



***Court Services Revenue Management
Audit
Legal and Court Services Department***

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1.0 Management Summary

Audit Services has completed an audit of Court Services Revenue Management within the Legal and Court Services Department. The objectives of this engagement were to provide assurance on the adequacy of internal controls over revenue collections, including effectiveness and efficiency of procedures, and protection of confidential information.

The audit scope included a review of data and processes during the period beginning January 01, 2021 through to the completion of audit fieldwork in July 2023. Processes reviewed include financial transactions and reporting, recordkeeping, and information security.

Our audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

Based on the work performed, internal controls overall were found to be in place and working as intended. Opportunities exist to enhance training and process documentation around the use of the virtual payment terminal tool by employees working from a remote location, reduce the wait period before initiating collections, and update policies and procedures in general. Detailed observations and recommendations are presented under section 4.0 of this report.

During the audit we noted key strengths within Court Services' revenue management processes, particularly with respect to continuous improvement efforts and mitigation strategies to deal with resource limitations. Staff and management are diligent in their efforts to provide customer service and sustainable revenue collections while faced with resource challenges outside of their control.

Should the reader have any questions or require a more detailed understanding of the risk assessment and sampling decisions made during this audit, please contact the Director, Audit Services.

Audit Services would like to thank Court Services staff and management for their cooperation and assistance provided during the audit.

2.0 Introduction

York Region Court Services is the second largest Provincial Offences court operation in Ontario (based on the number of charges filed). The Court Services Branch provides service to the residents of York Region, the nine local municipalities, the Province of Ontario, the Judiciary, and over 30 law enforcement and regulatory agencies operating within the Regional Municipality of York. At the writing of this audit report, Court

Services operates six trial courtrooms and two intake courtrooms located in Newmarket and Richmond Hill; however, a recent decision to consolidate operations in Newmarket is expected to result in the permanent closure of the Richmond Hill location by end of 2024. Court Administration is responsible for the administration of all Provincial Offences Act (POA) charges issued in York Region. Processing of revenue from fines is the responsibility of the Collections unit.

Individuals charged under the POA are provided with options to respond as follows:

- Pay in full by the due date
- Admit guilt with extenuating circumstances
- Request trial (judgement may result in fine reduction or charge dismissed)

On average, 70% of a POA charge collected by Court Operations is revenue to the Region, with the remainder distributed to the Province and any other municipalities involved in the charge.

POA charges are not recognized as receivables in York Region's financial records, and revenue is recognized only upon receipt of payment. Accordingly, unpaid fines do not have a direct impact on the Region's financial statements. However, the Region's ability to collect on POA charges does have a significant impact on Court Services' budget and ability to sustain operations solely on the revenue that it collects.

Management indicated that they and staff work continuously to streamline processes and create efficiencies where possible. Recent initiatives include consolidation of physical administrative locations and expanding payment options such as introducing phone payments. However, the process to collect on defaulted or disputed fines has been facing extraordinary challenges that remain outside the Region's control, particularly with respect to charges for which a trial has been requested. On average, over 50% of POA charges are disputed by defendants. Defendant requests for trial that are not met within a legislated 18-month period may result in the withdrawal of charges. The Ontario Court of Justice is responsible for scheduling of matters and assignment of Justices of the Peace (JPs). Reduced assignments and competing priorities creates pressure on Court Services' ability to meet legislative obligations. Without a sufficient number of Justices of the Peace (JPs) assigned to POA courts to facilitate a defendant's right to a timely trial, there is a continued risk of lost revenue and potential negative impact on the sustainability of courts operations.

3.0 Objectives, Scope, and Methodology

AUDIT OBJECTIVES

The main objectives of this engagement were:

- To verify that internal controls over revenue collections and related processes are adequate and working as intended
- To verify that sufficient policies and procedures exist and are being followed by staff and management responsible for revenue collections and related processes
- To ensure that confidential information related to revenue collections and corresponding processes is adequately protected from inappropriate access

AUDIT SCOPE AND METHODOLOGY

The audit included a review of select transactions, processes and documents created and/or used during the period January 01, 2021 through completion of fieldwork in July 2023. Processes included (but were not limited to) payment processing, financial reporting, bank deposits, recordkeeping, transfers to and from POA partners and lower tier municipalities, compliance, and information security.

The audit objectives were accomplished through:

1. Review of relevant policies, procedures, and legislation
2. Interviews with appropriate personnel
3. Sample testing within processes identified in the audit scope
4. Review of other related documentation

4.0 Detailed Observations

4.1 *Virtual Payment Terminal Procedures*

Opportunity exists to reinforce procedures and training for employees processing payments via telephone.

Region employees processing telephone payments from a remote location have been provided with detailed procedures documentation on the use of the virtual payment terminal; however, as of the date of fieldwork, a formal protocol was not in place to ensure that employees record credit card information directly into the third-party financial service provider site only. There was also no formal documented procedure for handling credit card data in the event that the virtual payment terminal is temporarily unavailable. Implementing a formal policy and related training on credit card data security may help strengthen controls around handling of credit card information and reduce the risk that credit card data is inadvertently exposed.

Recommendation

Management should consider developing, implementing and communicating a protocol to ensure that remote employees understand and follow credit card data security measures under normal circumstances and in the event that the virtual payment terminal is unavailable.

Management Response

Management Action Plan:

Agree. Management will take the necessary steps to develop and update the virtual payment terminal procedure manual with a protocol on credit card data security measures and service interruption for remote employees.

Owner: Manager of Collections, Initiatives and Process Improvement

Expected Completion Date (Quarter and Year): Q3 2024

4.2 *Timing of Collection Proceedings*

Opportunity exists to decrease the length of time between payment default and formal collections proceedings.

The Province allows for collections proceedings to begin three months after a POA fine offence date; however, the Region has had an informal practice of waiting up to six

months to begin collections enforcement. While the Region must remain committed to fair and supportive business practices, expediting the collections process in line with Provincial guidelines may help increase the success rate of collection efforts and reduce the risk of charges defaulting permanently.

Recommendation

Management should explore opportunities to decrease the length of time between POA charge due date and start of collections proceedings.

Management Response

Management Action Plan:

- Court Services has recently completed an impact analysis of current default fine enforcement timelines.
- Starting in Q4 2023, management implemented adjustments to the default fine collection process reducing the time between final due date and collections enforcement.
- Final Notices, the first step in enforcement of defaulted fines, are now issued three months after a POA fine offence date.
- Additional changes included accelerating enforcement of driver's license suspension from 3 months to 2 weeks and deferring eligible cases to local municipalities for tax rolling monthly rather than quarterly.
- The management team will monitor the impact of these changes on revenue and defendants.

Owner: Manager of Collections, Initiative and Process Improvement

Expected Completion Date (Quarter and Year): Complete

4.3 Update Policies and Procedures

Opportunity exists to review and update policy and procedures documents.

The Court Services Business Operations Branch Financial Procedures document provided during the audit is dated May 2004, with no indication that it has been reviewed or updated since then. Periodic review and update of policies and procedures may decrease the risk of outdated or conflicting instructions and help to ensure clarity and consistency in operations.

Recommendation

Management should consider reviewing existing policy and procedure documents for relevance and clarity on a periodic basis, with the date of the last review and update clearly indicated on each document.

Management Response

Management Action Plan:

Agree. Management will take the necessary steps to update the Court Services Business Operations Branch Financial Procedures document and build in a mechanism for ongoing review and updates.

Owner: Manager of Collections, Initiatives and Process Improvement

Expected Completion Date (Quarter and Year): Q2 2025

End of observations.

Management has received a copy of this report and included a response.

Original signed _____

Michelle Morris
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