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Office of the County Auditor
Shelly A. Banks, C.P.A.
Cook County Auditor
69 West Washington, Suite 2200 ● Chicago, Illinois 60602 ● (312) 603-1500

October 23, 2015

The Honorable Toni Preckwinkle, President
And Board of Cook County Commissioners
118 N. Clark Street, Room 537
Chicago, Illinois 60602

Dear President Preckwinkle and Board of Commissioners:

We have conducted an audit of the Clerk of the Circuit Court Revenue Process. We conducted our audit in accordance with the Cook County Auditor Ordinance.

Our objectives for this examination were to evaluate the process of determining, tracking, and collecting statutory and court-ordered fees as well as evaluating the budgeted revenue estimation process. The scope of our work consisted of gathering, reviewing, and analyzing adequate supporting documentation to reach a conclusion on our objectives.

Please refer to the following audit report for the results of the audit. The audit report contains 7 audit findings. The Executive Summary provides an overview of the audit with the main finding areas.

We express our appreciation for the assistance of the Clerk of the Circuit Court staff extended to Julie Stack and Afaf Qayyum during the course of our audit. We would be pleased to discuss our recommendations in greater detail in order to assist the Clerk of the Circuit Court with their implementation of our recommendations. The Clerk of the Circuit Court did not provide the management responses within the period required by the Auditor's Ordinance Sec. 2-311.11.

Respectfully Submitted,

Shelly Banks

Shelly A. Banks, CPA
Cook County Auditor

cc: Dorothy Brown, Clerk of the Circuit Court
Wasiu Fashina, Chief of Staff
Richard S. Abrams, Chief Financial Officer

COOK COUNTY GOVERNMENT

OFFICE OF THE COUNTY AUDITOR

Clerk of the Circuit Court Revenue Process Audit

Internal Audit Report

Report Date: October 2015

Issued By:
Shelly A. Banks, County Auditor

Audit Conducted By:
Julie Stack, Field Auditor V
Afaf Qayyum, Field Auditor IV

EXECUTIVE SUMMARY

We have examined the process of determining, tracking, and collecting statutory and court-ordered fees as well as evaluating the budgeted revenue estimation process of the Clerk of the Circuit Court of Cook County (CCC) for the fiscal period ended November 30, 2014 through current.

When comparing the CCC's budgeted vs. actual revenue, a clear divergence emerged in FY2011. Revenue dropped dramatically and has not risen since that time.

Since Fiscal Year 2011, the variance between budgeted and actual revenue, both in terms of percentage and amount, has been negative as well as sizeable:

Fiscal Year	Amount Difference	Percentage Difference
2011	(13,581,685)	-12.6%
2012	($8,078,101)	-7.9%
2013	($7,385,067)	-7.8%
2014	($18,235,389)	-18.9%

The CCC has stated the following reasons to explain the sharp decrease from the previous year:

- Decrease in case filings
- Significant decrease in mortgage foreclosure filings
- Increase in the usage of administrative hearing by local municipalities instead of the Cook County District Courts.

In regards to forecasting practices, the following reasons were put forth by CCC to justify 2015 estimated revenue increase even though revenues were decreasing:

- The Local Debt Recovery Program (a program where the CCC entered into an agreement with the Illinois Office of the Comptroller's (IOC) in 2013 whereby the IOC agreed to intercept the State's tax and nontax payments for the payments of delinquent traffic fines, fees and costs. According to CCC, approximately $1 million was collected in 2014 with a late start. Originally, an increase of about $3 million was projected for 2015. According to the CCC, the new State Comptroller temporary halted the program, but as of August 2015, state payments are being intercepted again. The Office of County Auditor was not provided with any documentation to support the use of this program.
- Based on ongoing negotiation between the County and the City of Chicago, the CCC expected at least $3 million to be collected from the City of Chicago in FY'2015. However, the City of Chicago has not paid any of the prior amounts billed to the City of Chicago. In January of 2014, the City of Chicago was placed on a cash transaction only basis, as opposed to billing the City of Chicago for the filing of Registration of Administrative Hearings. According to CCC, the City of Chicago ceased the filing of Registration of Administration Hearings.
- The CCC was anticipating an increase in revenue due to a Wage Garnishment Program that was being worked on with one of the collection agencies. However, the CCC did not proceed since the collection agency was removed as one of the collection vendors in January 2015.

Based on our walkthroughs of different divisions and districts, we stated some revenue generating ideas in the recommendation for Finding #6.

As a result of our review we noted the following findings:

- CCC's documentation supporting the formulation of the annual budget revenue forecast is lacking in regards to the assumptions, financial modeling method, and analysis process. (Finding 1)
- The CCC did not support revenue deviations with detailed, written analysis. (Finding 2)
- CCC operations have an opportunity to become more efficient and effective with the reported decrease in case filings, which leads to a decrease in workload. (Finding 3)
- CCC provided a high level chart indicating over $30 million outstanding accounts in the Traffic Division, but did not provide the detail to support what this number consists of and the collection activities that have occurred. (Finding 4)
- Government agencies are not paying the CCC on a timely basis for billings for filing services. (Finding 5)
- CCC has been reporting a continual decrease in revenue and may not be maximizing revenue opportunities. (Finding 6)
- Outdated written policies and procedures manual. (Finding 7)

The findings noted were presented to the office of the Clerk of the Circuit Court. Please refer to the Findings section of this report for additional details on the findings and recommendations. The Clerk of the Circuit Court did not provide the management responses to the findings within the required period. The Auditor's Ordinance Sec. 2-311.11 states: A final draft of the audit report will be forwarded to the audited agency for review and comment regarding factual content prior to its release. The agency must respond in writing, specifying (i) agreement with audit findings and recommendations or reasons for disagreement with findings and/or recommendations; (ii) plans for implementing solutions to issues identified; (iii) a timetable to complete such activities. The response must be forwarded to the Auditor within 15 working days. The Auditor will include the agency's response in the report. If no response is received, the Auditor will note that fact in the transmittal letter and will release the audit report.

BACKGROUND

The Clerk of the Circuit Court of Cook County (CCC) is governed by the Illinois Clerks of Court Act (705.ILCS 105). It is the mission of the CCC to serve the citizens of Cook County and the participants in the judicial system in an efficient, effective and ethical manner.

The CCC is charged with the recordkeeping for the courts serving the First Municipal District and Suburban Districts 2 through 6, which operate courts serving the City of Chicago and various district courthouses and suburban cities, towns, and villages outside the City of Chicago. The CCC records all judgments, decrees, and court orders, and maintains court dockets. The CCC is required to keep a fee schedule setting forth the costs and fees for the office. The fees, fines and costs collected are remitted monthly to the governmental agencies entitled to receive them. The CCC also collects and holds bail bond deposits for defendants awaiting trial.

Staff maintains all the documents associated with cases, enters all judgments and court orders into a database, and certifies official court records. New cases are created when documents are submitted from litigants, law enforcement agencies, and/or the State's Attorney. Documents are collected and stored in a new file with a new case number. Since 2012, the CCC has computerized records of each court case, which is created as soon as a case is filed, and is updated continuously throughout the duration of the case. The Accounting Department performs a labor-intensive monthly reconciliation since different software modules do not interface. The MIS department is responsible for identifying delinquent accounts, transmitting the information to collection agencies, and updating the databases with payment information.

The Finance Department is one of eight major support functions. Two of the responsibilities relevant to the revenue process are accounting and budgeting. The Accounting Department is responsible for bookkeeping, reconciliation, and disbursement of funds, whereas the Budgeting Department is responsible for preparing budget request and management of expenditures. The Budgeting Department prepares the expenditure estimate and the Accounting Department prepares the revenue estimate.

AUDIT SCOPE AND OBJECTIVES

The overall scope and objectives were designed to evaluate the process of determining, tracking, and collecting statutory and court-ordered fees as well as evaluating the budgeted revenue estimation process for the Clerk of the Circuit Court Office. The specific objectives were the following:

- Evaluate the effectiveness and efficiency of the revenue processes to ensure proper internal controls are in place
- Assess the CCC budgetary revenue estimate process for reasonableness
- Verify completeness and accuracy for attributing revenue to appropriate categories at the division and district level
- Determine fees and fines are assessed according to a standardized fee list
- Verify policies and procedures exist and are adhered to regarding revenue collection

FINDINGS

Finding #1:

The CCC's documentation supporting the formulation of the annual budget revenue forecast is lacking in regards to the assumptions, financial modeling method, and analysis process. From the documentation provided it is unclear as to the methodology that was applied and how it is supported. Our office received many statistical reports and a few revenue projections, but there is no written record of running forecasts with different assumptions, from optimistic to conservative, or the methodology of building a forecast model. Based on our conversations with CCC and a review of multiple documents, we concluded the projections were based on optimistic assumptions and the method used was trending using a 3-year average as well as professional judgment, ultimately resulting in an overestimation of revenue.

The Government Finance Officers Association (GFOA) issued a best practices position paper (Financial Forecasting in the Budget Preparation Process) for state and local government agencies in communicating to stakeholders the practicality and accuracy of the budget forecast, the GFOA recommends that government agencies develop a forecast with assumptions and methodology that is clearly stated and made available to stakeholders. The report details the following recommendations for the forecast: document assumptions and supplement with pertinent information; explain how assumptions lead to the forecast; describe forces affecting revenues that might cause actual results to be higher or lower than the forecast and link the forecast to decision making.

Recommendation

We recommend that the CCC follow the GFOA best practices in developing an annual budget revenue forecast that is supported with documented and thorough measurements that clearly define the expectations.

In addition, we recommend the CCC develop a revenue manual to include: description of the revenue source, authority (statutes, ordinances), use and restrictions, rates, exemptions, drivers of revenue,

forecasting method and assumptions, and multiple years of data. The revenue manual will be a valuable tool to support the methodology used in the budget process.

Management Response

The Clerk of the Circuit Court did not provide the management responses within the period required by the Auditor's Ordinance Sec. 2-311.11.

Finding #2:

The CCC did not support revenue deviations with detailed, written analysis. The CCC's statistical data provided was lacking in order to validate that the decrease in case filings is leading to the decrease in revenues. Since different divisions charge different fees for each case filed, the explanation of a decrease in filings is too simplistic.

While analyzing the information we were given, we found that a decrease in case filings doesn't necessarily correspond to a decrease in revenue:

Year	FY14	FY13	FY12	FY11	FY10	FY09	FY08	FY07
Revenue	78,514,611	87,614,933	94,212,399	94,418,315	104,211,099	103,181,262	114,946,028	105,448,214
Revenue compared to previous year	(9,100,322)	(6,597,466)	(205,916)	(9,792,784)	1,029,837	(11,764,766)	9,497,814	4,597,284
Cases Filed	1,189,133	1,318,469	1,323,846	1,328,441	1,512,502	1,604,493	1,705,413	1,875,449
Cases compared to previous year	(129,336)	(5,377)	(4,595)	(184,061)	(91,991)	(100,920)	(170,036)	81,931

A decrease in cases filed led to both a $9.5 million increase in revenue in FY08 and a $11.7 million decrease in revenue in FY09. FY12 and FY13 both dropped in cases filed by around 5,000, yet the decrease in revenue was $205,916 and $6,597,466, respectively.

The overall downward trend of case filings hides the effects of individual division performance. For example, in FY12, Chancery cases increased only by 1,500, but revenue increased by $1 million. As seen in the table below, Chancery case filings yield the second highest revenue per case:

Revenue per Case:

	FY 2013	FY 2014
Chancery	$ 322.41	$ 345.65
Domestic	$ 170.86	$ 173.10
County	$ 178.22	$ 161.77
Law	$ 549.40	$ 583.08
Probate	$ 224.20	$ 206.66
Child Support	$ 152.03	$ 180.28
Total Divisions	$ 286.45	$ 288.05
District 1		
Civil	$ 126.40	$ 149.79
Criminal	$ 27.67	$ 29.16
Traffic	$ 15.71	$ 16.44
Total District 1	$ 49.02	$ 50.87
District 2	$ 51.75	$ 50.68
District 3	$ 44.88	$ 49.79
District 4	$ 35.54	$ 33.31
District 5	$ 39.12	$ 35.99
District 6	$ 28.02	$ 32.88
Total District 2-6	$ 39.10	$ 39.79

The mortgage foreclosure crisis explains the $4.6 million jump in revenue between FY07 and FY08, and the continued crisis sustained an elevated level of revenue until FY12. FY13 marked the drop of $4.7 million as the mortgage foreclosure crisis subsided, corresponding to a drop in cases filed by 17,700 (from 47,421 to 29,738).

Utilizing the statistical data from the CCC Statistics Department, another downward trend is apparent: between FY10 & FY14, 1st district civil cases filed dropped almost 90,000. At $126.40/case (based on FY13 data), the drop equates to a decrease of $11.4 million. District 1 Civil case filings dropped dramatically from FY13 to FY14, from 171,952 to 126,105. The downward trend is continuing into FY15 based on monthly case filing data. A large part of this is due to the City of Chicago decreasing its filings since the CCC put the City on a cash-only basis for specific filings as of 1/1/15 due to an accrued Accounts Receivable of over $13 million.

According to CCC, another factor contributing to a permanent downward trend in case filings is the recent emphasis to arbitrate rather than go to the courts. For example, credit card default cases used to be processed in the 1st District Court, but now cases are filed closer to the debtor. Yet instead of municipalities filing in a suburban district, many of the credit card debts are arbitrated outside of the court system. The CCC did not provide statistical data on this fact, but stated it as a factor affecting revenue.

Recommendation

We recommend that the CCC utilize the statistical data that is captured in the systems to perform more analysis on revenue deviations to improve the forecasting of budget estimates and to justify major fluctuations throughout the budget cycle.

Management Response

The Clerk of the Circuit Court did not provide the management responses within the period required by the Auditor's Ordinance Sec. 2-311.11.

Finding #3:

The CCC operations have an opportunity to become more efficient and effective with the reported decrease in case filings, which leads to a decrease in workload. During walkthroughs and interviews with various CCC staff it was evident that workload has decreased and staff has been able to maintain the current workload. There is no longer a backlog of processing cases. Most Departments are processing current files for the day some are at least within the week, which includes scanning and filing the documents.

The following areas within the CCC operations are not operating in the most efficient manner:

- The accounting process is an extremely labor intensive manual process where some areas are not using automated spreadsheets but completing reconciliations in pencil by hand. The CCC is anticipating a new cashiering system in Fiscal Year 2016, which will add efficiencies, but will not completely eliminate the manual process because information will still have to be manually entered into the General Ledger System.
- A Records Retention Policy does not exist to enable shredding of remotely deposited scanned checks and reduce the maintenance of the paper load.
- All Districts/Divisions are not utilizing the scanning functionality to remotely deposit checks.

Recommendation

We recommend that the CCC research the following process improvements for implementation:

- Cross-train cashiers to be available to perform the cashier function in any department needed based on the workload.

- Research restructuring divisions to appropriately distribute the workload and ensure the most effective and efficient use of resources.
- Utilized staff in other areas such as focusing on collecting delinquent accounts.
- Automate highly manual processes and eliminate the handwritten reconciliations. Prior to new system implementation, processes can be made more efficient through the use of spreadsheets and scanning.
- Develop a Records Retention Policy for shredding of scanned checks that are remotely deposited.
- Establish the process in all Districts/Divisions for remote depositing of checks.
- Develop a plan to move towards a completely E-filing process.

Management Response

The Clerk of the Circuit Court did not provide the management responses within the period required by the Auditor's Ordinance Sec. 2-311.11.

Finding #4:

The CCC provided a high level chart indicating over $30 million outstanding accounts in the Traffic Division, but did not provide the detail to support what this number consists of and the collection activities that have occurred. In addition, there is no analysis on the actual collectability of the outstanding $30 million.

There were no detailed reports on the collection agencies activity to show the total outstanding fines and fees that have been sent to the collection agencies and the breakout of the total dollar amount collected by the collection agencies. Without these reports, we were not able to evaluate the collection activities to determine amount sent, amount outstanding, and amount collected. In addition, we were not able to evaluate whether or not the performance of the collection agencies meet the CCC's expectations because performance targets or benchmarks for collection services are not in place.

Recommendation

We recommend that the CCC expand upon the collection activities with the following process improvements:

- Perform an analysis of the $30 million outstanding to determine the feasibility of collecting along with the best methods for collecting on this amount.
- Reallocate staff time to focus on delinquent accounts. With the decrease in case filings there may be additional staff time to focus on delinquent accounts.
- Require frequent detailed reports from the collection agencies on all collection activity.
- Establish a system to track and report on detailed delinquent account amounts.
- Reexamine the Wage Garnishment Program to determine if it would be feasible for the CCC to establish.
- Establish a formal process to ensure the timely referral of delinquent accounts to the Illinois Comptroller's Local Debt Recovery Program and the State Income Tax Refund Intercept Program (705 ILCS 105/27.2b).
- Require collection agencies to report a list of deceased defendants in order to identify and remove the case amount from the system to ensure a more accurate reporting of amount owed.
- Establish performance measures with the collection agencies to ensure optimal performance in the collection of delinquent accounts.

Management Response

The Clerk of the Circuit Court did not provide the management responses within the period required by the Auditor's Ordinance Sec. 2-311.11.

Finding #5:

Government agencies are not paying the CCC on a timely basis for billings for filing services. Governmental agencies, such as the City of Chicago Corporation Counsel, C.H.A and C.T.A. are allowed to be billed for filing services on a monthly basis. Per the Clerk of the Circuit Court's Financial Audit Report, as of November 2014, the Accounts Receivable-Govt. Agency balance was $13,579,153. The majority of the balance ($13,234,994) is due from the City of Chicago for Filing Fees for Enforcement of Administrative Judgments. During Fiscal Year 2010, the CCC determined these fees no longer qualified for the fee waiver status. A request for payment letter was sent to the City of Chicago in July 2011. The fees stated as owed are as follows:

February 2011	$2,334,303.00
November 2012	$8,096,233.10
November 2013	$12,644,564.14
November 2014	$13,202,334.11
March 2015	$13,188,968.83

Since the City of Chicago has not paid the outstanding amount, as of January 2014, the CCC requires the City of Chicago to pay filing fees for Enforcement of Administrative Judgments on a cash basis and will no longer bill for these fees to prevent an additional accumulation of amount due.

Recommendation

We recommend the CCC improve the payment process for government agencies through the following:

- Due to the additional effort involved in collecting past due accounts and the difficulty in collecting accounts as they age, the CCC should reexamine the policy of billing government agencies for filing fees.
- Institute a policy regarding outstanding government balances including a threshold where an agency cannot carry a balance over a certain dollar amount.
- Consider a process whereby government units are required to establish a prepaid escrow account which is charged as services are rendered and which is replenished monthly.
- Institute policy for a late fee to be assessed for accounts over 30 days old.
- Institute policy requiring cash only if accounts are overdue.
- Review the no-fee status for all agencies and verify if they still qualify for no-fee status. A large amount of work is involved in the CCC processing these files so where allowed a fee should be charged.

Management Response

The Clerk of the Circuit Court did not provide the management responses within the period required by the Auditor's Ordinance Sec. 2-311.11.

Finding #6:

The CCC has been reporting a continual decrease in revenue. We reviewed areas to determine if the services offered are maximizing the revenues needed to operate.

The following areas were noted as areas where revenue may not be currently maximized:

- The Passport Services are not completely utilized. With the current services the CCC offers photo services for a $10.00 fee. When we inquired about the service we were told that the staff was not sure if the camera was working and we were advised to go to Walgreens. Walgreens charges $12.99 for a set of Passport Photos and Post Offices charge $15.00. In Fiscal Year 2014, the CCC processed approximately 2,200 passport applications but only 340 photo services. In addition, the passport services are only offered downtown in the Probate Division at the Daley Center.

- CCC staff, observed in the Civil and Criminal Divisions, will pull multiple case files for customers and do not charge a fee for this service, which involves a significant amount of staff time.
- There is a separate drop box for cases that do not require a filing fee. There are cases put in the drop box that require a fee. CCC will process the file and then send a bill.
- District locations have separate rooms for the public to utilize a desk/chair to run background searches on County computers. In District 3, individuals will utilize the space for an entire day.
- CCC has mentioned setting up an amnesty period for delinquent accounts, but an ongoing formal policy and process has not been established.

Recommendation

We recommend the CCC explore the possibility of instituting these revenue generating methods:

- Increase the passport photo fee from $10 to a minimum of $13.00 to $15.00 for the convenience of not having to go to a separate location for passport photos. In addition, the CCC should promote that they provide this one stop shop service for passport applications and photos. Most people are unaware that this service is provided. The CCC should also expand the services to the District offices and promote the passport services that are provided including the photo services.
- Researching charging a fee to pull multiple case files for customers, as allowed under State Statute 705 ILCS 105/27.2a (o) Index Inquiry and Other Records which states: "No fee shall be charged for a single plaintiff/defendant index inquiry or single case record inquiry when this request is made in person and the records are maintained in a current automated medium, and when no hard copy print output is requested. The fees to be charged for management records, multiple case records, and multiple journal records may be specified by the Chief Judge pursuant to the guidelines for access and dissemination of information approved by the Supreme Court."
- At district locations, require the public to sign up and block time and charge a fee for any block of time over a certain amount to ensure fair access to everyone.
- Set up a traffic ticket amnesty program and policy to operate at sporadic times, which would waive late and collection fees for people to pay their traffic tickets during this time period.
- Review of all No Fee cases for Government Agencies and verify if they may be able to legally charge for those cases to maximize revenue.
- Charge an additional fee for people who use the no fee drop box for filings requiring a fee. Essentially these individuals were provided an additional service.

Management Response

The Clerk of the Circuit Court did not provide the management responses within the period required by the Auditor's Ordinance Sec. 2-311.11.

Finding #7:

The Policies and Procedures Manual does not fully define all the current processes and requirements, some sections had not been updated since 2003. In addition, the document appears to only be maintained in a hardcopy format. Keeping policies and procedures up to date and in an easily accessible format will establish the internal controls and ensure a clear understanding of the duties and responsibilities.

Recommendation

We recommend that the policies and procedures manual be updated to include all current controls, processes and responsibilities. In addition, we recommend that the manual is periodically reviewed for updates and maintained in a central location in an electronic format to be easily accessible.

Management Response

The Clerk of the Circuit Court did not provide the management responses within the period required by the Auditor's Ordinance Sec. 2-311.11.