



## **Duncan Solutions, Inc.**

Report on Duncan Solutions, Inc. Description of its Milwaukee, Wisconsin Citation Processing and Collection Operations and on the Suitability of the Design and Operating Effectiveness of its Controls

### **SSEA 16 SOC I**

Period from January 1, 2012 to December 31, 2012

**DUNCAN SOLUTIONS, INC.**

**REPORT ON DUNCAN SOLUTIONS, INC. DESCRIPTION  
OF ITS MILWAUKEE, WISCONSIN CITATION PROCESSING AND  
COLLECTION SERVICES AND ON THE SUITABILITY OF THE  
DESIGN AND OPERATING EFFECTIVENESS OF ITS CONTROLS**

**Period From January 1, 2012 to  
December 31, 2012**

DUNCAN SOLUTIONS, INC.

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## INDEPENDENT SERVICE AUDITORS' REPORT

To Management of Duncan Solutions, Inc.  
Milwaukee, Wisconsin

### Scope

We have examined Duncan Solutions, Inc. (Duncan) accompanying "Description of Duncan Solutions, Inc. Milwaukee, Wisconsin Citation Processing and Collection Services" (Description) throughout the period from January 1, 2012 to December 31, 2012 and the suitability of the design and operating effectiveness of controls to achieve the related control objectives stated in the Description.

Duncan uses third party subservice organizations for hardware infrastructure services as well as data scanning and conversion services. The accompanying "Description of Control Objectives, Controls, Testing and Results of Testing", which are listed in Section IV of this report, includes only those controls and related control objectives of Duncan and exclude controls and related control objectives of the subservice organizations. Our examination did not extend to controls of the subservice organizations.

The Description indicates that certain control objectives specified in the Description can be achieved only if complementary user entity controls contemplated in the design of Duncan's controls are suitably designed and operating effectively, along with related controls at the service organization. We have not evaluated the suitability of the design or operating effectiveness of such complementary user entity controls.

### Duncan' Responsibilities

In Section II of this report, Duncan has provided the accompanying assertion titled, "Duncan Solutions, Inc. Assertion" (Assertion), about the fairness of the presentation of the Description and suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the Description. Duncan is responsible for preparing the Description and the Assertion, including the completeness, accuracy and method of presentation of the Description and Assertion, providing the services covered by the Description, specifying the control objectives and stating them in the Description, identifying the risks that threaten the achievement of the control objectives, selecting the criteria, and designing, implementing and documenting controls to achieve the related control objectives stated in the Description.

### Service Auditor's Responsibilities

Our responsibility is to express an opinion on the fairness of the presentation of the Description and on the suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the Description, based on our examination. We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public



Accountants. Those standards require that we plan and perform our examination to obtain reasonable assurance about whether, in all material respects, the Description is fairly presented and the controls were suitably designed and operating effectively to achieve the related control objectives stated in the Description throughout the period from January 1, 2012 to December 31, 2012.

An examination of a Description of a service organization's system and the suitability of the design and operating effectiveness of the service organization's controls to achieve the related control objectives stated in the Description involves performing procedures to obtain evidence about the fairness of the presentation of the Description and the suitability of the design and operating effectiveness of those controls to achieve the related control objectives stated in the Description. Our procedures included assessing the risks that the Description is not fairly presented and that the controls were not suitably designed or operating effectively to achieve the related control objectives stated in the Description. Our procedures also included testing the operating effectiveness of those controls that we consider necessary to provide reasonable assurance that the related control objectives stated in the Description were achieved. An examination engagement of this type also includes evaluating the overall presentation of the Description, the suitability of the control objectives stated therein, and the suitability of the criteria specified by the service organization and described in the Assertion. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

#### **Inherent Limitations**

The Description is prepared to meet the common needs of a broad range of user entities and their auditors and may not, therefore, include every aspect of the system that each individual user entity may consider important in its own particular environment. Because of their nature, controls at a service organization may not prevent, or detect and correct, all errors or omissions in the claims processing services. Also, the projection to the future of any evaluation of the fairness of the presentation of the Description, or conclusions about the suitability of the design or operating effectiveness of the controls to achieve the related control objectives, is subject to the risk that controls at a service organization may become inadequate or fail.

#### **Opinion**

In our opinion, in all material respects, based on the criteria described in Duncan's Assertion on pages 4 and 5:

- a. The Description fairly presents that the Milwaukee, Wisconsin Citation Processing and Collection Services was designed and implemented throughout the period from January 1, 2012 to December 31, 2012.
- b. The controls related to the control objectives stated in the Description were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the period from January 1, 2012 to December 31, 2012 and if user entities applied the complementary user entity controls contemplated in the design of Duncan' controls throughout the period from January 1, 2012 to December 31, 2012.

- c. The controls tested, which, together with the complementary user entity controls referred to in the scope paragraph of this report, if operating effectively, were those necessary to provide reasonable assurance that the control objectives stated in the Description were achieved and operated effectively throughout the period from January 1, 2012 to December 31, 2012.

#### **Description of Tests of Controls**

The specific controls tested and the nature, timing and results of those tests are listed in the accompanying "Description of Control Objectives, Controls, Testing, and Results of Testing" in Section IV of this report.

#### **Restricted Use**

This report, including the Description of tests of controls and results thereof in Section IV of this report, is intended solely for the information and use of Duncan; user entities of Duncan's Milwaukee, Wisconsin Citation Processing and Collection Services during some or all of the period from January 1, 2012 to December 31, 2012; and the independent auditors of such user entities, who have a sufficient understanding to consider it, along with other information including information about controls implemented by user entities themselves, when assessing the risks of material misstatements of user entities' financial statements. This report is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

Milwaukee, Wisconsin  
March 28, 2013



## II. DUNCAN SOLUTIONS, INC. ASSERTION

We have prepared the Description of Duncan Solutions, Inc. Milwaukee, Wisconsin Citation Processing and Collection Services (Description) for user entities during some or all of the period from January 1, 2012 to December 31, 2012, and their user auditors who have a sufficient understanding to consider it, along with other information, including information about controls implemented by user entities of the systems themselves, when assessing the risks of material misstatements of user entities' financial statements. We confirm, to the best of our knowledge and belief, that:

1. The Description fairly presents the Milwaukee, Wisconsin citation processing and collection services made available to user entities during some or all of the period from January 1, 2012 to December 31, 2012, for processing their transactions. Duncan Solutions, Inc. uses subservice organizations for hardware infrastructure services as well as data scanning and conversion services. The Description in Section III includes only the control objectives and related controls of Duncan Solutions, Inc. and excludes control objectives and related controls of the subservice organizations. The criteria we used in making this Assertion were that the Description:
  - a. Presents how the system made available to user entities of the system was designed and implemented to process relevant transactions, including, if applicable:
    - The types of services provided including, as appropriate, the classes of transactions processed.
    - The procedures, within both automated and manual systems, by which services are provided, including, as appropriate, procedures by which transactions are initiated, authorized, recorded, processed, corrected as necessary, and transferred to reports and other information prepared for user entities.
    - The related accounting records, supporting information and specific accounts that are used to initiate, authorize, record, process and report transactions; this includes the correction of incorrect information, if necessary and how information is transferred to the reports and other information prepared for user entities.
    - How the system captures significant events and conditions, other than transactions.
    - The process used to prepare reports and other information for user entities.
    - The specified control objectives and controls designed to achieve those objectives, including as applicable, complementary user entity controls contemplated in the design of the service organization's controls.
    - Other aspects of our control environment, risk assessment process, information and communication systems (including related business processes), control activities and monitoring controls that are relevant to processing and reporting transactions of user entities of the system.



- b. Does not omit or distort information relevant to the scope of the Milwaukee, Wisconsin citation processing and collection services, while acknowledging that the Description is presented to meet the common needs of a broad range of user entities of the systems and their financial statement auditors, and may not, therefore, include every aspect of the citation processing and collection services that each individual user entity of the system and its auditor may consider important in its own particular environment.
  - c. Includes relevant details of the changes to the Milwaukee, Wisconsin citation processing and collection services during the period covered by the Description.
2. The controls related to the control objectives stated in the Description were suitably designed and operating effectively throughout the period from January 1, 2012 to December 31, 2012, to achieve those control objectives. The criteria we used in making this Assertion were that:
- a. The risks that threaten the achievement of the control objectives stated in the Description have been identified by management;
  - b. The controls identified in the Description would, if operating as described, provide reasonable assurance that those risks would not prevent the control objectives stated in the Description from being achieved; and
  - c. The controls were consistently applied as designed, and manual controls were applied by individuals who have the appropriate competence and authority.



DUNCAN SOLUTIONS, INC.

MILWAUKEE, WISCONSIN CITATION PROCESSING AND COLLECTION SERVICES  
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**II. DESCRIPTION OF DUNCAN SOLUTIONS, INC. MILWAUKEE, WISCONSIN CITATION PROCESSING AND COLLECTION SERVICES**

*RELEVANT ASPECTS OF THE CONTROL ENVIRONMENT*

1. *Company Overview*

Duncan Solutions, Inc. (Duncan) provides parking citation processing and collection services to government entities across the United States. Duncan was formed in 2005 through the acquisition of several firms specializing in providing on street parking products and services. Duncan is the only fully integrated provider of parking services in the United States and operates on the principal that the best products and services are delivered through full integration rather than through multiple service providers. Duncan's business model is designed around integrated services and automated processes that can deliver superior functionality and customer service at competitive prices. Duncan has processing offices in Milwaukee, Wisconsin (Corporate HQ), Los Angeles, California, Pittsburgh, Pennsylvania, Detroit, Michigan, and Silver Spring, Maryland. Duncan has product and maintenance offices in Atlanta, Georgia, Carlsbad, California, Harrison, Arkansas and St. Louis, Missouri.

*Control Environment*

The control environment is the foundation for all other areas of internal control. As such, the control environment of Duncan sets the tone for the organization and influences control consciousness and discipline of employees. Management of Duncan emphasizes the importance of controls and ethical behavior throughout the organization. This report examined the accompanying controls related to citations processing and collection services completed at the Milwaukee, Wisconsin location of Duncan.

2. *Management's Philosophy and Operating Style*

Duncan is led by the CEO and the COO. The CEO, COO and Division Presidents are actively involved in the oversight of the operations as well as pursuit of major contracts. An Executive Team, consisting of the Division Presidents and regional operations Vice Presidents, actively monitor performance of key financial and operational metrics on a monthly basis. The Executive Team meets with the CEO/COO on a monthly basis to provide updates and status reports on operational controls and control initiatives. The regional Vice Presidents conduct quarterly employee meetings, delivering corporate goals, project overviews, and results to employees, as well as soliciting input on all aspects of the Company. Regional Vice Presidents meet weekly with the President to ensure all strategic areas of the Company are in alignment.

The management structure has remained relatively flat with all employees having unabated access to the Vice Presidents and the President. This open flow of information lends itself to proactive thinking and empowered employees. Adherence by all employees to the main tenants of Duncan - exemplary customer service, the highest quality standards, and innovative delivery solutions - are continuously reinforced and understood. Monitoring metrics on quality and service by all employees, with appropriate oversight by the President and VPs ensures that standards are not just met, but exceeded where possible.

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3. *Assignment of Authority and Responsibility*

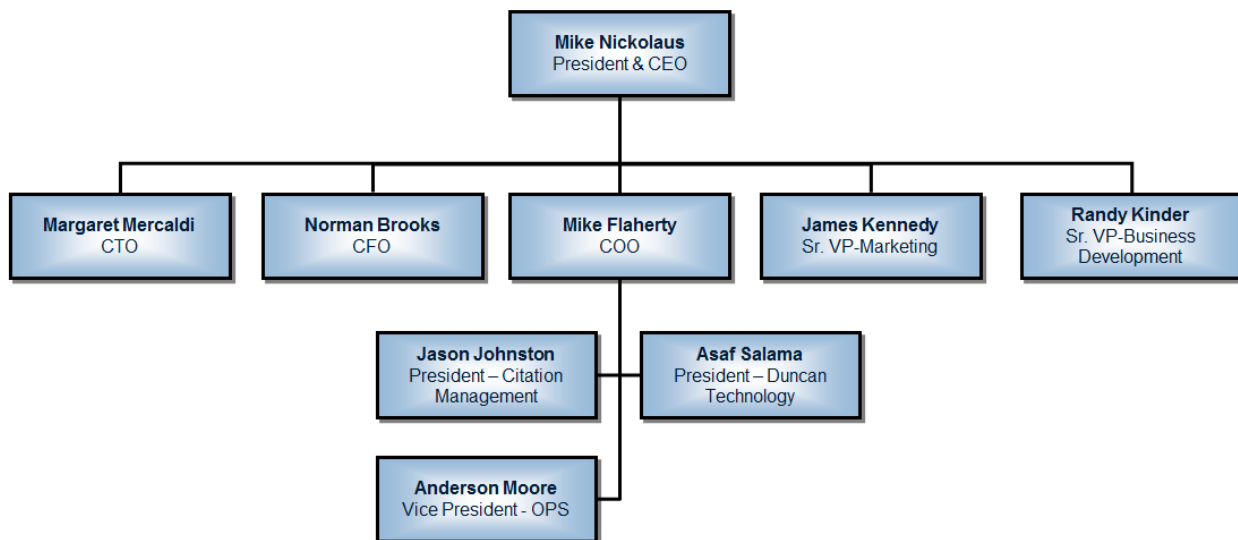
The Executive Team, CEO, COO and division Presidents, in conjunction with the regional Vice Presidents have the ultimate responsibility for all activities within the Company, including the internal control system. This also includes assignment of authority and responsibility for operating activities, and establishment of reporting relationships and authorization protocols. When assigning authority and responsibility, management considers the nature of employee positions as well as ensuring that effective segregations of duties are maintained.

Management has given employees the authority to make decisions, based on their knowledge, skill and assigned responsibilities. This has empowered the employees to correct problems and suggest process and management improvements. The employees understand this responsibility and involve management in their decision-making process on an as-needed basis.

To ensure that employees understand their responsibilities and level of authority, management has developed employee position descriptions for all roles within the Company.

4. *Organizational Structure*

The following organizational chart illustrates Duncan's organizational structure.



5. *Human Resource Policies and Practices*

Duncan strives to recruit the best staff available for each position within the Company. For other operations positions, demonstrated customer service history, experience with call center or collections background is required. Each candidate is interviewed by at least two staff members/managers, with a final interview conducted by Human Resources prior to employment. Each applicant's prior employment, credit history, drug testing and references are thoroughly checked utilizing an experienced outsource vendor. New employees receive extensive training as well as being closely mentored during the first months of employment. Clear job descriptions assist new employees in understanding the importance of their role within the Company.

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5. *Human Resource Policies and Practices, continued*

Duncan strives to hire individuals meeting the technical job requirements as well as fitting the culture of the Company. There is low staff turnover at Duncan, improving Company profitability by reducing repetitive entry level training and improving customer service with a more experienced and knowledgeable staff.

All employees receive, at a minimum, an annual performance evaluation. During the performance reviews, specific goals are established with timelines for achieving each goal. The achievement of these goals is used in determining promotions, position enhancement and pay increases.

6. *Training and Continuing Education*

Training is an important part of Duncan's commitment to excellence. Management encourages employees' participation in outside continuing education, continuing education updates, licensure requirements, attendance at industry and vendor conferences, and holds regular training sessions in-house to ensure that employees are appropriately performing their duties and keeping abreast of the latest developments that may affect their roles.

7. *Confidentiality Agreement*

All employees are required to review and sign Duncan's confidentiality agreement as part of their employment paperwork. The agreement provides employees with a clear statement of the employee's role in protecting customer information. All employees also sign client specific confidentiality agreements as required. Management reviews the confidentiality guidelines at regularly scheduled staff meetings.

8. *Integrity and Ethics*

Duncan values the importance of integrity and ethical values, avoidance of conflicts of interest, and commitment to excellence in every activity undertaken by every employee enterprise-wide. During the interview process, upon initial hire and through staff meetings, training sessions, and on-the-job coaching, these values are re-emphasized continuously. In addition, management constantly monitors and evaluates employee actions, decisions, and the general performance of their assigned duties to reinforce its commitment to integrity and ethical behavior.

9. *Commitment to Competence*

Duncan has developed knowledge, training, education and technical requirements of all positions within the Company. From job postings and interview process, to job descriptions and performance coaching, competence is established and communicated and reviewed consistently enterprise-wide. Competence should reflect the knowledge and skills required to accomplish tasks that define an individual's job. Continual review and audit not only monitor competence by personnel, but also provides the foundation upon which development and coaching/performance goals can be set to enhance competence, or remediate deficits identified quickly.

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Information and Communication

10. *Information and Communication*

Duncan communicates information on multiple levels both internally and externally. Information transmission must meet different corporate and regulatory requirements, depending upon the nature and scope of the information.

Internally, Duncan utilizes the “shared network drive” as its hub for communication of information. Each department has a folder that is secured based on needs from other departments. Microsoft SharePoint is used for routine corporate communications, including quarterly presentation materials, Company announcements, employee handbook, and policies, procedures and processes. In addition, Duncan utilizes various methods of communication to help ensure employees understand their individual roles and Company controls, as well as to guarantee significant events are communicated timely. Time sensitive information is communicated verbally and by email to all employees. Quarterly full staff, monthly Director meetings, departmental staff meetings and Executive Staff meetings all coordinate to keep the Company aligned with control requirements and corporate goals.

External communications are complex, and subject to stringent controls. Customer communications, vendor data communications, legislative information, and internet applications all require careful attention and monitoring to ensure compliance with internal controls and regulatory requirements.

Management ensures and monitors the overall security, quality, timeliness, and distribution of information-processing through the use of various checklists, vendor reports and established routines.

Duncan communicates with their customers on a routine basis. Each customer organization has an assigned primary and backup Account Manager who communicates via phone, fax, letter and email with the customer as-needed. Additionally, the day-to-day communication with their operations managers provides further opportunity for feedback. Customers are encouraged to provide feedback to their assigned Account Manager, or to the regional Vice President and/or President of Duncan, directly whenever warranted.

Monitoring

11. *Monitoring*

Team leaders and Directors are responsible to continuously monitor and evaluate internal controls. In addition to daily monitoring of the operation of internal controls, team leaders and managers have assigned audit functions and use established checklists and reporting from the production systems to assist them with that monitoring. The managers monitor and report to the Executive Team on department functions, performance and compliance with laws and regulations.

The President holds regular meetings with the Executive Team to maintain oversight of department activities. The Executive Team reviews these results/findings as well as monitoring Company financial performance.

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Risk Assessment

12. *Risk Assessment*

Data security and confidentiality is mission critical to Duncan. Regulatory requirements mandate that Duncan continuously analyze potential risks and implement solutions to ensure compliance. Duncan has placed into operation processes to identify and manage risks. They continually look for opportunities to enhance or improve risk assessment and security measures. This process requires Directors and team leaders to identify significant risks inherent in all aspects of operations and to implement appropriate measures to monitor and manage these risks.

Monthly management meetings with the President analyze the risks the business is facing and the strategies and solutions in place, or enhancements needed to an existing solution to address the risks. These include various aspects of financial and technological risks, including risks introduced by changes in the nature of services provided and processing when applicable.

13. *Vendor Relations*

Certain aspects of Duncan operations are handled by outsourced vendors where there are clear advantages in the form of quality and/or efficiency and expertise identified. These relationships are carefully monitored for accuracy, quality requirements, and regulatory compliance.

Duncan interfaces with outside vendors on behalf of their customers. State motor vehicle databases, USPS address database and numerous 3<sup>rd</sup> party data providers are the main entities that require secure interfaces.

Business associate agreements are maintained, and compliance monitored by senior management. Additionally, quality and accuracy are monitored by appropriate Duncan operational staff to ensure vendor services are operating as required.

Control Activities

14. *Description of Controls*

The primary control objective of Duncan is to ensure that all transactions are properly initiated, authorized, recorded, processed, reported and maintained. These controls are evident in every aspect of the business. The core service areas of Duncan are violation data entry, payment processing, correspondence processing and information technology and systems security.

Duncan provides its customers with core services of violation processing and revenue collection services. Various ancillary service level options are available to fit its customer's needs. Customers are able to contract with Duncan on a service-by-service basis, determined by the products they require.

Duncan's control objectives related to citations processing and collection services completed at the Milwaukee, Wisconsin location of are included in "Section IV-Description of Control Objectives, Controls, Testing and Results of Testing" of this report to eliminate the redundancy that would result from listing them in both this section and Section IV. Although the control objectives and related control activities are included in Section IV, they are nevertheless, an integral part of Duncan's description of controls.

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15. *Description of Transaction Processing*

*Violation Data Entry*

Data Entry's job begins when a violation record enters the processing system. Records need to be entered to the system timely and accurately to assure that all follow up processing can occur per contract. Violation records are received in both electronic and manual forms. Electronic violation records are transferred into the AutoPROCESS system from the hand-held ticket writers (which use the AutoCITE program). Ticket writers will upload all citations from the AutoCITE program to the AutoPROCESS system and reconciliations are used to verify the information was uploaded correctly. Manual violation documents are keyed into the database by experienced personnel, or are processed by a 3rd party service provider (CDG). All violation documents received from clients are counted, grouped into batches and tracked to assure that all documents received are processed. Key data fields are manually entered twice to confirm consistency and any discrepancies are researched and resolved before a record is committed to the database.

*Payment Processing*

Payments are received through the U.S. Mail or delivered via private secure courier. Lockbox clerks open, sort and batch envelopes by client. All payment processing activity occurs in a locked glass walled room under 24-hour digital video surveillance. All processing activity takes place in the presence of no less than two clerks.

Lockbox clerks process mail payments by matching the payment amount to the citation amount. All items are double counted, verified and signed off on by two clerks, with batch totals and daily totals being reviewed and signed off by a supervisor. Only after all batches are verified and reconciled are payments committed to the database.

Payments are also processed using the Creditron system, which automatically matches payment amounts from checks to the citation amount. Reconciliations are used to ensure that citations processed are being done properly.

All payments not electronically deposited to the bank are delivered in sealed security bags via armored courier. The bank staff recounts and verifies deposits and notifies management staff of any deposit discrepancies immediately.

Duncan also receives payment from Kiosk units located around the City of Milwaukee. The Kiosk units are operated by a third-party company (PayEase). The Kiosk units are able to accept credit cards or cash as payment for citations. There are daily pick-ups of funds from the Kiosk units, and reconciliations are prepared to verify the accurate collection of funds and payment of citations between PayEase and AutoPROCESS.

*Negative Payment Activity (NSF and Refund Processing)*

The Company documents each refund requested by the client or the debtor. Each refund is supported by a form which includes the system the refund is to be generated for, the bank account the refund is to be generated from, the payee, and a brief description of the reason for the refund. The refund form is signed by the requestor, reviewed with operations and countersigned by an operations supervisor, then given to finance for final sign-off. Based on the client contract, refunds are either processed and funded by Duncan, or processed and funded by the client.

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15. *Description of Transaction Processing, continued*

*Negative Payment Activity (NSF and Refund Processing), continued*

Individuals requesting and approving the refunds are not able to generate the refund check. This is done only through the Finance Department. Individuals requesting and approving refunds do not have citation input capabilities.

The Company receives NSF notifications from their bank or the client's bank on a daily basis. The Operations Support Department keys the NSF information into the system which re-opens the account, reverses the payment and applies the appropriate fee based on the client contract. All NSF's are supported by a scan of the rejected check.

*Correspondence Processing*

Letters are received from citizens disputing the validity of a citation or offering some other comment about the ticketing process. The letters are separated and batched by client and given to a designated correspondence clerk for review and processing. This processing consists of logging the complaint, reading the documents and verifying that the complaint is valid. Per a predetermined set of guidelines, clerks have the ability to dismiss or uphold a ticket. Those disputes that fall outside established processing guidelines are forwarded to the client for final determination.

Based on the outcome of the review, Duncan will mail the citizen a notice informing them of the final decision rendered. In addition, each piece of correspondence received is documented by scanning and indexing an image of the citation to the AutoPROCESS system. Additionally, all documents received by citizens are tracked and logged to assure all correspondence are reviewed and answered.

*Collection Processing*

Collection services are provided to clients whose violations have gone unpaid for a period of time sufficient to be deemed severely delinquent and eligible for full service secondary collection activity. This time period varies from client to client and is governed by the individual contract.

The Company's collection services division operates in much the same fashion as the citation processing operation in that the same general processes are inherent in each operation. The primary difference is that the processing occurs on new and "current" violations where the collection activity takes place on aged "delinquent" violations. Collection services utilize the FACS system. The processing similarities between the two divisions include account entry to the system, mailing of notices, correspondence and payment processing and violation disposition management. Cash management, reconciliation and monthly billing are also similarly supported and managed.

*Invoice Processing*

The Company invoices for services and products. Services include transaction related activity (payments processed, tickets entered, notices mailed, etc.) and products include sales of tangible items (hardware, consumables, programming fees, etc.). Service related billings are supported by transaction activity reports from AutoPROCESS and FACS and are billed at rates defined by the individual client contract. Product related billings are supported by invoice or purchase order and are approved by the client before purchase.

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15. *Description of Transaction Processing, continued*

*Invoice Processing, continued*

Invoices are not complete until clients funds are reconciled to the systems. Reconciliations include balancing deposits from all transaction sources to the processing and collections systems. Moneys due to the client are remitted the following month, and are supported by bank statements, detailed reconciliations and transaction reports. Funds are remitted to clients on either a gross or net basis depending on the client contract.

16. *Information Technology and Systems Security*

Duncan provides citation processing and collection solutions to its clients and understands the critical and sensitive nature of violation information. Physical access to network infrastructure equipment and storage media is restricted to properly authorized individuals. Current technology is employed to ensure that data is secure and that appropriate access to information is given only to authorized users. Within each of the applications, access to specific features and functions is restricted based on job function. The information technology (IT) Services Team is responsible for implementing all software changes. Procedures are in place to review, approve, and properly implement the changes to existing software.

17. *Description of Computerized Information Systems*

The IT environment supporting the AutoPROCESS application system is comprised of a mixture of physical and virtual technology located in two geographically dispersed secure data centers in the United States. The heterogeneous environment contains a number of application servers, relational databases, and storage technologies on a variety of operating platforms including Windows and Linux variants.

The IT environment is centrally managed by staff located at the corporate offices located in Milwaukee, Wisconsin. Duncan leverages a Shared Services approach for IT system administration where system administrators have the responsibility for supporting the entire IT environment including networking, storage, servers, and databases. Business critical applications like AutoPROCESS are managed by application support administrators.

The Duncan IT infrastructure has been engineered to provide High Availability (HA) capabilities for critical application delivery systems. The HA capabilities reduce or eliminate both planned and unplanned downtime. Key components in the HA infrastructure include; redundant Internet Service providers, database clusters, and load balanced application servers. In the event of an unplanned outage, business continuity procedures have been developed and tested to allow for the quick restoration of services.

To ensure the quality of the services provided, Duncan follows a mature change management process to ensure that changes are approved, tested, and validated before being deployed to production. Separation of duties has been established preventing software developers, engineers, and application support from implementing changes to the production environment. To detect unauthorized changes, automated change auditing tools such as Tripwire have been implemented and configured to alert key staff if system configurations change.



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17. *Description of Computerized Information Systems, continued*

The protection of the information that Duncan retains is imperative for the organization. Access to information resources are limited to a business need to know. Strong user access controls are pervasive throughout the environment such as: firewall ACLs; strong user authentication controls including password complexity; expiration; and two-factor authentication for administrators accessing critical systems. All system access is monitored and system and application logs are stored centrally for analysis. Industry standard security tools are employed on each component in the IT environment including network Intrusion detection, anti-virus, and secure standard builds that have been hardened using CIS (Center for Internet Security) standards as a guideline.

Systems are routinely reviewed to ensure compliance with the organizations IT Security policy and relevant industry regulations such as the Payment Card Industry Data Security Standard (PCI DSS). Information from these security assessments, and the organizations vulnerability and patch management program are reviewed during the annual IT risk assessment process.

18. *Description of Computer Applications Used*

AutoPROCESS

AutoPROCESS is the customer facing application used to store, track, and report all activity related to parking citations for a client agency. AutoPROCESS automatically imports citation information and payments, begins the Registered Owner inquiry process for citations, applies late fees, generates notices, and escalates citations into collections when delinquent. AutoPROCESS is a client/server application that is accessed by clients through a Citrix environment.

FACS

FACS is the collections platform used to manage citations that have been escalated from AutoPROCESS due to age and balance requirements. FACS not only stores, tracks, and reports on all collections activity but also is the primary interface for collections employees when contacting people about balances due. FACS integrates seamlessly with a dialer allowing for efficient outbound dialing. In addition to accepting debt pools from AutoPROCESS, FACS also interfaces with non-AutoPROCESS clients who utilize Duncan's collections expertise to resolve debts.

Citrix

Citrix XenApp is an on-demand application delivery solution that enables any Windows application to be virtualized, centralized, and managed in the datacenter and instantly delivered as a service to users anywhere. Compared to traditional application deployment technology, virtual application delivery with XenApp enables Duncan Solutions to improve application management by:

- Centralizing applications in the datacenter to reduce costs
- Controlling and encrypting access to data and applications to improve security
- Delivering applications instantly to users anywhere

Duncan provides access to AutoPROCESS, Remote Desktops, Internet Explorer and a number of other applications through Citrix. XenApp integrates the tools and infrastructure needed to help control, measure, and monitor performance to ensure that service level agreements and corporate security requirements are met.

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18. *Description of Computer Applications Used, continued*

SharePoint

SharePoint serves as a Duncan document management system as well as a forms submission and tracking platform. Document development, storage and version history are a few of the utilized features. SharePoint tracks who created the document and when it was created. Document editing is logged by user, date and time. Various corporate forms are managed, completed and routed through defined workflows for completion and tracking. With tools for collaboration that help people stay connected across organizational and geographic boundaries, Windows SharePoint Services gives Duncan employees access to information. SharePoint serves as a high-performance collaboration environment.

Microsoft Office

Duncan utilizes Microsoft office suite; Outlook, Word, Excel, Access, PowerPoint and Visio as standard office productivity applications.

19. *Description of General Computer Controls*

*Logical Access*

Access to resources and data is granted to individuals based on their job responsibilities. New user accounts are established only upon receipt of properly authorized requests. The IT Manager is the security administrator and is responsible for ensuring adherence to the IT Policy, which addresses logical access control procedures. Duncan also employs a full time Security and Compliance Manager for continuous policy review, enforcement and updates.

Unique user IDs and passwords are assigned to each individual user. Password rules are established according to Duncan's security policy. The system administrator sets the user's initial password. The user is required to change the password at first logon. As new computers, servers, devices and software is purchased and made available to the members of the Duncan domain, the access to these assets are controlled by individual domain account assignments, access via a group affiliation or membership, or physical access. This allows each domain user's access to be tailored to the needs of the job responsibility and duties. This is accomplished in a coordinated effort of the department managers and IT administrators.

Individual access capabilities are removed immediately by the IT Manager upon the notification of termination of employment, change of responsibilities, or termination of a contract with a client that uses the system. System security access levels are reviewed by the IT Manager and owners to ensure individual access rights are appropriate based on job information.

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19. *Description of General Computer Controls, continued*

*Physical Access*

Network infrastructure and servers are located in the Data Center. The door to the Data Center has a security access control device for which only IT staff and Executive Management staff have a key. Photo ID badges are required and verified for entry into the Data Center with physical activity being captured by video recording. Various environmental control systems, including separate air conditioning and temperature control, smoke detector, and uninterruptible power supply (UPS)/battery backup provide additional protection. The UPS provides approximately 4 hours of system uptime without utility power. In the event that power is not restored within that timeframe, the systems are configured to power-down gracefully to prevent data loss.

*Information Safeguards*

All information, both electronic and paper is controlled and confined to secure areas in the corporate office. Portable electronic media are encrypted through the use of IronKey flash drives by key personnel. Laptops require biometric authentication along with standard Windows authentication for local and network resources. All obsolete paper is shredded onsite and all electronic media made unusable. All hard drives are properly wiped and made inoperable as part of the lifecycle management and disposal processes.

*Data Backup and Recovery*

The Company has a Backup and Recovery Policy which includes backups for user error recovery, disaster recovery, and business continuity. They are used to recover data loss resulting from data corruption, server failure, and site failure as they contain a snapshot of the system to restore it to its last known working state. The backup procedures are for email, shared file systems, telecommunications, relational and file systems databases, security logs, transaction logs, operating system and application files, system state, and active directory information.

Full backups occur daily, and backup logs must be reviewed daily to verify successful completion of jobs from the previous business day. To ensure that both the media and backup procedures function properly, restore tests are performed on a quarterly basis. Backup tapes are stored at an off-site location in a secured and locked server closet. Access to the tapes is protected by two-factor authentication.

*Software and Hardware Change Management*

All new software and hardware releases are tested prior to general release. Duncan has a separate test environment that allows for testing of releases without impacting any production clients. Pre-defined test plans for each release is followed by production staff testing, and results are reviewed by senior management. Copies are made of the production databases and will be processed through a parallel process. Any variances are resolved prior to installing the new release in production.

A document is prepared that contains all the modifications in the release. This document is sent to the key users in advance of installing the new release.

Once the testing process is completed, a backup is made of all databases and the release is applied to each of the production databases. Production impacting changes require formal change management compliance including reviews, approvals and scheduling.

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19. *Description of General Computer Controls, continued*

*Database Logging*

All databases, where possible, have logs which reflect the daily changes made to each application database. These are backed up in their entirety each night Monday thru Friday.

*Issue Management*

All incoming requests are tracked utilizing the Track-It! software, which is a central repository for all requests, problems, and maintenance tasks. Requests are monitored on a daily basis for completion, and also reviewed on a weekly basis by the CIO for outstanding requests. As requests are being worked on, team members make notes within the Track-It! system indicating the status and steps taken to resolve the requests. Outstanding requests are discussed during management meetings with team members.

*Subservice Organizations*

20. *Subservice Organizations*

Duncan uses subservice organizations to outsource certain functions or supplement their services. When choosing to outsource services, Duncan employs only industry approved service providers and ensures that all data security requirements are followed.

Duncan contracts with Paetec as a third party data center hosting company that provides hardware infrastructure services. Paetec's control objectives and related controls are omitted from the description of the control environment elements. The control objectives in the report include only those objectives that Duncan's controls are intended to achieve.

Duncan also contracts with CDG as a third party data scanning and data entry provider. CDG's control objectives and related controls are omitted from the description of the control environment elements. The control objectives in the report include only those objectives that Duncan's controls are intended to achieve.

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Complementary User Organization Controls

21. *Complementary User Organization Controls*

Duncan's processing services were designed with the assumption that certain controls would be implemented by the client or end user organizations. In certain situations, the application of specific controls at the user organizations is necessary to achieve certain control objectives included in this report.

Outlined below are those internal control responsibilities that Duncan believes should be present for each user organization. Such control responsibilities were considered by Duncan in developing its control policies and procedures described in this report. For users to rely on the control structure policies and procedures reported on herein, each user must evaluate its own internal control structure to determine if the following procedures are in place. Accordingly, this list does not allege to be and is not a complete listing of the control policies and procedures that provide a basis for the assertions underlying the financial statements of accounts.

Complementary User Organization Controls:

1. Controls should be established to ensure authorized individuals of user organizations provide accurate/timely, complete and valid information to help ensure accurate/timely, complete and valid citation processing.
2. Controls should be established to ensure that information submitted to Duncan for processing is reviewed for completeness and accuracy.
3. Controls should be established to ensure that sensitive information provided by Duncan to user organizations is restricted to appropriate individuals.
4. Controls should be established to ensure that all required output is received from Duncan and reviewed and/or reconciled for completeness and accuracy.
5. Controls should be established to ensure user organizations review their bills for accurate rates.
6. Controls should be established to ensure that user organization web logon access is appropriately restricted and reviewed on a periodic basis.
7. Controls should be established to ensure the accurate and secure transmission of data to Duncan.
8. Controls should be established at user organizations for their own compliance with any applicable rules or regulations pertaining to their industry.

The list of user-organization control considerations presented above and those presented with certain specified control objectives do not represent a comprehensive set of all controls that should be employed by user organizations. Other controls may be required at user organizations.

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**IV. DESCRIPTION OF CONTROL OBJECTIVES, CONTROLS, TESTING AND RESULTS OF TESTING**

*Purpose and Objectives of the Report*

- This report is intended to provide users of Duncan's activities with information about controls at Duncan that may affect the processing of user organizations' transactions and to provide users with information about the operating effectiveness of the controls that were tested. This report, when combined with an understanding and assessment of the internal controls at user organizations, is intended to assist the user auditor in (1) planning the audit of the user's financial statements and in (2) assessing control risk for assertions in the user's financial statements that may be affected by controls at Duncan.
- Our examination was restricted to the description of controls, control objectives and the related control procedures specified in Section II by Duncan management and was not extended to procedures described elsewhere in this report but not listed, or to procedures that may be in effect at the user organization. The examination was conducted in accordance with the Statement on Standards for Attestation Engagements (SSAE) No. 16, Reporting on Controls at a Service Organization, (SOC 1) of the American Institute of Certified Public Accountants. It is each user auditor's responsibility to evaluate this information in relation to the controls in place at each user organization. If certain complementary controls are not in place at the user organization, Duncan's controls may not compensate for such weaknesses.
- The description of the system and control objectives is the responsibility of Duncans' management. Our responsibility is to express an opinion about whether the description fairly presents the system that was designed and implemented throughout the period from January 1, 2012 to December 31, 2012.
- The controls related to the control objectives stated in the description of the system were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the period from January 1, 2012 to December 31, 2012, and user entities applied the complementary user entity controls contemplated in the design of Duncans' controls throughout the period from January 1, 2012 to December 31, 2012.
- The controls tested, which together with the complementary user entity controls referred to in the scope paragraph of this report, if operating effectively, were those necessary to provide reasonable assurance that the control objectives stated in the description were achieved, operated effectively throughout the period from January 1, 2012 to December 31, 2012.

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*Tests of Operating Effectiveness*

Our tests of the operational effectiveness of controls were designed to cover a representative number of transactions throughout the period from January 1, 2012 to December 31, 2012, for each of the controls, which are designed to achieve the specific control objectives. In selecting particular tests of the operational effectiveness of controls, we considered (a) the nature of the items being tested, (b) the types of available evidential matter, (c) the nature of the audit objectives to be achieved, (d) the assessed level of control risk and (e) the expected efficiency and effectiveness of the test.

Test	Description
Corroborative Inquiry	Made inquiries of appropriate personnel responsible for the performance of the control activity and corroborated responses with management.
Observation	Observed the application of a specific control activity.
Inspection	Inspected documents and reports indicating the performance of the control activity.
Walkthrough	Followed the performance of procedures for a specific control activity from inception to conclusion.

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**Violation Data Entry**

**Control Objective 1:** Controls provide reasonable assurance that citation input is performed timely and accurately per client specifications, and deviations from timely and accurate citation input is identified and resolved.

Ref	Duncan's Description of Controls	Tests of Operating Effectiveness	Test Results
1.1	Manual tickets are counted once received and entered into a worksheet for tracking.	<p>Through corroborative inquiry with key personnel, confirmed that manual tickets are counted and tracked for processing purposes.</p> <p>Inspected a select sample of daily tracking worksheets to ensure that manual tickets were processed.</p>	<p>Exception noted: Six out of a sample of thirty were not reviewed.</p> <p>Management response: All ticket batches are reviewed and verified. Signoff on the review is a mandatory and now more actively monitored requirement of the batch management department personnel.</p>
1.2	Edit Batch report is printed by the operator and verified by another operator/supervisor and posted by the supervisor.	<p>Through corroborative inquiry with key personnel, confirmed that edit batch reports are verified by an operator/supervisor.</p> <p>Inspected a select sample of edit batch reports to ensure that the Parking Batch Edit Listing is reviewed by supervisor.</p>	<p>Exception noted: Four out of a sample of thirty were not reviewed.</p> <p>Management response: All Parking Edit Batch Listings are reviewed and verified. Signoff on the review is a mandatory and now more actively monitored requirement of the data entry department personnel.</p>
1.3	Scanning and transmission to CDG (verification of number sent to CDG = number returned by CDG = number imported to AutoPROCESS).	<p>Through corroborative inquiry with key personnel, confirmed that someone verifies the number of transmissions to CDG equals the number imported into AutoPROCESS.</p> <p>Inspected a select sample of transmissions to ensure that the number of citations sent to CDG equal the number of returned from CDG.</p>	No relevant exceptions noted.



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**Payment Processing**

**Control Objective 2:** Controls provide reasonable assurance that money collected for citations processed is performed timely and accurately per client specifications, is transported in a timely and secure manner to Duncan for processing, and is processed in a secure location.

Ref	Duncan's Description of Controls	Tests of Operating Effectiveness	Test Results
2.1	Each batch of citations and corresponding batch of payments is verified and initialed on both the tape total and batch form by a second lockbox employee before being sent to Data Entry.	<p>Through corroborative inquiry with key personnel, confirmed that a second lockbox employee verifies the accuracy of tape totals and batch forms.</p> <p>Inspect a select sample of citation batches to ensure that the proper verifications and initials are on the tape totals and batch forms.</p>	<p>Exception noted: One of a sample of thirty was not reviewed by a second lockbox employee.</p> <p>Management response: All payment batches are double counted by lockbox personnel before handoff to the data entry department. Signoff on the review is a mandatory and now more actively monitored requirement of the lockbox department personnel. The Company is in the process of transitioning all of their lockbox operations to electronic deposit. From that time forward, this requirement will no longer be relevant.</p>
2.2	Reconciliation is completed between payments processed and what is deposited to the bank to be deposited on a daily basis.	<p>Through corroborative inquiry with key personnel, confirmed that reconciliations between payments processed and the deposit is completed.</p> <p>Inspect a select sample of deposits to ensure that the reconciliation is completed between payments processed and what is sent to the bank to be deposited on a daily basis.</p>	No relevant exceptions noted.

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Payment Processing, continued

Control Objective 2, continued

Ref	Duncan's Description of Controls	Tests of Operating Effectiveness	Test Results
2.3	Creditron batches are not verified by a lockbox employee but the Creditron machine will notify operator if a transaction does not balance before proceeding to the next transaction.	Through corroborative inquiry with key personnel and observation, confirmed that the Creditron machine will notify the operator if a transaction does not balance.	No relevant exceptions noted.
2.4	Creditron does a restricted endorsement when processing the check.	Through corroborative inquiry with key personnel and observation, confirmed that the Creditron machine restrictively endorses checks as they are processed.	No relevant exceptions noted.
2.5	A Creditron report is printed once batch is completed and the deposit slip is printed with the deposit total from the Creditron. Operator verifies deposit slip total to Creditron report and initials the deposit slip.	Through corroborative inquiry with key personnel and observation, confirmed that the Creditron machine prepares a batch total and an operator verifies the deposit slip total to the deposit slip.  Inspect a select sample of deposits to ensure that the operator initials the deposit slip and that it agrees with the Creditron report.	No relevant exceptions noted.
2.6	Edit Batch report is printed by the operator and number entered and amount posted is verified. Operator will initial batch form or edit batch report. The batch is verified by another operator/supervisor and posted by the supervisor.	Through corroborative inquiry with key personnel, confirmed that the number and amounts posted is verified before being posted by the supervisor.  Inspect a select sample of Edit Batch report to ensure that the operator initials batch form or edit batch report and that another operator/supervisor verifies the batch and posts it.	No relevant exceptions noted.

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Payment Processing, continued

Control Objective 2, continued

Ref	Duncan's Description of Controls	Tests of Operating Effectiveness	Test Results
2.7	<p>Data Entry supervisor or lead emails lockbox with municipality totals once all payments have been entered. Lockbox supervisor or lead will verify totals to deposit and initial once email totals match deposit slip totals. All variances are researched prior to the deposit being sent to the bank.</p>	<p>Through corroborative inquiry with key personnel, confirmed that lockbox supervisor or lead verifies the deposit totals prior to deposit being sent to the bank.</p> <p>Inspect a select sample of deposits to ensure that the preparer and reviewer sign off on the municipalities summary report indicating verification of totals.</p>	<p>Exception noted: One out of the sample of fifteen didn't have an initial indicating Lockbox supervisor or lead review.</p> <p>Management response: Signoff on the payment total to deposit reconciliation is a mandatory and now more actively monitored requirement of the lockbox department personnel. The Company is in the process of transitioning all of their lockbox operations to electronic deposit. From that time forward, this requirement will no longer be relevant.</p>
2.8	<p>Outgoing deposit is prepared by lockbox supervisor or lead and verified by another lockbox employee.</p>	<p>Through corroborative inquiry with key personnel, confirmed that outgoing deposits are verified by another lockbox employee.</p> <p>Inspect a select sample of deposits to ensure that the deposit slip is signed off by a reviewer that is different than the preparer.</p>	<p>No relevant exceptions noted.</p>
2.9	<p>Outgoing deposits are entered into the armored car service book and signed by armored car service.</p>	<p>Through corroborative inquiry with key personnel and observation, confirmed that an armored car service picks up outgoing deposits and signs off on a log book.</p> <p>Inspect the log-book for a select sample of days and ensure that the armored car service has signed off within the book.</p>	<p>No relevant exceptions noted.</p>

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Payment Processing, continued

Control Objective 2, continued

Ref	Duncan's Description of Controls	Tests of Operating Effectiveness	Test Results
2.10	The armored car service makes daily pickups and deliveries to and from the Milwaukee processing facility.	<p>Through corroborative inquiry with key personnel and observation, confirmed that an armored car service makes daily pickups and deliveries to and from the Milwaukee processing facility.</p> <p>Inspect the log-book for a select sample of days and ensure that the armored car service has signed off within the book.</p>	No relevant exceptions noted.
2.11	Two lockbox employees count and verify cashier deposits against cashier end of day reports.	<p>Through corroborative inquiry with key personnel, confirmed that lockbox employees verify cashier deposits matches end of day cashier reports.</p> <p>Inspect a select sample of deposits to ensure that two lockbox employees count and verify cashier deposits against cashier reports daily.</p>	No relevant exceptions noted.
2.12	Outgoing deposits are entered into the armored car service book and signed by armored car service and lockbox supervisor or lead.	<p>Through corroborative inquiry with key personnel and observation, confirmed that an armored car service picks up outgoing deposits and signs off on a log book.</p> <p>Inspect the log-book for a select sample of days and ensure that the armored car service has signed off within the book.</p>	No relevant exceptions noted.
2.13	System security profiles are maintained by designated personnel in the Application Support group and appropriate authorization is obtained.	<p>Through corroborative inquiry with key personnel, confirmed that system security profiles are maintained and appropriately authorized.</p> <p>Inspected security templates and a list of security administrators for the application.</p>	No relevant exceptions noted.

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Payment Processing, continued

Control Objective 2, continued

Ref	Duncan's Description of Controls	Tests of Operating Effectiveness	Test Results
2.14	The door to the cash processing room remains locked.	<p>Through corroborative inquiry with key personnel, confirmed that cash processing room is locked at all times and access is restricted to authorized personnel.</p> <p>No relevant exceptions noted. Observed the door to the cash processing room was physically secured.</p>	No relevant exceptions noted.
2.15	Security cameras are in placed to monitor the cash processing room.	<p>Through corroborative inquiry with key personnel, confirmed that security cameras are in place over the cash processing room.</p> <p>Observed the placement and functionality of security cameras over the cash processing room.</p>	No relevant exceptions noted.

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**Negative Payment Activity (NSF and Refund Processing)**

**Control Objective 3:** Controls provide reasonable assurance that refunds and NSF are recorded and processed accurately, completely and on a timely basis in accordance with client specifications and that there is proper segregation of duties between individuals authorized to process and release citations.

Ref	Duncan's Description of Controls	Tests of Operating Effectiveness	Test Results
3.1	Refunds are posted to AutoPROCESS with a payment source of REFUND so a monthly reconciliation can be completed between refunds processed in AutoPROCESS and refunds issued by finance.	<p>Through corroborative inquiry with key personnel, confirmed that refunds are posted with a payment source of REFUND so they can be properly processed within AutoPROCESS.</p> <p>Inspect a select sample of refunds to ensure that they are posted to AutoPROCESS with a payment source of REFUND.</p>	No relevant exceptions noted.
3.2	Refund requests are verified by a supervisor prior to being sent to finance.	<p>Through corroborative inquiry with key personnel, confirmed that refunds verified by a supervisor prior to being processed by finance.</p> <p>Inspect a select sample of refunds to ensure that the refund request is verified by a supervisor.</p>	<p>Exception noted: One out of the thirty selections did not have supporting documentation.</p> <p>Management response: Refund requests are verified and signed off by a supervisor. This exception, while verified, occurred during staff transition and was not signed off. Signoff on the review is a mandatory and now more actively monitored requirement of anyone requesting a refund.</p>

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**Negative Payment Activity (NSF and Refund Processing), continued**

**Control Objective 3, continued**

Ref	Duncan's Description of Controls	Tests of Operating Effectiveness	Test Results
3.3	NSFs are received by the finance department, entered into AutoPROCESS by the correspondence department and verified by the finance department in monthly reconciliation.	<p>Through corroborative inquiry with key personnel, confirmed that NSF is reconciled between AutoPROCESS and the finance department on a monthly basis.</p> <p>Inspect a select sample of reconciliations to ensure that NSF checks are properly entered in the AutoPROCESS system.</p>	No relevant exceptions noted.
3.4	System security profiles are maintained by designated personnel in the Application Support group and appropriate authorization is obtained.	<p>Through corroborative inquiry with key personnel, confirmed that system security profiles are maintained and appropriately authorized.</p> <p>Inspected security templates and a list of security administrators for the application.</p>	No relevant exceptions noted.

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**Violation Data Entry, Payment Processing, Negative Payment Activity (NSF and Refund Processing),  
 Correspondence Processing and Collection Processing**

**Control Objective 4:** Controls provide reasonable assurance that the quantity and dollar value of citations processed and collections are accurately tracked within the AutoPROCESS/FACS system.

Ref	Duncan's Description of Controls	Tests of Operating Effectiveness	Test Results
4.1	Scanning and transmission to CDG (verification of number sent to CDG = number returned by CDG = number imported to AutoPROCESS.	<p>Through corroborative inquiry with key personnel, confirmed that someone verifies the number of transmissions to CDG equals the number imported into AutoPROCESS.</p> <p>Inspected a select sample of transmissions to ensure that the number of citations sent to CDG equal the number of returned from CDG.</p>	No relevant exceptions noted.
4.2	Reconciliation is completed between payments posted to AutoPROCESS and what is sent to the bank to be deposited on a daily and monthly basis.	<p>Through corroborative inquiry with key personnel, confirmed that reconciliations between AutoPROCESS and the deposit are completed.</p> <p>Inspect a select sample of deposits to ensure that the reconciliation is completed between payments posted to AutoPROCESS and what is sent to the bank to be deposited.</p>	No relevant exceptions noted.
4.3	Reconciliation is completed between payments processed and what is deposited to the bank to be deposited on a daily basis.	<p>Through corroborative inquiry with key personnel, confirmed that reconciliations between payments processed and the deposit are complete.</p> <p>Inspect a select sample of deposits to ensure that the reconciliation is completed between payments processed and what is sent to the bank to be deposited on a daily basis.</p>	No relevant exceptions noted.



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 Correspondence Processing and Collection Processing, continued**

**Control Objective 4, continued**

Ref	Duncan's Description of Controls	Tests of Operating Effectiveness	Test Results
4.4	Monthly reconciliation is completed between AutoPROCESS and FACS for payments posted in both systems.	<p>Through corroborative inquiry with key personnel, confirmed that reconciliations between AutoPROCESS and FACS are complete.</p> <p>Inspect a select sample of reconciliations to ensure payments posted to AutoPROCESS agree with payments posted to FACS.</p>	No relevant exceptions noted.
4.5	Incoming correspondence is counted by correspondence department by municipality and verification is completed at the end of the day of items processed and items remaining.	<p>Through corroborative inquiry with key personnel, confirmed that incoming correspondence is counted and tracked.</p> <p>Inspect a select sample of days to verify that incoming correspondence is counted and tracked.</p>	No relevant exceptions noted.
4.6	Refunds are posted to AutoPROCESS with a payment source of REFUND so a monthly reconciliation can be completed between refunds processed in AutoPROCESS and refunds issued by finance.	<p>Through corroborative inquiry with key personnel, confirmed that refunds are posted with a payment source of REFUND so they can be properly processed within AutoPROCESS.</p> <p>Inspect a select sample of refunds to ensure that they are posted to AutoPROCESS with a payment source of REFUND.</p>	No relevant exceptions noted.
4.7	Refund requests are verified by a supervisor prior to being sent to finance.	<p>Through corroborative inquiry with key personnel, confirmed that refunds verified by a supervisor prior to being processed by finance.</p> <p>Inspect a select sample of refunds to ensure that the refund request is verified by a supervisor.</p>	No relevant exceptions noted.

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**Violation Data Entry, Payment Processing, Negative Payment Activity (NSF and Refund Processing),  
 Correspondence Processing and Collection Processing, continued**

**Control Objective 4, continued**

Ref	Duncan's Description of Controls	Tests of Operating Effectiveness	Test Results
4.8	NSF are received by the finance department, entered into AutoPROCESS by the correspondence department and verified by the finance department in monthly reconciliation.	Through corroborative inquiry with key personnel, confirmed that NSF's are reconciled between AutoPROCESS and the finance department on a monthly basis.  Inspect a select sample of reconciliations to ensure that NSF checks are properly entered in the AutoPROCESS system.	No relevant exceptions noted.
4.9	Daily reconciliation is completed between daily deposits and payments posted to FACS.	Through corroborative inquiry with key personnel, confirmed that reconciliations between daily deposits and FACS are completed.  Inspect a select sample of reconciliations to ensure payments posted to FACS agree to the daily deposit.	No relevant exceptions noted.

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**Invoice Processing**

**Control Objective 5:** Controls provide reasonable assurance that the correct AutoPROCESS/FACS system reports are being utilized for billing purposes and clients are being accurately billed according to client contracts.

Ref	Duncan's Description of Controls	Tests of Operating Effectiveness	Test Results
5.1	Performance reports are completed to verify invoice accuracy.	<p>Through corroborative inquiry with key personnel, confirmed that performance reports are completed.</p> <p>Inspect a select sample of customers to ensure that performance reports are completed.</p>	No relevant exceptions noted.
5.2	Collection statements are generated directly from FACS which FACS determines the amount due to client based on client master guidelines provided	<p>Through corroborative inquiry with key personnel, confirmed that collection statements are generated from FACS.</p> <p>Inspect a select sample of collection statements and ensure that they are generated from the FACS system.</p>	No relevant exceptions noted.
5.3	Invoices are prepared utilizing information from the proper AutoPROCESS/FACS system report and fees agreed upon within the client contract.	<p>Through corroborative inquiry with key personnel, confirmed that invoices are prepared utilizing information from the AutoPROCESS and FACS systems.</p> <p>Inspect a select sample of invoices and to ensure that invoices are prepared utilizing the correct information from AutoPROCESS and FACS and agree to fees agreed upon within the client contract.</p>	<p>Exception noted: One out of the thirty selections did not have proper support for the citation charge rate.</p> <p>Management response: This exception was the result of a verbal agreement with one of our smallest customers and in fact resulted in a lower bill rate than stipulated in the contract. Going forward, all agreements regarding changes to operating scope or billing rates are not implemented until a memo of understanding or contract amendment is executed.</p>

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**Invoice Processing**

**Control Objective 6:** Controls provide reasonable assurance that the accurate amount of money collected for clients is transferred to the client per client specifications timely and accurately, and any deviations from a timely and accurate transfer is identified and resolved.

Ref	Duncan's Description of Controls	Tests of Operating Effectiveness	Test Results
6.1	Reconciliation is completed between payments posted to AutoPROCESS and what is sent to the bank to be deposited on a daily and monthly basis.	<p>Through corroborative inquiry with key personnel, confirmed that reconciliations between AutoPROCESS and the deposit are completed.</p> <p>Inspect a select sample of deposits to ensure that the reconciliation is completed between payments posted to AutoPROCESS and what is sent to the bank to be deposited.</p>	No relevant exceptions noted.
6.2	A monthly settlement is completed are verified by reconciliation between net receipts and AutoPROCESS total payments.	<p>Through corroborative inquiry with key personnel, confirmed that monthly settlement reconciliations are complete.</p> <p>Inspect a select sample of reconciliations to ensure that the reconciliation is completed.</p>	No relevant exceptions noted.
6.3	Reconciliation is completed between net receipts and bank statement balance.	<p>Through corroborative inquiry with key personnel, confirmed that reconciliations are completed between net receipts and bank statement balance.</p> <p>Inspect a select sample of reconciliations to ensure that the net receipts agree with the bank statement balance.</p>	No relevant exceptions noted.

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Invoice Processing, continued

Control Objective 6, continued

Ref	Duncan's Description of Controls	Tests of Operating Effectiveness	Test Results
6.4	Daily reconciliation is completed between daily deposits and payments posted to FACS.	<p>Through corroborative inquiry with key personnel, confirmed that reconciliations between daily deposits and FACS are completed.</p> <p>Inspect a select sample of reconciliations to ensure payments posted to FACS agree to the daily deposit.</p>	No relevant exceptions noted.
6.5	Collection statements are generated directly from FACS which FACS determines the amount due to client based on client master guidelines provided	<p>Through corroborative inquiry with key personnel, confirmed that collection statements are generated from FACS.</p> <p>Inspect a select sample of collection statements and ensure that they are generated from the FACS system.</p>	No relevant exceptions noted.

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**Logical Access**

**Control Objective 7:** Controls provide reasonable assurance that there are access restrictions and proper segregation of duties amongst the individuals working within the AutoPROCESS and FACS.

Ref	Duncan's Description of Controls	Tests of Operating Effectiveness	Test Results
7.1	Duncan operates under the FDCPA regulations.	<p>Through corroborative inquiry with key personnel, confirmed that regulations are embedded within FACS.</p> <p>Inspected user access to FACS source code and the ability to make changes to FDCPA regulations.</p>	No relevant exceptions noted.
7.2	Security levels are set with in FACS by Application Support.	<p>Through corroborative inquiry with key personnel, confirmed that system security profiles are maintained and appropriately authorized.</p> <p>Inspected security templates and a list of security administrators for the application. Requested a sample of new user setups and inspected only approved users are allowed access.</p>	<p>Exception noted: The FACS and Active Directory accounts for a consultant were not revoked timely upon conclusion of his contract.</p> <p>Management Response: Although the accounts were not revoked timely, the consultant had no outside access to our network. A new process is in place whereby all consultant user accounts expire at the end of each month. Should the consultant require further access, a written request is required.</p>
7.3	Confidential fields are masked based on security level. Editable fields are limited based on security level.	<p>Through corroborative inquiry with key personnel, confirmed that confidential fields are masked and role based security exists.</p> <p>Observed evidence of masked fields and inspected users lists to confirm application roles and user rights were restricted.</p>	No relevant exceptions noted.

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Logical Access, continued

Control Objective 7, continued

Ref	Duncan's Description of Controls	Tests of Operating Effectiveness	Test Results
7.4	FACS captures user ID of employee, date and time files are imported and exported into FACS.	<p>Through corroborative inquiry with key personnel, confirmed that user ID, date and time stamps are created.</p> <p>Observed that FACS captures user IDs, dates and times for files imported and exported.</p>	No relevant exceptions noted.
7.5	Import audit reports are generated once files have been imported.	<p>Through corroborative inquiry with key personnel, confirmed that audit reports are generated and verified.</p> <p>Inspected a sample of audit reports showing errors from an import and the subsequent reviews and follow-up.</p>	No relevant exceptions noted.
7.6	FACS captures user ID of employee, date and time when an account is updated with responsible party information, social security number, driver's license, phone number.	<p>Through corroborative inquiry with key personnel, confirmed that the system captures user ID, date and time of account updates.</p> <p>Observed that FACS captures user IDs, dates and times for accounts updated with party information.</p>	No relevant exceptions noted.
7.7	All balance adjustments on accounts in FACS are recorded with a transaction.	<p>Through corroborative inquiry with key personnel, confirmed that the system captures a transaction ID for adjustments to accounts.</p> <p>Observed that balance adjustments in FACS are identified and recorded with a transaction.</p>	No relevant exceptions noted.

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Logical Access, continued

Control Objective 7, continued

Ref	Duncan's Description of Controls	Tests of Operating Effectiveness	Test Results
7.8	FACS passwords are complex in makeup and required to be changed every 90 days.	Through corroborative inquiry with key personnel, confirmed that system password parameters are set to 90 days.  Observed FACS password parameters are required to be complex and rotated every 90 days.	No relevant exceptions noted.



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**Logical Access**

**Control Objective 8:** Controls provide reasonable assurance that logical access to applications, data files and programs are restricted to properly authorized individuals.

Ref	Duncan's Description of Controls	Tests of Operating Effectiveness	Test Results
8.1	Duncan's logical access policy and procedures have been developed and implemented.	Through corroborative inquiry with key personnel, confirmed that logical access policies and procedures are in place.	No relevant exceptions noted.
8.2	Access to Duncan's domain requires a unique username and password for each employee.	Through corroborative inquiry with key personnel, confirm a requirement for unique user IDs and passwords in place.  Inspected the list of current user IDs and password parameters.	No relevant exceptions noted.
8.3	Usernames are required to have a password that must contain: at least 7 characters, and cannot be the same as the last 5 iterations.	Through corroborative inquiry with key personnel, confirmed that password parameters are in place per policy.  Inspected password parameters to ensure they are 7 characters and cannot be the same as the last 5 iterations.	No relevant exceptions noted.
8.4	Passwords are masked on the computer screen.	Through corroborative inquiry with key personnel, confirmed that password parameters are in place per policy.  Observed that passwords are masked on the computer screen.	No relevant exceptions noted.
8.5	Passwords expire every 90 days and users are forced to change passwords.	Through corroborative inquiry with key personnel, confirmed that password parameters are in place per policy.  Inspected password parameters to ensure users are required to change them every 90 days.	No relevant exceptions noted.

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Logical Access, continued

Control Objective 8, continued

Ref	Duncan's Description of Controls	Tests of Operating Effectiveness	Test Results
8.6	Subsequent to 3 failed login attempts, the username is locked for 30 minutes or until manually unlocked by a security administrator.	Through corroborative inquiry with key personnel, confirmed that password parameters are in place per policy.  Inspected policy settings to ensure users are locked out after 3 failed logon attempts.	No relevant exceptions noted.
8.7	Role based management of access rights is enforced and all user security administration is completed by designated individuals. Access requests/changes must be approved by the individual's supervisor.	Through corroborative inquiry with key personnel, confirmed that role based access rights is completed and assigned by user security administration.  Inspected a sample of new users to ensure access was approved and appropriately assigned.	No relevant exceptions noted.
8.8	Quarterly, security access for all active users is validated for appropriateness.	Through corroborative inquiry with key personnel, confirmed that quarterly security access is reviewed and validated.  Inspected a sample of quarterly reviews for completion.	Exception noted: Quarterly access reviews were not performed as noted.  Management Response: System users are either internal (Duncan employees) or external (client employees). Security scans for active Duncan users are now formally in place. The Company relies on clients to police their own user security. Going forward, written reports of each quarterly scan will be kept on file.

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Logical Access, continued

Control Objective 8, continued

Ref	Duncan's Description of Controls	Tests of Operating Effectiveness	Test Results
8.9	A termination checklist is completed for all employees when they leave to disable and/or remove access to all domains, applications and sensitive information.	<p>Through corroborative inquiry with key personnel, confirmed that termination checklists are completed.</p> <p>Inspected a sample of termination documentation to ensure users were removed/disabled from having access.</p>	<p>Exception noted: Two of five employees tested did not have a termination checklist/form on file. In addition, one did not have the Active Directory account revoked and one was not revoked timely.</p> <p>Management Response: Although the account deactivation was not properly documented, the terminated employees had no outside access to our network. The account deactivation function is no longer the responsibility of the direct managers and has transitioned to HR as part of the off-boarding process.</p>
8.10	Anti-virus protection is required for all windows based servers and PC's and is updated a minimum of once a day.	<p>Through corroborative inquiry with key personnel, confirmed that anti-virus protection is in place.</p> <p>Observed antivirus is in place and configured to update periodically.</p>	No relevant exceptions noted.
8.11	All external facing connections must go through a firewall.	<p>Through corroborative inquiry with key personnel, confirmed that all connections to an external internet goes through a firewall.</p> <p>Observed the network diagram showing all external connections are through a firewall.</p>	No relevant exceptions noted.

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**Logical Access, continued**

**Control Objective 8, continued**

Ref	Duncan's Description of Controls	Tests of Operating Effectiveness	Test Results
8.12	Remote access is controlled via user IDs and secure login.	Through corroborative inquiry with key personnel, confirmed that remote access requires a user ID and secure login.  Inspected the remote user access list and reviewed for appropriateness.	No relevant exceptions noted.

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**Physical Access**

**Control Objective 9:** Controls provide reasonable assurance that physical access to the data center, facility, and other hardware is appropriately restricted to authorized personnel.

Ref	Duncan's Description of Controls	Tests of Operating Effectiveness	Test Results
9.1	Duncan's physical access policy and procedures have been developed and implemented.	Through corroborative inquiry with key personnel, confirmed that physical access policies and procedures are in place.	No relevant exceptions noted.
9.2	Only authorized employees are issued badges for building access.	Through corroborative inquiry with key personnel, confirmed that physical access policies and procedures are in place for issuing badges for building access.  Inspected door access lists for review and completion.	No relevant exceptions noted.
9.3	All contractors, vendors and visitors are received in the main lobby by the receptionist who contacts the appropriate personnel they are meeting.	Through corroborative inquiry with key personnel, confirmed that physical access policies and procedures are in place for issuing badges for contractors, vendors and visitors.  Observed the process for access to the facility.	No relevant exceptions noted.
9.4	All visitors are required to sign in and out when entering and leaving the facility, and are escorted by Duncan employees at all times.	Through corroborative inquiry with key personnel, confirm that physical access policies and procedures are in place for visitor access.  Observed evidence of visitor sign in procedures and onsite escorting.	No relevant exceptions noted.
9.5	The server room is monitored by security cameras which are retained for 90 days.	Through corroborative inquiry with key personnel, confirmed that security cameras are in place and recording.  Observed camera placements over the server room and inspected retention logs.	No relevant exceptions noted.

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Physical Access, continued

Control Objective 9, continued

Ref	Duncan's Description of Controls	Tests of Operating Effectiveness	Test Results
9.6	The server room is controlled by door badge access and is limited to a separate set of authorized individuals. All entries are logged and maintained for one year.	Through corroborative inquiry with key personnel, confirmed that physical access policies and procedures are in place for issuing badges for server access.  Inspected access privileges for server door access.	No relevant exceptions noted.
9.7	All access by non-authorized employees is monitored and observed by an authorized individual.	Through corroborative inquiry with key personnel, confirmed that physical access policies and procedures are in place for visitor access.	No relevant exceptions noted.
9.8	A termination checklist is used to ensure that all Duncan property is collected and disabled, including door access codes, keys and alarm codes, from terminated employees.	Through corroborative inquiry with key personnel, confirmed that termination checklists are completed.  Inspected a sample of terminated employees to ensure access was removed and hardware recovered.	Exception noted: Two of five employees tested did not have a termination checklist/form on file. In addition, one did not have the Active Directory account revoked and one was not revoked timely.  Management Response: Although the account deactivation was not properly documented, the terminated employees had no outside access to our network. The account deactivation function is no longer the responsibility of the direct managers and has transitioned to HR as part of the off-boarding process, and is supported by a detailed activity checklist.

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**Physical Access, continued**

**Control Objective 9, continued**

Ref	Duncan's Description of Controls	Tests of Operating Effectiveness	Test Results
9.9	Duncan has contracted with a third party provider to have all sensitive and confidential information in physical form shredded on a regular basis.	Through corroborative inquiry with key personnel, confirmed that shredders are available for use.  Observed that shredders are available for use in the building.	No relevant exceptions noted.

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**Data Backup and Recovery**

**Control Objective 10:** Controls provide reasonable assurance that programs, files and datasets that have been identified as requiring periodic backup, either for availability or data integrity purposes, are appropriately backed up and secured.

Ref	Duncan's Description of Controls	Tests of Operating Effectiveness	Test Results
10.1	Duncan has documented procedures for conducting data incremental backups on a daily basis and full backups weekly.	Through corroborative inquiry with key personnel, confirmed that documented policies and procedures exist for data backups.	No relevant exceptions noted.
10.2	Backups are monitored and reviewed on a daily basis to ensure successful completion.	Through corroborative inquiry with key personnel, confirmed that backups are monitored on a daily basis.  Inspected a sample of daily backups for review and completion.	Exception noted: Backup job monitoring records were deleted and accordingly, a complete record of successful backup job execution was not available for audit testing.  Management Response: Although backups are performed and monitored on a regular basis, backup logs are not retained for more than 90 days. Going forward, we will retain backup logs and reports for at least 12 months.
10.3	Quarterly, backup tape restorations are performed, reviewed and logged for operational effectiveness.	Through corroborative inquiry with key personnel, confirmed that backups tapes are restored on a quarterly basis.  Inspected a sample of quarterly backups to ensure they were reviewed and completed.	No relevant exceptions noted.
10.4	Backup tapes are rotated and stored offsite at a secure location daily by designated individuals.	Through corroborative inquiry with key personnel, confirmed that backup tapes are rotated and stored offsite at a secure location  Observed that backup tapes are rotated offsite.	No relevant exceptions noted.



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**Data Backup and Recovery, continued**

**Control Objective 10, continued**

Ref	Duncan's Description of Controls	Tests of Operating Effectiveness	Test Results
10.5	Security procedures exist around the transport and rotation of backup tapes being taken offsite.	Through corroborative inquiry with key personnel, confirmed that procedures exist for the transport and rotation of backup tapes.	No relevant exceptions noted.
10.6	Disaster recovery plans are tested to ensure their accuracy and effectiveness.	<p>Through corroborative inquiry with key personnel, confirmed that disaster recovery procedures exist and are tested.</p> <p>Observed documentation for a completed test.</p>	<p>Exception noted: Formal testing of disaster recovery capabilities was not performed.</p> <p>Management Response: Our current disaster recovery plan is not reflective of our current environment as we have migrated systems to off-site data facilities over the last several years. We are in the final stages of bringing up a disaster recovery site in Chicago. Although the program calls for full tests to be conducted on an annual basis, we will be performing quarterly tests on smaller subsets of the disaster recovery plan.</p>

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**Software and Hardware Change Management**

**Control Objective 11:** Controls provide reasonable assurance that installation of software, changes to existing hardware and implementation of new hardware are authorized, tested, documented and approved prior to being implemented.

Ref	Duncan's Description of Controls	Tests of Operating Effectiveness	Test Results
11.1	Duncan has documented policies and procedures for any software or hardware changes.	Through corroborative inquiry with key personnel, confirmed that documented policies and procedures exist for any software or hardware changes.	No relevant exceptions noted.
11.2	Duncan requires that all new hardware implementations are authorized, tested and approved before going live in production.	Through corroborative inquiry with key personnel, confirmed that procedures exist for the implementation of new hardware and are tested.  Inspected a sample of hardware changes for authorization and testing.	No relevant exceptions noted.
11.3	Duncan requires that all changes to existing hardware are authorized, tested and approved before going live in production.	Through corroborative inquiry with key personnel, confirmed that procedures exist for the implementation of existing hardware and are tested.  Inspected a sample of hardware changes for authorization and testing.	No relevant exceptions noted.

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**Software and Hardware Change Management, continued**

**Control Objective 11, continued**

Ref	Duncan's Description of Controls	Tests of Operating Effectiveness	Test Results
11.4	Duncan requires that all software installations are authorized, tested and approved before going live in production.	<p>Through corroborative inquiry with key personnel, confirmed that procedures exist for the implementation of software and are tested.</p> <p>Inspected a sample of software changes for authorization and testing.</p>	<p>Exception noted: (AutoPROCESS) – Selected a sample of system changes and noted no instances where they were not authorized, tested and approved. However, the listing of changes was from the TrackIT! application used to log changes made to the system. This does not provide sufficient evidence that all changes followed the change management process.</p> <p>Management Response: While the TrackIT! change management system is sufficient for logging change testing, it needs to include lower level detail. The system is in the process of being enhanced to include sub-task specific change review and approval.</p>
11.5	Emergency changes are implemented in a controlled manner.	<p>Through corroborative inquiry with key personnel, confirmed that emergency change procedures exist.</p> <p>Inspected a sample of changes for authorization and review.</p>	No relevant exceptions noted.

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**Issue Management**

**Control Objective 12:** Controls provide reasonable assurance that problems, issues, and maintenance requests follow documented procedures to timely resolution.

Ref	Duncan's Description of Controls	Tests of Operating Effectiveness	Test Results
12.1	Documented procedures exist for the handling and classification of requests, problems and maintenance tasks.	Through corroborative inquiry with key personnel, confirmed that help desk procedures exist and are documented.	<p>Exception noted:                      Procedures surrounding problems, issues, and maintenance requests are not documented.</p> <p>Management Response:                      While we do have high level procedures for managing issue/maintenance requests, we are in the process of enhancing the documentation related to the handling of frequently recurring issues. This will enable us to more quickly and accurately address and eliminate repeat issues.</p>
12.2	All requests, problems and maintenance tasks are documented via a central repository.	<p>Through corroborative inquiry with key personnel, confirmed that a central repository exists for help desk functions.</p> <p>Observed the central repository for all requests, problems and maintenance tasks.</p>	No relevant exceptions noted.
12.3	Problems are tracked and an audit trail exists for the steps taken to resolution.	<p>Through corroborative inquiry with key personnel, confirmed that tracking within the central repository is conducted to completion.</p> <p>Inspected a sample of problems for completeness.</p>	No relevant exceptions noted.

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**Issue Management, continued**

**Control Objective 12, continued**

Ref	Duncan's Description of Controls	Tests of Operating Effectiveness	Test Results
12.4	Management monitors the status of incoming requests and teams meet regularly to ensure completion in a timely manner and assist in escalations when needed.	Through corroborative inquiry with key personnel, confirmed that management monitors help desk operations.  Observed available management reports and meeting minutes.	No relevant exceptions noted.