

Part 15: Financials

-Public

Requirements

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First just for fun, a link to the YouTube version of Money by Pink Floyd.

The USA courts in the 1980's as a way to fund targeted programs such as court automation. For example a fine is, say, \$100 USD. In addition to that fine a surcharge of 20%, or perhaps a flat amount of, say, \$5 were charged. Then, depending on the type of case or the offense that the person was convicted of, the surcharge may or may not apply. And one additional factor that had to be included in the design was the date that the surcharge was implemented, terminated, and/or the amount of the surcharge as the legislature changed it. You can see that this can become very complicated, very quickly.

As a result the public becomes very confused. It is very similar to our recent experience with either hotel or rental car charges. One might think they are renting their hotel room for \$100 per night but with added taxes and fees it is actually \$125 per night, with the bill listing the breakdown of these charges when we checkout. Let's just say that the total amount is not clear up front, that in turn results in a perception of fairness issue.

Thus, the CCMS will provide some kind of fee/fine calculator capability for judges and court staff as well as the public so that the full bill is readily available at time of sentencing.

Receipts

CCMS will have the function to generate financial receipts are critical for supporting court fairness and anti-corruption efforts (more on this below). Any organization that handles cash or financial transactions is susceptible to theft. And every year there are scores of court employees who are found to have taken money ([embezzlement](#)) from court receipts. A [Google News](#) search during the writing of this article found such cases in Mississippi, Iowa, Michigan, Wisconsin, and Virginia in recent months.

In many instances it is receipt of cash payments that presents both the temptation and opportunity as government salaried clerks/registrars are often one of the lowest paying positions in the courts.

Under and Over Payments

Just a note on this issue. Courts often receive an incorrect payment amount, whether by check (bank drafts), [money order](#), or [credit/debit](#) card. So the CCMS should be able to record these payments and take the appropriate action either as an account credit or refund check. In no circumstance should these payments be rejected (sent back) or held until the correct amount is received. In turn, the status of the case might be changed to reflect the partial payment. If however the party paid by check and the person cannot be contacted for refund (for example, the

refund check is returned), then those funds should be held in trust by the court or their associated government financial office for a period of time. During this time period the check will become “stale” when it is outstanding for a period of six months or more. A bank is not obligated to pay a stale check. Law requires government entities to turn the money over to a state-level revenue department which will then post names of persons due refunds for taxes and fees. This is a common approach in the US and alleviates the need for the court to make more than an initial effort to return overpayments.

Checks and Credit Cards

In the past courts have often restricted payments to cash or money order or, when permitted, by check (bank drafts). We have always found that the acceptance of checks becomes problematical because of the possibility that there were insufficient funds in the bank account for payment to the court. This in turn results in failure to pay and similar warrants and collections processes that add to the court’s workload. Non-sufficient funds(NSF) underpayments and non-payment become a collection issue.

Then In the 1980’s some enterprising courts realized that if they made it easier for people to pay their obligations with credit cards, both the percentage of obligations paid and overall revenue increased.

But the objection that many governments offer is that they were required by the credit card companies to absorb the payment fee percentage, unless state law allowed the court to **pass on the service charge. However, that now has changed. As noted in a December,2013 CTB post:**

“In an antitrust class action settlement announced on December 13, 2014, an article by Reuters News Service notes:

“Under certain circumstances, the settlement allows merchants to charge customers extra if they use Visa or MasterCard credit cards. But critics of the deal point out that those opportunities are extremely limited, and certain states prohibit such surcharging.”

"Many courts have either decided not to provide credit card payment or used a third party service because of the need to charge and collect the percentage based fees. It may be possible now to charge the fee and bring the card processing in-house."

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So what does this have to do with receipts? For court financial accountability credit/debit cards have the advantage of providing a second parallel system of receipt recording. Thus If a clerk receives payment they will record it will be first in the CCMS and second as a credit card transaction. And if the credit card transaction is integrated within the CCMS, the system will perform both processes.

With cash, only the CCMS should have that record if the clerk entered it at all. And that brings us to a discussion of cash registers and cash drawers.

PCI

The CCMS will directly accept credit/debit card transactions, it will need to be compliant with the [PCI Security Council](#) standards for computer hardware and software in order to interface with the credit/debit card clearinghouse services. The PCI standards are designed [to keep the cardholder's payment data secure](#). And as stated in the ["Why Comply with PCI Security Standards" web page](#):

"As data compromise becomes ever more sophisticated, it becomes ever more difficult for an individual merchant to stay ahead of the threats." "The PCI Security Standards Councils constantly working to monitor threats and improve the industry's means of dealing with them, through enhancements to PCI Security Standards and by the training of security professionals."

Cash

Government policy makers are often mistakenly under the impression that cash payments result in all manner of benefits. Specifically the benefits are (footnote link here), immediate payment, simplicity requiring less bookkeeping, limited risk of fraud, and most of all, no fees. So let's discuss these "benefits." First, payment in cash may be slower than electronic form because it must be physically deposited and verified by a bank or, in many cases, in a government financial office and then in a bank (a two-step process). This can take days. Second, simplicity is true as long as the person handling the cash performs it correctly. It is easy to misidentify bills, particularly US Dollars as they are all the same size and generally the same color. Third, it could result in less bookkeeping if the amounts are small. But maintaining cash registers and/or cash drawers is a time-consuming operation also requiring reconciliation of the cash register paper tape (another thing to store). And Fourth, the claim that it limits the risk of fraud is almost laughable with the embezzlement issues noted above along with counterfeit currency.

But courts will always need to be able to accept cash payments. Therefore, both training and countermeasures for handling cash should be employed. One good reference is Security with photos showing [how their video surveillance system works](#). And another news document video [shows how cashier theft works](#). And a final video [shows how dishonest cashiers track how much they are stealing!](#)

Deposits

Next, whether or not your court uses a cash register with a printed tape or a cash drawer, each transaction will need to be recorded. These transactions will in turn be used to create cash and check/money order deposit reports for either the government financial office or the bank. And these deposit reports may very likely be required to track multiple accounts for the accounts to receive the deposits.

Internet Payments

Finally, as more and more courts are accepting payment via the web, these systems meeting PCI compliance will need to interface with the CCMS so that compliance with the court's orders and the overall tracking of financial related events can be recorded in the system.