

MEMORANDUM

CITY OF GRAND RAPIDS

DATE: August 10, 2020

TO: Max Frantz, Comptroller
Ruth Lueders, Deputy City Comptroller

FROM: Erica Bills, Internal Auditor

SUBJECT: Analysis of 61st District Court Operational Fund Service Requirements

Objective: This report contains additional analysis and breakdown of service requirements compared to staffing positions (full-time employees).

Scope & Methodology: Obtained the most recent organizational chart for the 61st District Court (July 7th, 2020) from Amy Young, Administrative Assistant – Admin. Office. Evaluated job descriptions and compared to State Court Administrative Office’s (SCAO) mandated services. Performed additional research in the SCAO Guide identifying best practices and proper internal controls. Utilized Budget Office and Gary Secor, Court Administrator, for any miscellaneous follow-up information. In the process of evaluating, positions fully funded by grants were not accounted for, with the exceptions of those who provide mandated services that would still be required regardless if they were funded by grants or not.

Background: The 61st District Court serves the City of Grand Rapids and its over 200,000 residents by providing a variety of state court mandated judicial services & support programs including civil litigation (up to \$25,000), criminal misdemeanors (punishments less than 1 year), and small claims (including landlord-tenant matters). The Court also provides ancillary services such as drug testing (only court in the County), sobriety & drug court, a domestic assault response team, a community service/work program, and coordinates the victim impact panel. Though the court receives various federal and state grants to operate some of these programs, the Court relies primarily on filing fees and processing fees for its daily operations.

With the FY21 budget plan, questions were raised regarding this subsidy and the Court’s budgetary shortfalls in FY20. Based on these questions, a formal analysis and review of court finances was requested focusing on the factors contributing to the Court’s revenues and expenditures. This report (date June 30th, 2020) was distributed to City leaders and City Commission. Upon further review, a detailed breakdown of service requirements and staffing levels was requested. The findings from this analysis are included.

Please see the attached table showing the various staffing positions within the court including the current budgeted FTEs for FY21 as well as required FTEs based on mandated services and/or required internal controls. Lastly, any notes regarding the position.

Findings:

1. District Court Service Requirements Table

The table includes a breakdown of all current positions at the 61st District Court. Column A shows the current FY21 budgeted number of FTEs in that position. Column C references positions that provide SCAO mandated services, which are described above each division or group that handles these services. Column D reflects positions that are pertinent to maintain proper, efficient internal controls. These internal controls can include cash control, reporting requirements, and best practice guidelines from the SCAO. Any reduction in these positions could increase the risk not only for fraud, but for operational processes to suffer. Lastly, Column E identifies the required number of positions based on the analysis of SCAO requirements, the staffing needed to maintain proper internal controls, and job descriptions/caseloads.

Positions highlighted in peach are positions that are partially or fully funded by grants; However, even if these positions were not funded by a grant, they would still be required as they provide SCAO mandated services.

Positions in yellow provide ancillary services, which are not mandated services, but additional services the court chooses to offer to provide additional support to the community. These services include the Alternative Work Crew Program, Drug Court, Sobriety Court, Drug Lab, and Domestic Assault Response Team. Details on these programs are included in the Ancillary Services section of this report.

Based on the information gathered from the prior report as well as the additional research and analysis performed, the Court needs at least 79.5 FTEs (not including grant funded positions) to provide all its current services, including both SCAO mandated services and ancillary services and at least 74.5 FTEs to provide SCAO mandated services while also maintaining proper internal controls.

2. Ancillary Services

As noted, the court provides a wide range of ancillary services that provide additional support for the community. In many cases, we are the only District Court in the County who offers such services:

Alternative Work Program – The program was established as a response to the 2016 Michigan Supreme Court amendments regarding the determination of a defendant’s ability to pay fines, fees, and costs. The amendments prohibit the court from sentencing a defendant to incarceration or revoking probation for inability to pay. Therefore, the Court offers alternatives including payment plans, wage garnishments, and the Work Program. Work Program allows the defendants to perform various jobs for the City and earn a ‘credit’, which will go against their fines/fees due. These jobs include picking up trash, shoveling snow, raking leaves, and miscellaneous yard work. Departments will pay the court to utilize the Work Program, which saves the department money, and in turn, defendants receive \$10 credits on their balance for every hour worked. The Work Program is part of the Alternative Sentencing Department, which also manages Work Crew and Community Service Programs. Combined this department works to reduce jail overcrowding, reduce jail processing/housings costs to the Court, and provide reasonable alternatives to resolving fine and cost issues. This is the largest program in the State and has been in operation for over 15 years.

2. Ancillary Services - continued

Sobriety Court & Drug Court – These are two separate programs, but similar in operations. These are comprehensive treatment programs for non-violent defendants that use a team approach and involve a judge, probation officer, case manager, and any other treatment staff. The programs utilize different phases or steps of the program and a defendant is given progress reports on a regular basis. The goal of these programs is for a defendant to achieve abstinence from drugs and alcohol. Currently, the Chief Probation Officer spends 50% of his time in the drug court program and manages the drug lab (which is funded through a grant). The remaining time is spent in the probation department. Lastly, one of the probation officers works solely with cases in sobriety court (this position is also funded through a grant).

Drug Lab – Provides on-site drug testing (both random & scheduled) for residents. The 61st District Court is the only District Court in the County to offer these services. The lab operates on a limited schedule with four (4) part time Lab Techs and a Lab Manager. The Lab Techs are funded through a grant, while the Lab Manager is not. The Drug Lab generates revenues that are used in District Court operations.

Domestic Assault Response Team (DART) – Support program for those involved in domestic assault situations. Provides assistance including helping victims understand their rights, arrange for shelter or transportation to a safe place, and sharing information about the police, court system, and other community resources. The program utilizes multiple part-time ‘on-call’ positions, a part-time team leader, and a part-time program coordinator who are all grant funded. The program also utilizes a full-time domestic violence counselor, whose position is not grant-funded.

As referenced in the table, there are only six (6) positions that solely provide ancillary services and are not grant funded positions. This number has been budgeted down to five (5) for FY21. Any further elimination of ancillary personnel would result in elimination of certain services provided to the community as well as potential revenue. The drug lab, alternative sentencing, and drug & sobriety courts all generate some revenue for court operations. In addition, the City would lose some of its cost-savings from jail bed days and/or service contracts.

3. Internal Controls

As noted in Finding 1, the Court needs a minimum of 70 FTEs to provide SCAO mandated services but needs at least 79.5 to continue providing SCAO mandated services, continue ancillary services, and to maintain proper internal controls (this amount does not include grant funded positions). Internal controls are vital to District Court operations as they ensure protection of sensitive data, reduce the risk for fraud and improper reporting. The SCAO guide sets best practices to ensure internal controls are maintained. Some of these internal controls include:

- Access to the financial system and/or case management system should be restricted to functions of employee. Security should be established that provides adequate internal control structure.
 - The District Court utilizes a Court Information Systems Manager who manages security both in the Court financial system and case management software. He also assists with other IT needs. Employee’s access is limited to job function; each employee has their unique login & password.

3. Internal Controls - continued

- Employees who are involved in opening the mail, receipting payments, balancing accounting records, and performing bank reconciliations should not be able to delete case files.
 - Currently, these job duties are separated at the Court.
- Employees should not do more than one of the following: open mail, receipt payments, balance receipts, perform bank reconciliations.
 - The Court's Customer Service Representatives receipt payments, the Lead Work Supervisor balances the receipts and sends reports to the Financial Administrative Assistant for final reconciliation. The Administrative Assistant opens & distributes the mail. All positions have a 'back-up' should anyone be sick or on vacation.
- All payments should be collected and receipted in one centralized location
 - The District Court has a centralized location to collect and receipt payments. Each customer service representative has their own cash drawer.
- Bonds, restitution, and other trusts should be reviewed regularly.
 - The District Court currently has processes in place to review and the Comptroller's assists in reconciling the bank accounts.

These are just a few of the internal controls the SCAO not only recommends but bases their audits on. As the City's Internal Auditor has also been involved in reviews of various processes within the court both relating to finances and case management, it is believed any reduction in personnel will result in a significant strain on current internal controls and processes. As staffing levels have slowly been reduced over the past 10 years and more Court employees are retiring, it has been difficult for the court to provide succession planning as well as training to other employees to step into a role should someone retire. This position further strengthens the need for proper staffing levels to maintain internal controls and not just to provide SCAO mandated services.

Conclusion

Currently, the District Court's FY21 operating budget has reduced the number of FTEs by 6 down to 73. Five (5) of the six (6) positions provide mandated services, while the sixth provides ancillary services. In addition, the court will save on personnel expenses due to the State's Workshare Program, in which the Court will not be charged for employees collecting benefits due to a layoff, leave of absence, temporary shutdown, or reduced work hours for the months of June & July.

Based on the analysis and review of Court operations, finances, State Court requirements, and internal control, the Court should have a minimum of 74.5 FTEs to provide SCAO mandated services and to maintain proper internal control levels. In order to continue providing both SCAO mandated services and ancillary services to the community, the Court should have around 79.5 FTEs (this amount does not include grant funded FTEs).

Conclusion - continued

Though the number of cases has steadily decreased over the last 10 years, the Court must still meet performance expectations established by the State. Case clearance expectation rate is 100% with a goal of exceeding that; meaning the court is closing more cases than opening. As of 2018, the 61st District Court had the following clearance rates:

<u>Case Type</u>	<u>Clearance %</u>
Felony	98%
Misdemeanor	101%
Civil Infraction	100%
General Civil	96%
Landlord/Tenant & Small Claims	97%

It is also important to note, that Michigan Supreme Court rulings influence how cases are managed, and certain processes and internal controls must be followed when resolving a case. These processes are highlighted in the SCAO guidelines. Lastly, the reporting requirements have increased as a result of these rulings, leading to more effort and time spent on cases.

After analyzing the table, the Court will be budgeting less people in FY21 than what is recommended to provide SCAO mandated services and could potentially cause internal controls to suffer. It is important to find a balance that not only meets the SCAO mandated service requirements, but also ensures the protection of internal controls while continuing to provide services that make us unique as a District Court to the community.

If you have any questions, please contact Erica Bills, Internal Auditor. Phone: 616-456-3126.

Resources & Links:

Michigan Trial Court Administration Guide (copy & paste link)

<https://courts.michigan.gov/Administration/SCAO/Resources/Documents/Publications/Manuals/carg/carg.pdf>