

MUNICIPALITY OF ANCHORAGE



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Mayor Dan Sullivan

February 23, 2011

Honorable Mayor and Members of the Assembly:

I am pleased to present **Internal Audit Report 2011-02, Online Payment System, Anchorage Police Department**, for your review. A brief summary of the report is presented below.

In accordance with the 2010 Audit Plan, we have completed an audit of the online payment system used by the Anchorage Police Department. The objective of this audit was to determine whether the Anchorage Police Department's online payment system had adequate controls and that payments were efficiently and properly processed. Specifically, we selected judgmental samples of online payments and tested supporting documents for accuracy. We also reviewed controls in the online payment system to prevent erroneous payments.

Based on our review, we determined that the Anchorage Police Department's online payment system could be improved to more efficiently and properly process payments. Specifically, the online payment system was not connected to the traffic ticket database that contained the defendants' ticket information to help ensure payments were correct. In addition, the Municipality's contract with Official Payments Corporation expired in June 2008 and has not been renewed.

There were two findings with recommendations in connection with this audit. Management was responsive to the findings and concurred with the recommendations.

A handwritten signature in black ink, appearing to read 'Peter Raiskums'.

Peter Raiskums, CIA, CFE
Director, Internal Audit

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Internal Audit Report 2011-02
Online Payment System
Anchorage Police Department

Introduction. The Records Section (Records) of the Anchorage Police Department (APD) is responsible for accepting and processing payments for traffic citations and other incidental charges such as photocopying or photo lab services. In April 2010, APD began accepting online payments over the internet for traffic citations using a third party payment processor, Official Payments Corporation (OPC). As of December 13, 2010, APD had collected \$258,849 using this new online payment system.

Objective and Scope. The objective of this audit was to determine whether APD's online payment system had adequate controls and that payments were efficiently and properly processed. Specifically, we selected judgmental samples of online payments and tested supporting documents for accuracy. We also reviewed controls in the online payment system to prevent erroneous payments.

The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. The audit was performed during the period of December 2010. The audit was requested by the Administration.

Overall Evaluation. The online payment system at APD could be improved to more efficiently and properly process payments. Specifically, APD's online payment system was not connected to the traffic ticket database that contained the defendants' ticket information to help ensure payments were correct. In addition, the Municipality's contract with OPC expired in June 2008 and has not been renewed.

FINDINGS AND RECOMMENDATIONS

1. No Interface with Traffic Ticket Database.

- a. **Finding.** APD's online payment system was not connected to the traffic ticket database that contained the defendants' ticket information to help ensure payments were correct. Rather than retrieving ticket information from a database and permitting a defendant to review the information before finalizing an online payment, the system required defendants to enter their ticket information and payment amount. As a result, some defendants had made under/over payments, payments on voided tickets, and payments on traffic tickets that were already referred to the Traffic Court or the Municipality of Anchorage's Delinquent Criminal/Civil Fines and Fees Section (DCF). Specifically,
- ***Underpayment*** – Since the online payment system permitted defendants to enter any amount for the payment, we found some defendants only paid their ticket and did not always pay the \$10 surcharge assessed on tickets over \$30. Once the ticket was paid, the ticket was relieved in the ticket system; however, the \$10 surcharge was sent to the Court for further collection efforts.

- ***Overpayment*** – We found that some defendants overpaid their tickets. As a result, APD Records staff was required to request OPC provide a refund to the defendant.
 - ***Payment on Voided Tickets*** – We found some defendants made payments on voided tickets. For example, on October 8, 2010, an APD officer issued a ticket to a defendant for not obeying a traffic control device. Later the officer voided the ticket due to a wrong name and description on the ticket and did not re-issue a ticket. It appeared that the defendant was never notified of the voided ticket and consequently paid the ticket online. Records staff then had to refund the defendant's payment.
 - ***Payments on Tickets Referred to Traffic Court or DCF*** – Some online payments were received and processed by Records staff even though the ticket had already been forwarded to other entities for further collection action. If full payment on a ticket is not received within 30 days from the issue date, the ticket is referred to the Traffic Court for a default judgment and a \$50 collection charge is added. If no payment is received at the Court, the ticket with the \$50 collection charge is referred to the DCF section for further collection action. However, if APD receives payment after referring the ticket to the court, then APD asks the court to reverse the default judgment and the collection charge.
- b. **Recommendation.** The Anchorage Police Department should determine the feasibility of linking the online payment system with the ticket database. If possible, the two systems should be interfaced to ensure payments are received in the correct amount and for valid tickets.

- c. **Management Comments.** Management stated, “The Management of the Anchorage Police Department concurs with the finding that an interfaced system would reduce citizen errors, reduce workload, increase efficiency and potentially increase the revenue stream of this medium. Financial constraints have limited the ability of the Anchorage Police Department to explore this option previously, however the Anchorage Police Department is currently working with the Treasury Division and Official Payment Corporation (OPC). OPC offers two solutions to this challenge: Co-Branding which allows citizens to pay through the MOA’S website using a verification function (look up) where business rules are utilized to control data or Web Service which is a higher level product which operates in a real time environment. Either of these options can be implemented at a low cost to the MOA (factor only the costs of MOA employee time as vendor service is paid by citizens).”

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

2. **Contract with OPC Expired.**

- a. **Finding.** The Municipality’s contract with OPC expired in June 2008 and has not been renewed. However, in 2010 the Municipal Treasurer added APD to the expired OPC contract for online payment processing. The contract between the Municipality and OPC began in June 2004 and stated that it had a term of two years with an automatic renewal for two additional one year periods, unless either party provided written notification of its decision not to renew.

- b. **Recommendation.** In coordination with the Purchasing Officer, the Municipal Treasurer should negotiate a current contract for processing online payments.

- c. **Management Comments.** Management stated, “The Anchorage Police Department will avail itself of the online processing contract available through the Municipal Treasurer. During a recent meeting with OPC, the Treasury Division began discussing the process to renew the contract on a go-forward basis.”

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

Discussion With Responsible Officials. The results of this audit were discussed with appropriate Municipal officials.

Audit Staff:
Scott Lee