
Follow-Up Report on a Management Audit of the Honolulu Traffic Violations Bureau

A Report to the
Governor
and the
Legislature of
the State of
Hawaii

Report No. 95-15
April 1995



THE AUDITOR
STATE OF HAWAII

The Office of the Auditor

The missions of the Office of the Auditor are assigned by the Hawaii State Constitution (Article VII, Section 10). The primary mission is to conduct post audits of the transactions, accounts, programs, and performance of public agencies. A supplemental mission is to conduct such other investigations and prepare such additional reports as may be directed by the Legislature.

Under its assigned missions, the office conducts the following types of examinations:

1. *Financial audits* attest to the fairness of the financial statements of agencies. They examine the adequacy of the financial records and accounting and internal controls, and they determine the legality and propriety of expenditures.
2. *Management audits*, which are also referred to as *performance audits*, examine the effectiveness of programs or the efficiency of agencies or both. These audits are also called *program audits*, when they focus on whether programs are attaining the objectives and results expected of them, and *operations audits*, when they examine how well agencies are organized and managed and how efficiently they acquire and utilize resources.
3. *Sunset evaluations* evaluate new professional and occupational licensing programs to determine whether the programs should be terminated, continued, or modified. These evaluations are conducted in accordance with criteria established by statute.
4. *Sunrise analyses* are similar to sunset evaluations, but they apply to proposed rather than existing regulatory programs. Before a new professional and occupational licensing program can be enacted, the statutes require that the measure be analyzed by the Office of the Auditor as to its probable effects.
5. *Health insurance analyses* examine bills that propose to mandate certain health insurance benefits. Such bills cannot be enacted unless they are referred to the Office of the Auditor for an assessment of the social and financial impact of the proposed measure.
6. *Analyses of proposed special funds* and existing *trust and revolving funds* determine if proposals to establish these funds and existing funds meet legislative criteria.
7. *Procurement compliance audits* and other *procurement-related monitoring* assist the Legislature in overseeing government procurement practices.
8. *Fiscal accountability reports* analyze expenditures by the state Department of Education in various areas.
9. *Special studies* respond to requests from both houses of the Legislature. The studies usually address specific problems for which the Legislature is seeking solutions.

Hawaii's laws provide the Auditor with broad powers to examine all books, records, files, papers, and documents and all financial affairs of every agency. The Auditor also has the authority to summon persons to produce records and to question persons under oath. However, the Office of the Auditor exercises no control function, and its authority is limited to reviewing, evaluating, and reporting on its findings and recommendations to the Legislature and the Governor.



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Submitted by

THE AUDITOR
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Introduction

The Office of the Auditor issues a wide variety of reports and studies recommending improvements in government operations. In response to growing interest in the impact of our audits, we have expanded our follow-up program to include a systematic review of selected findings and recommendations of previous audit reports. We revisit the subject agencies to verify and assess any progress made in addressing prior audit findings and recommendations. Government auditing standards require an audit follow-up process to determine whether an auditee has taken timely and appropriate corrective actions on findings and recommendations from previous audits.

The purpose of this report is to describe actions taken by the Hawaii Judiciary with respect to certain recommendations in our December 1993 report, *Management Audit of the Traffic Violations Bureau*, Report No. 93-21. We hope that the information provided in this report will assist policy makers in ensuring effective, efficient, and accountable programs.

Background

The Honolulu Traffic Violations Bureau, within the Judiciary's district court, is primarily responsible for the processing of citations for violations of state and Honolulu county traffic laws. In addition, the bureau also prepares abstracts that list the traffic violations of drivers. The bureau is one of nine traffic violations bureaus in Hawaii, each serving a different geographic area. Our 1993 audit was limited to the Honolulu bureau only.

At the time of our 1993 audit, the bureau was annually handling about 600,000 cases and generating \$10 to \$12 million in revenues from payments for citations, abstracts, and court costs.

Our 1993 audit found that the manager of the bureau had limited authority to make decisions, making it difficult to manage operations. Requests from the manager—for example, a request for installation of credit card readers to facilitate traffic fine payments—faced multiple layers of review and frequent delays. The bureau manager lacked control over the bureau's funds and budget and received little information about the bureau's operating costs. To carry out the manager's assigned responsibilities, more delegation of authority was needed. In addition, we found the unofficial transfer of the Deferred Court Fines Section to the bureau was causing some problems.

In 1993 we also found that the bureau's Traffic Violations Computer System (TRAVIS) was old and inadequate for processing traffic citations and drivers' abstracts. As a result, intensive manual procedures proliferated throughout the citation processing system. Delays in automating contributed to the backlogs. We found an estimated 20,000 parking citation envelopes unopened, resulting in lost interest income to the State. Abstract processing, which was generating about \$75,000 a month in fees, was backlogged by over 200,000 abstract requests. An estimated 37,000 penal summonses, which could generate \$1,850,000 in revenues, remained unserved.

We also found that the bureau needed to improve its management of check deposits and cash register receipts, and that its policies and procedures manual was outdated.

Based on these findings, our 1993 report made a number of recommendations for improvement.

Approach to Follow-Up

As a follow-up of our December 1993 report, we reviewed the Judiciary's letter to the Auditor of November 3, 1994, which provided information concerning actions taken. We then conducted fieldwork at the Judiciary including the Traffic Violations Bureau to gather additional information necessary for this report. Our work was performed from December 1994 through March 1995.

The following is our overall assessment of progress by the Judiciary, followed by a description of each of our previous recommendations, actions reported by the Judiciary in its 1994 letter to us, and the results of our recent fieldwork.

Summary of Follow-Up

Our overall assessment is that the Judiciary has made some progress on our recommendation related to the Traffic Violations Bureau's managing of its cash register receipts and, to some extent, our recommendation on updating the bureau's policies and procedures.

However, our recommendations addressing the authority and responsibilities of the bureau manager, his role in the area of computerization, and the depositing of checks have not been implemented. Furthermore, the Judiciary acknowledges problems with the computerized TRAVIS system, and is trying to improve or eventually replace the system. Finally, our recommendation concerning the Deferred Court Fines Section was not implemented.

Decriminalization

Our follow-up also revealed that much of the Judiciary's work since our 1993 audit has focused on implementing the decriminalization of certain traffic violations under Act 214 of 1993, which took effect on July 1, 1994.

Previous to Act 214, all traffic offenses were handled under criminal procedures. Under the procedures of decriminalization, civil rules, procedures, and penalties replaced the existing criminal procedures and penalties for the less serious traffic infractions. For example, to contest parking tickets and many moving violations no longer requires an appearance in criminal court to enter a not guilty plea. Instead, the individual may now contest the citation by mail or by appearing at an administrative proceeding.

Decriminalization has required new tickets, forms, procedures, processing methods, and extensive training. A two-track system for traffic offenses—one criminal and the other civil—has replaced the previous one-track criminal system. Making the transition has been a major challenge for the Judiciary, consuming a good deal of time, effort, and resources.

Recommendation from 1993 Report

In our 1993 report, we recommended that the administrative director of the courts clarify the responsibilities, authority, and reporting relationships of the manager of the Traffic Violations Bureau.

Implementation as reported in the Judiciary's letter

In its 1994 letter to the Auditor, the Judiciary said the Honolulu Traffic Violations Bureau operates under different circumstances than the neighbor island traffic violations bureaus. Therefore, the Auditor's recommendation must be addressed in the context of a comprehensive study and evaluation of traffic violations bureaus statewide.

The Judiciary also said roles and relationships of the bureau manager and the district court administrator are clear and the bureau manager will remain subordinate to the district court administrator. They should work collaboratively to address and resolve problems in bureau operations. The Judiciary appointed a new district court administrator effective November 17, 1994 who will review responsibilities, authority, and reporting relationships with all program managers of the district court.

Results of our fieldwork

In our follow-up fieldwork, we found that the Judiciary has not officially clarified the responsibilities and authority of the manager of the bureau. However, initial indications are that the new district court administrator is providing more autonomy to the bureau manager, for example, in investigating new technology that could be integrated into TRAVIS.

Recommendation from 1993 Report

Our 1993 report recommended that the Judiciary should establish a separate program budget for the Traffic Violations Bureau and submit a specific appropriation request to the Legislature for the program.

Implementation as reported in the Judiciary's letter

The Judiciary's 1994 letter to the Auditor said that it had not identified a compelling management reason for separating the Traffic Violations Bureau from the district court. However, the Judiciary said that a separate organization code for the bureau can be established within the district court budget to separate the bureau's budget requirements and expenditures, while allowing the continued consolidation of these items into the district court program ID (JUD121) for overall accountability. The Judiciary said this idea will be reviewed by the new district court administrator.

Results of our fieldwork

Our follow-up fieldwork confirmed that the Judiciary looks favorably upon a separate organization code for the traffic bureau for budgeting purposes. However, the Judiciary believes the most appropriate time to establish a separate code is the start of a new fiscal year.

Recommendation from 1993 Report

In 1993 we recommended that the Judiciary should officially make the Deferred Court Fines Section part of the Traffic Violations Bureau or return the deferred fines function from the bureau to the Judicial Services Office.

Implementation as reported in the Judiciary's letter

The Judiciary's 1994 letter said that the collection of deferred payments continues to be handled by the bureau. However, the new district court administrator will review this matter, with a reorganization proposal highly probable. In addition, the chief justice has created a Fees and Fines Committee to improve collections procedures and define the roles of the court and the bureau.

Results of our fieldwork

Deferred court fines are traffic fines paid on a schedule by defendants who are unable to pay their fines at the time of their trial. Previously, the Deferred Court Fines Section of the Judiciary's Judicial Services Office accepted and kept track of these payments. The Traffic Violations Bureau took over the function because of complaints and inquiries from the public about the payments.

In our 1993 report, we pointed out that the function officially remains with the Judicial Services Office and the bureau was assigned no new personnel. The bureau had to pull clerks from its other sections to carry out this function, some of whom lacked the proper classification to accept the deferred payments and reconcile the cash register. To help resolve these difficulties, we recommended that the Judiciary officially make the Deferred Court Fines Section a part of the bureau, or return the function to the Judicial Services Office.

In our follow-up fieldwork, we found that the Judiciary has made no decision about official placement of the Deferred Court Fines Section. We also found that on December 15, 1994, the Supreme Court Fine Enforcement Committee (also known as the Fees and Fines Committee) issued *An Action Plan to Improve Fine Enforcement in Hawai'i*. The plan, which was pending approval by the chief justice at the time of our fieldwork, seeks to improve the enforcement of court orders and improve public respect for the courts while increasing revenues to the general fund from traffic fines. The plan addresses fines in light of decriminalization and recommends such activities as improvements in TRAVIS, strategic planning to establish statewide enforcement procedures, and a pilot project in the fifth judicial circuit to evaluate a "collections investigator" program modeled after one in Colorado.

However, the action plan does not address the placement of the Deferred Court Fines Section. For now, it appears that the Traffic Violations Bureau will continue to perform this function.

Recommendations from 1993 Report

We recommended in 1993 that the manager of the Traffic Violations Bureau should investigate the feasibility, costs, and benefits of integrating the current traffic violations computer system (TRAVIS) with advanced technology, such as optical image scanning and recognition and automated citation writing devices. In addition, the manager should study the feasibility of enhancing the current system to perform the following: calculate points for abstracts; automate tracking of bench warrants and penal summonses; tie in cash intake stations; and provide access for police officers. The manager should develop alternatives to manually intensive procedures. In addition to monetary factors, the feasibility analysis should consider other factors such as speed of processing tickets, elimination of manual procedures, worker morale, public convenience and satisfaction, generation of revenue, and adaptability to future computer systems. The manager's analysis should accompany any request for appropriation by the Legislature.

We also recommended that the manager of the bureau should independently complete the steps outlined in the computerization planning methodology created by the Telecommunications and

Information Services Division (TISD). Once done, the manager can reevaluate the data, applications, and computer system needs of the bureau. Any proposed system must be coordinated with the Judiciary-wide computer system.

Implementation as reported in the Judiciary's letter

Responding to these recommendations, the Judiciary's 1994 letter said that the bureau manager is not required to possess the type of technical expertise possessed by staff of TISD. The bureau manager has the subject expertise to work collaboratively with TISD to meet automation needs. In the interim, the manager has contacted various companies concerning such areas as input and optical imaging technology, program development and citation processing, and integrated cash registers.

The letter also said that effective July 1, 1994, the Judiciary implemented the decriminalization of minor traffic offenses pursuant to Act 214 of 1993. This entailed establishing a new system of processing traffic offenses and required changes to TRAVIS, new rules, forms, and procedures, and training of clerks to handle the cases based on civil rules and procedures. In addition, the current criminal system of handling the more serious traffic offenses still exists. The Judiciary said that the implementation of Act 214 took a major portion of the staff time originally allocated to finding new advances in technology.

The Judiciary reported that it recognizes and acknowledges the deficiencies of TRAVIS and will continue to seek ways to enhance or replace this system. A subcommittee will be formed to replace TRAVIS, with assistance from the bureau manager. The Judiciary expects to submit a proposal to the Legislature for funding.

Results of our fieldwork

In our follow-up fieldwork, we confirmed that the manager of the Traffic Violations Bureau has been investigating new technology to integrate with TRAVIS.

We also found that implementing decriminalization has in some respects intensified the Judiciary's attention to the bureau's automation needs. Enhancing or replacing TRAVIS has been discussed in various committees. Currently, the Judiciary appears to be leaning toward acquiring a new system.

The action plan of the Supreme Court Fine Enforcement Committee stated that a requirements analysis to replace TRAVIS should be conducted now. Other discussions have occurred in the committee of district court administrative judges and the subcommittee to find a replacement for TRAVIS. However, the Judiciary encountered a setback when TISD's chief information officer resigned on August 12, 1994. The Judiciary is currently recruiting a new chief information officer.

We found that with decriminalization, the bureau must now process tickets under two separate sets of procedures. For example, tickets issued by state parking control, airport, and harbors personnel are still processed under the old system which may involve scheduling arraignments, issuing penal summonses, and issuing bench warrants. Under decriminalization, the process involves administrative hearings, default judgments, motions to set aside default judgments, and stoppers. The Judiciary is currently submitting legislation to decriminalize more traffic and parking infractions.

We found it difficult to assess the overall impact of decriminalization on the bureau because of the decrease in tickets issued. From January 1994 to June 1994, the bureau recorded an average of 7,800 moving and miscellaneous citations issued per month. After decriminalization, from July 1994 to November 1994, moving and miscellaneous citations issued fell to an average of 4,064 per month. The number of parking citations issued also fell during the same time period, from an average of 23,184 per month to 22,226 per month.

We also found that although changes were made to TRAVIS to accommodate decriminalization, the bureau must still manually calculate points for abstracts and type out bench warrants.

The TISD is currently preparing a grant proposal for submission by March 1995 to the federal Department of Transportation to fund a replacement system for TRAVIS. If the proposal is accepted, funding is expected in October 1995.

Recommendation from 1993 Report

We recommended in 1993 that the Judiciary's Fiscal Office should work with the Traffic Violations Bureau to simplify the process of depositing checks received for fines. Checks should be deposited directly into the bank with the bureau's daily cash deposits.

Implementation as reported in the Judiciary's letter

In the 1994 letter, the Judiciary responded that the Committee on Fees and Fines will be reviewing the overall process for collecting fees and fines and will be working towards streamlining the process, to address the Auditor's recommendation.

Results of our fieldwork

In our follow-up fieldwork, we found that the procedure of using several bank accounts as clearing accounts for depositing checks and credit card payments for fines is unnecessary. The bureau deposits payments from different sources into different accounts. For example, bail-by-mail payments are deposited into one bank and payments received by the

bureau's lockbox are deposited into another bank. The accounts are then totaled and deposited into the bureau's general account. When checks bounce at the clearing accounts, the bureau's general account issues a check to cover the funds for the bad check.

We believe that this transfer of checks from one account to another is unnecessary if all receipts are deposited into the bureau's general account.

A judiciary official told us that the high volume of transactions makes it necessary to have clearing accounts for the bureau. The official indicated that it would be nearly impossible to balance the approximately \$1,350,000 in revenues per month using only the bureau's general account. It is also claimed that separate accounts alleviate confusion when follow-up collection is made because nonpayment of returned checks from the bail-by-mail account results in a penal summons while nonpayment of returned checks from the general account results in a bench warrant.

However, we continue to believe that using clearing accounts is inefficient. More than one account must be reconciled, needlessly using valuable resources. The practice increases the opportunities for errors, miscalculations, and the mishandling of checks.

The proposed action plan of the Supreme Court Fine Enforcement Committee approaches fine enforcement on a statewide basis and does not specifically address the use of clearing accounts.

Recommendation from 1993 report

We recommended in 1993 that the bureau manager should ensure that:

- a. a separate party determines if bureau cash registers balance at the end of the day; the supervisor or an independent third party should initial cash record (tally) sheets to document that the cash register balance was checked for the day; and
- b. the bureau's policies and procedures manual is updated.

Implementation as reported in the Judiciary's letter

The Judiciary's 1994 letter said that on August 18, 1994, the bureau changed its policies so that the section supervisor or assistant would run the totals on the cash register separately from the person counting the money. Any discrepancies would then be resolved by both parties. In addition, the Judiciary said the bureau has completely redone its policies and procedures manual to reflect current policies required by the decriminalization of traffic infractions.

Results of our fieldwork

We found that the Judiciary has implemented our recommendations as indicated in its letter.

Our 1993 audit found that cashiers were responsible for both (1) counting and recording the amount of money in their cash registers and (2) printing the final cash register tape for the day and determining if their cash register is in balance. Because combined functions by one person can increase the possibility of theft, we recommended separating the two functions. Our review of the bureau's memo indicates that our concerns were addressed.

Our 1993 audit also found that the bureau's manual of policies and procedures was issued in 1978 and was outdated and incomplete, for example it lacked employee leave policies. The bureau has now updated the manual. It contains up-to-date descriptions of procedures for processing tickets under both the old system and the new decriminalization system. However, we note that the manual still does not include employee leave policies. The manual will require further revision when new forms are printed and disseminated.

Conclusions

As recommended in our 1993 report, the Honolulu Traffic Violations Bureau of the Judiciary has improved the handling of its cash register receipts. It has also made progress towards an updated manual of policies and procedures.

The Judiciary recognizes that the Traffic Violations Computer System (TRAVIS) needs improvement and has begun the process of updating and possibly replacing the system. While the Judiciary would not grant the bureau manager the degree of independent responsibility for assessing automation needs that we recommended in 1993, the Judiciary supports the manager assisting the Telecommunications and Information Services Division (TISD) in its automation plans. We found that the manager has been working on the automation issue. However, we are still not convinced that responsibilities for automation are sufficiently clear and appropriate to meet the bureau's needs.

The Judiciary has not formally clarified the responsibilities and authority of the bureau manager to the extent that we envisioned in our previous report. There are signs that the manager will be given more autonomy. Whether this autonomy will be sufficient to help the manager meet the bureau's operational challenges remains to be seen. The Judiciary is considering establishing a separate organization code for the bureau within the district court budget to distinguish the bureau's budget requirements and expenditures. We view this as a useful step in

enabling the bureau to manage its own affairs. Finally, the bureau reports that backlogs in processing citations, drivers' abstracts, and penal summonses have been eliminated.

As it proceeds with implementation of decriminalization of certain traffic offenses, the Judiciary should consider implementing all remaining audit recommendations.

