Are reconciliations done correctly?	_____	_____	_____	_____
190. Are completed reconciliations signed or initialed and dated by the person doing them?	_____	_____	_____	_____
191. Are reconciliations reviewed and approved by someone other than the person doing them?	_____	_____	_____	_____

Monthly Reporting

192. Is a financial report showing the court's financial position and results of operations prepared each month?	_____	_____	_____	_____
193. Does the report show the beginning balance the court was responsible for at the beginning of the month?	_____	_____	_____	_____
194. Does the beginning balance include the following:				
a) all change funds?	_____	_____	_____	_____
b) all bank account book balances?	_____	_____	_____	_____
c) any other funds under the control of the court?	_____	_____	_____	_____
195. Does the report show a detailed breakdown of receipts?	_____	_____	_____	_____

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	<u>Yes</u>	<u>No</u>	<u>NA</u>	<u>Comments</u>
196. Does the report show a detailed breakdown of disbursements/remittances?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
197. Does the report show an ending balance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
198. Does the ending balance include the following:				
a) all change funds?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b) all bank account book balances?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c) any other funds under the control of the court?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
199. Is the report signed and dated by the person preparing it?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
200. Is the report reviewed and approved by appropriate court personnel?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
201. Is the report signed and dated by the person approving it?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
202. Is the report turned in based on city policy?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Computer System Selection Process

203. Is there a computer system selection process for the court?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
204. Does the process include the following steps:				
a) becoming familiar with computer systems and their capabilities?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b) deciding the need and ability to automate?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c) defining hardware and software needs?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d) developing a request for proposals?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e) accepting and evaluating bids/proposals?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f) selecting the system?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
205. Does the step becoming familiar with computer systems and their capabilities include the following:				
a) reading and studying books and periodicals?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b) visiting and reviewing computer systems already owned by the city?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c) visiting and reviewing computer systems operated by other municipal courts?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d) visiting computer system displays at conferences, seminars, and meetings?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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	<u>Yes</u>	<u>No</u>	<u>NA</u>	<u>Comments</u>
e) identifying people knowledgeable about computer systems and discussing computer systems with them?	_____	_____	_____	_____
f) developing a file on computer system information and capabilities?	_____	_____	_____	_____
206. Does the step deciding the need and ability to automate include the following:				
a) determining the specific objectives of the court?	_____	_____	_____	_____
b) flowcharting and writing out what is done, how it is done, when it is done, and who does it?	_____	_____	_____	_____
c) analyzing in detail the flow of documents and reports along with their format and contents?	_____	_____	_____	_____
d) determining how long each phase of the court's operation takes?	_____	_____	_____	_____
e) determining how much each phase of the court's operation costs?	_____	_____	_____	_____
f) anticipating the court's future workload?	_____	_____	_____	_____
g) determining which phases of the court's operation lend themselves to automation?	_____	_____	_____	_____
h) identifying what capabilities automation may bring that the court currently does not have?	_____	_____	_____	_____
i) listing the pros and cons of automation?	_____	_____	_____	_____
j) determining if automation will be feasible with current personnel?	_____	_____	_____	_____
k) determining if additional personnel will be needed?	_____	_____	_____	_____
l) determining what training will be necessary?	_____	_____	_____	_____
m) making an initial decision of whether automation is financially possible?	_____	_____	_____	_____
n) determining what changes can be made in present operations as a result of reviewing operations?	_____	_____	_____	_____
207. Are hardware and software needs determined jointly?	_____	_____	_____	_____
208. Does the step defining hardware components and software package needs include the following:				
a) identifying specifically, and in detail, what the court wants a computer system to do?	_____	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>NA</u>	<u>Comments</u>
b) evaluating the different types of computer systems and related software?	_____	_____	_____	_____
c) deciding on the type of computer system needed and the related software?	_____	_____	_____	_____
d) deciding on the type of hardware and software packages needed?	_____	_____	_____	_____
209. Are specifications prepared by the person or department responsible for the purchasing function within the city?	_____	_____	_____	_____
210. Does the municipal court have input concerning the content of the specifications?	_____	_____	_____	_____
211. Are the criteria used for evaluating bids/proposal determined prior to the time bids/proposals are received?	_____	_____	_____	_____
212. Is the relative importance of evaluation criteria predetermined?	_____	_____	_____	_____
213. In evaluating bids/proposals, does the criteria used to make the evaluation include the following:				
a) costs, both current and future?	_____	_____	_____	_____
b) reputation of the vendor?	_____	_____	_____	_____
c) experience of the vendor?	_____	_____	_____	_____
d) training provided by the vendor?	_____	_____	_____	_____
e) service of the vendor?	_____	_____	_____	_____
f) expected reliability of the hardware?	_____	_____	_____	_____
g) terms of the proposed contract?	_____	_____	_____	_____
h) specifics concerning the hardware (e.g., capacity, speed, computability, expandability)?	_____	_____	_____	_____
i) specifics concerning the software (e.g., what it will do and ease of use)?	_____	_____	_____	_____
j) software/hardware security?	_____	_____	_____	_____

Auditing

214. Is the court audited annually by an independent CPA?	_____	_____	_____	_____
215. Is the office audited periodically by city internal auditors?	_____	_____	_____	_____
216. Is some audit work done each quarter?	_____	_____	_____	_____
217. Does audit work include the following:				
a) surprise cash counts?	_____	_____	_____	_____
b) reviewing bank reconciliations?	_____	_____	_____	_____

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	<u>Yes</u>	<u>No</u>	<u>NA</u>	<u>Comments</u>
c) accounting for all receipts?	_____	_____	_____	_____
d) auditing receipts for proper amount collected, deposited, or remitted and correct bookkeeping?	_____	_____	_____	_____
e) confirming amounts paid (or the fact that nothing was paid) with defendants?	_____	_____	_____	_____
f) reviewing reports?	_____	_____	_____	_____
218. Are appropriate audit recommendations implemented?	_____	_____	_____	_____
219. Are the appropriate recommendations implemented timely?	_____	_____	_____	_____