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FOLLOW-UP REPORT ON AUDIT FINDINGS

Fortieth Judicial Circuit City of Lanagan Municipal Division

July 2012

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Fortieth Judicial Circuit, City of Lanagan Municipal Division

Follow-Up Report on Audit Findings

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Missouri State Auditor

Presiding Judge
Fortieth Judicial Circuit
and
Municipal Judge
Lanagan, Missouri

We have conducted follow-up work pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program on certain audit report findings contained in Report No. 2011-12, *Fortieth Judicial Circuit, City of Lanagan Municipal Division*, issued in March 2011. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the court about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
 - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
 - In Progress: Auditee has begun to implement and intends to fully implement the recommendation.
 - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
 - Not Implemented: Auditee has not implemented the recommendation and indicates that it will not do so.

Our methodology included working with the court, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we met with the municipal division clerk and city officials to discuss the status of significant findings and any corrective actions taken regarding our recommendations. Supporting documentation was reviewed when appropriate and necessary. This report is a summary of the results of this follow-up work, which was substantially completed during May 2012.

A handwritten signature in black ink that reads "Thomas A. Schweich".

Thomas A. Schweich
State Auditor

Fortieth Judicial Circuit, City of Lanagan Municipal Division

Follow-Up Report on Prior Audit Findings

Status of Findings

1. Missing Funds

Between July 1, 2009, and December 31, 2009, municipal division receipts totaling at least \$521 were received but not deposited. In addition, some essential records documenting amounts received and case dispositions could not be located by the municipal division, and additional funds could have been missing.

Five receipt slips were written by the former City Clerk for fines and costs totaling \$429, but there was no documentation these monies were turned over to the municipal division and the monies were not deposited.

Additionally, a \$92 money order dated July 17, 2009, received by the municipal division was not recorded as received, but was substituted into a deposit dated November 12, 2009, and recorded cash receipts totaling the same amount were not deposited.

The former City Clerk, Peggy Gilliam, abruptly terminated employment on Wednesday, September 22, 2010, after our initial visit to the city. The former Court Clerk, Christina Moon, terminated employment in February 2010.

The lack of adequate controls and the absence of proper oversight allowed missing funds to go undetected. Additionally, controls over the recording of fines and costs received by the city and subsequent transmittal to the municipal division were poor and contributed to the loss of court monies.

Recommendation

The City of Lanagan Municipal Division, along with city officials, work with law enforcement officials regarding any possible criminal prosecution related to the missing cash receipts, including restitution of the missing funds. In addition, an attempt should be made to locate or recover the missing court records and documents to determine whether additional funds are missing.

Status

Not implemented

While the Missouri State Highway Patrol conducted an investigation into the missing funds and submitted information to the McDonald County Prosecuting Attorney, the city has not contacted its bonding company to determine if the funds can be recovered, located municipal division records, or implemented adequate controls to safeguard against possible future loss.

2. Accounting Controls and Procedures

Significant weaknesses were identified with accounting controls and procedures of the municipal division. As a result, there was no assurance all municipal division receipts were accounted for properly.

2.1 Segregation of duties

The duties of receiving and depositing monies were not adequately segregated from recording transactions. The Court Clerk performed all the duties related to collection of funds, deposit preparation, and posting fines



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and court costs received. Neither the Municipal Judge nor other city officials independent of the cash custody and record keeping functions provided any supervision or review of the work performed by the Court Clerk.

Recommendation

The City of Lanagan Municipal Division segregate accounting duties to the extent possible and implement appropriate reviews and monitoring procedures.

Status

Partially implemented

Procedures were implemented for the City Clerk to review the court's bank statement monthly; however, this review was not documented for the January, February, March, and April 2012 bank statements we reviewed. The Court Clerk indicated the Municipal Judge currently reviews and signs all defendant dockets.

2.2 Receipt controls

Accountability over municipal division receipts was inadequate.

- The municipal division did not account for the numerical sequence of receipt slips.
- Receipt slips issued by the city were not reconciled to court receipt records. Some receipt slips issued by the former City Clerk were not readable and all copies of some receipt slips were torn from the receipt books and not retained.
- Fines and costs collected by the city were not transmitted to the municipal division timely.

Recommendation

The City of Lanagan Municipal Division properly account for the numerical sequence of receipt slips, and work with city officials to ensure receipt slips issued by the city are readable and properly maintained. Additionally, the Municipal Division should work with the city to ensure receipt slips issued by the city are reconciled to court receipt records and the receipts are transmitted timely.

Status

Partially implemented

Municipal Division monies received by the city are placed in the safe and the Court Clerk is only collecting and recording these monies approximately once a month. Manual receipt slips are now issued for monies received and are readable and properly maintained. The numerical sequence of receipt slips is now accounted for properly and reconciled to deposits.

2.3 Deposits

Receipts were not deposited timely or intact. The municipal division deposited receipts approximately monthly, and deposit amounts ranged from



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\$5,000 to \$7,000 each month. The municipal division held deposits to ensure adequate cash was on hand to use as change during court.

Recommendation

The City of Lanagan Municipal Division ensure receipts are deposited timely and intact, and a change fund should be established if needed.

Status

Not implemented

Depositing procedures have not improved. Deposits are made approximately monthly; however, no deposits were made during January 2012. Municipal division monies totaling \$4,044 received between January 1 and February 22, 2012, were not deposited until February 23, 2012. A court change fund has been established; however, receipts are still held for extended periods of time.

2.4 Missing records

Some records documenting the receipt of fines and costs during the months of January and May through August 2009 could not be located by the municipal division. Further, records documenting the disposition of some cases could not be located by the municipal division.

Recommendation

The City of Lanagan Municipal Division ensure necessary records are complete and maintained.

Status

Partially implemented

While the municipal division has not located missing records from prior years, court records now remain in a secure location at city hall and are properly maintained.

2.5 Unpaid fines and costs

Procedures for processing and collecting monies due on tickets where the defendant fails to appear in court were not adequate. The municipal division issued license suspensions for unpaid moving violations, but did not continue these cases on the docket or maintain a list of unpaid fines and costs to properly monitor amounts due.

Recommendation

The City of Lanagan Municipal Division develop adequate procedures to account for and follow up on delinquent amounts.

Status

Implemented

The municipal division now utilizes the State Of Missouri Justice Information System (JIS). As of May 10, 2012, the amount due the court is approximately \$7,500, and includes approximately \$6,900 over 60 days past due. The court has utilized state resources for collection procedures.

2.6 Case list

A monthly list of all cases heard was not prepared and filed with the city.



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Recommendation

The City of Lanagan Municipal Division ensure a monthly list of cases heard in the municipal division is prepared and filed with the city in accordance with state law.

Status

Not implemented

A list of all cases heard was not presented to the Board for April and May 2012. The Court Clerk indicated problems with the court's monthly close out procedures prevented the necessary list of cases to be prepared.

2.7 Disbursements

Fines and costs collected by the municipal division were not properly disbursed to the city as required by law. The Court Clerk directly paid court related expenses (compensation of court clerk and municipal judge and office supplies) out of the municipal division bank account and then remitted remaining monies to the city throughout the month in varying amounts depending on the balance of the account. In addition, although two signatures were required, some checks written out of the municipal division bank account to pay expenses only included one signature.

Recommendation

The City of Lanagan Municipal Division ensure all fines and court costs are disbursed at least monthly and court related expenses are paid by the city. Additionally, the Municipal Division should ensure checks are signed by two board members, as required.

Status

Partially implemented

A review of the court's April 30, 2012, bank statement indicates some court disbursements issued in August, October, and December 2011, and February and March 2012, did not clear the bank until the middle of April 2012. The Court Clerk indicated problems with the court's monthly close out procedures prevented the necessary disbursements from being mailed in a timely manner. All court checks issued now contain two Board members signatures and court related expenses are paid from the city's bank account.

2.8 Computer backups

Backup copies of computer programs and data were not maintained or stored at an offsite location.

Recommendation

The City of Lanagan Municipal Division ensure backup copies of computer programs and data are maintained and stored at a secure, off-site location.

Status

Implemented

Computer backups are now initiated by the state JIS on a regularly scheduled basis.

2.9 Bonding

The Court Clerk and the City Clerk who collected monies for the municipal division were not bonded.



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Recommendation

The City of Lanagan Municipal Division work with the city to ensure the City Clerk and Court Clerk are properly bonded.

Status

In progress

Documentation has now been obtained to show that the Court Clerk was bonded for 2009 and 2010. City officials indicated current copies of the Court Clerk's bonding documents have been requested from the bonding company by city officials; however, were not available during our follow up review.