



Thomas A. Schweich
Missouri State Auditor

Fortieth Judicial Circuit

City of Diamond Municipal Division

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Thomas A. Schweich
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Fortieth Judicial Circuit, City of Diamond Municipal Division

Accounting Controls and Procedures	Cash receipts totaling \$207 were not deposited. The municipal division did not properly complete some credit card transactions, and \$400 of these were denied when the municipal division tried to process them in November 2011. Monies and credit card transactions were often deposited into the wrong city bank account, and receipts were not deposited intact and timely. Some fines, court costs, and bonds were not posted to the computer system resulting in inaccurate monthly reports and incorrect amounts paid to the city and the state. Prior to August 2011, bonds were deposited into the city's General Fund, but a bond balance was not reconciled to court records, and the municipal division did not properly post all bonds to the computer system. Accounting duties are not adequately segregated, and a reconciliation of receipts to deposits is not performed by someone independent of the cash custody and record keeping functions.
Municipal Division Procedures	Court records are not maintained in an orderly fashion and some could not be located. The Court Clerk does not file a monthly list of all cases heard with the city. The court did not timely submit the monthly summary reports or the state's portion of Crime Victims' Compensation and Peace Officer Standards and Training fees. Restitution amounts for alcohol or drug related offenses are not supported by a court approved schedule, and neither the city Police Department nor the municipal division adequately accounts for the numerical sequence and ultimate disposition of traffic tickets issued.

In the areas audited, the overall performance of this entity was **Poor**.*

American Recovery and Reinvestment Act (Federal Stimulus)	The Fortieth Judicial Circuit, City of Diamond Municipal Division, did not receive any federal stimulus monies during the audited time period.
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*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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Fortieth Judicial Circuit

City of Diamond Municipal Division

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THOMAS A. SCHWEICH

Missouri State Auditor

Presiding Judge
Fortieth Judicial Circuit
and
Municipal Judge
Diamond, Missouri

We have audited certain operations of the City of Diamond Municipal Division of the Fortieth Judicial Circuit in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2011. The objectives of our audit were to:

1. Evaluate the municipal division's internal controls over significant financial functions.
2. Evaluate the municipal division's compliance with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in our audit of the division.

For the areas audited, we identified (1) deficiencies in internal controls and (2) noncompliance with legal provisions. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Diamond Municipal Division of the Fortieth Judicial Circuit.

A petition audit of the City of Diamond, fulfilling our obligations under Section 29.230, RSMo, is still in process, and any additional findings and recommendations will be included in the subsequent report.



Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor: Harry J. Otto, CPA
Director of Audits: Alice M. Fast, CPA, CIA
Audit Manager: Donna Christian, CPA, CGFM
In-Charge Auditor: Candace Copley
Audit Staff: Michelle Crawford, M.Acct.

Fortieth Judicial Circuit

City of Diamond Municipal Division

Management Advisory Report - State Auditor's Findings

1. Accounting Controls and Procedures

Significant weaknesses were identified with depositing and recording municipal division monies, and there is not an adequate segregation of duties. Cash receipts totaling \$207 were not deposited.

The City Collector is primarily responsible for receiving and depositing court monies, and the Court Clerk is responsible for posting information from the City Collector's receipt slips into the municipal division's computer system. Additionally, some cash bonds were collected by the police department and transmitted to the City Collector.

Prior to August 2011, municipal division monies were deposited into the city's General Fund and court activity was posted to the municipal division Summit computerized system. In August 2011, the municipal division converted to the Justice Information System (JIS), the Missouri courts automated case management system, and a separate bank account was opened for municipal division monies. The former Court Clerk resigned in September 2011 and the former Chief of Police resigned in July 2011. The former City Collector was appointed as Court Clerk in September 2011 and resigned in April 2012.

1.1 Depositing procedures

Procedures are not in place to ensure all municipal division monies received are deposited, and some cash receipts were not deposited. Additionally, deposits were often made into the wrong bank account and were not made timely or intact, and the composition of receipt slips was not reconciled to the composition of deposits. The municipal division accepts cash, checks, money orders, and credit card payments for fines, courts costs, and bonds.

- Cash receipts totaling \$207 received in April 2011 (\$130) and June 2011 (\$77) could not be traced to a deposit. Municipal division receipt slips number 1390 through 1406 indicate \$521 was received in cash between April 26 and May 3, 2011; however, only \$391 in cash was deposited on May 3, 2011 into the city's bank account. Also, receipt slip number 1451 issued on June 14, 2011, for \$77 cash was not deposited.
- One \$200 credit card payment receipted in April 2011 was not deposited to the city bank account, and several credit card payment transactions totaling \$1,129 received by the Police Department in September 2011 were not properly completed and deposited. After this was brought to the municipal division's attention by the city's accounting firm, the Court Clerk determined the city had failed to perform the required procedures to complete the credit card transactions. When the municipal division attempted to process these transactions again in November 2011, the \$200 credit card payment from April 2011 and a \$200 credit card payment from September 2011 was denied.



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Management Advisory Report - State Auditor's Findings

- Municipal division monies were often incorrectly deposited into the city water and sewer bank account. For example, receipts totaling \$1,720 were incorrectly deposited into the water and sewer bank account in September and October 2010. Additionally, municipal division credit card transactions were occasionally processed to the wrong city bank account. Numerous adjustments were made quarterly to city bank accounts to correct these errors.
- Municipal division receipts are not deposited intact and timely. For example, a check for \$129 received on April 5, 2011, was not deposited until April 26, 2011, even though five deposits were made between these dates.

Reconciling receipt slip amounts and composition to deposits, and depositing all monies timely help ensure all receipts are accounted for properly.

1.2 Recording procedures

Some fines, court costs, and bonds were not posted to the Summit computer system. During April 2011, fines and court costs totaling \$704 received and deposited were not posted to the Summit system. Instances were identified where tickets entered into the system had no recorded receipt information but manual receipt slips showed the case was paid. Additionally, numerous instances were noted where bonds received were not posted to the system until the bond was applied to fines and costs or refunded several months later. (See section 1.3.)

Correspondence in court files indicates the former Court Clerk was asked by the Office of State Courts Administrator (OSCA) to revise monthly Municipal Division Summary Reporting Forms for the periods January 2009 through June 2010 because of errors. We compared these revised reports, which were generated from the Summit computer system in July 2010, to information the Court Clerk generated for us from the system in January 2012. Our comparison noted additional receipt activity had been posted after the revised reports were submitted to the OSCA on July 13, 2010. For example, the revised June 2010 Municipal Division Summary Reporting Form reported fines and costs collected totaled \$3,073, but the data generated in January 2012 indicates additional payments of \$2,424 were recorded in the computer system after the revised report was generated. Transactions for 12 cases were entered after the revised report was generated. Differences identified in other months during January 2009 through June 2010 ranged from \$50 to \$200.

While these additional fines, court costs and bonds collected appear to have been deposited into the city's account, the failure to post some transactions and the untimely posting of other transactions to the computer system have resulted in incomplete computerized case records, inaccurate monthly



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reports, and incorrect amounts distributed to state and city funds. In August 2011, the municipal division converted to the JIS computer system which does not allow activity to be posted in prior periods.

To ensure computerized case activity is accurately maintained and amounts disbursed to the state and city funds are correct, amounts received and deposited should be reconciled to amounts posted to the computer system, and for periods prior to August 2011, the municipal division should compare reports filed with OSCA to amounts collected, to determine if additional costs not previously reported are due.

1.3 Bond liabilities

Bonds received prior to August 2011 were deposited into the city's General Fund, but a balance of bond monies held by the city was not maintained and reconciled to the municipal division's outstanding bond list. Additionally, bonds received were not always correctly posted to the Summit computer system, and as a result, the list of outstanding bonds generated was not always accurate.

In August 2011, the municipal division converted to the JIS and opened a separate bank account for municipal division monies, including bonds. However, the municipal division has not reviewed all bonds collected prior to August 2011 to ensure these bonds were properly applied toward fines and costs, refunded, or entered into the JIS as still outstanding.

- Two \$130 bonds were manually receipted and deposited into the city's bank account by the City Collector in July 2010; however, each of these two bonds was recorded at only \$23 in the Summit computer system.
- A \$250 bond was received on August 4, 2011, but was recorded in the Summit computer system as \$123 received on August 23, 2011. According to manual case records fines and costs of \$160 were due. Because of the conflicting amounts recorded, the current Court Clerk did not process a \$90 bond refund until January 31, 2012.
- A \$380 check for a bond refund was issued by the city in April 2011; however, the refund was not posted to the Summit computer system and, as a result, the \$380 was still on the municipal division's outstanding bond report.
- A \$450 bond received and deposited was subsequently refunded by the city but there is no evidence the bond was recorded in the Summit computer system.

To ensure bond monies are appropriately disbursed as provided by state law, procedures should be undertaken to review bonds collected prior to August 2011 to identify any additional outstanding bonds and transfer case



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information to the JIS. Bond monies should be transferred to the municipal division bond account for proper disbursement.

1.4 Segregation of duties

No one independent of the cash custody and record keeping functions reconciles recorded receipts to deposits. While the city contracted with an accounting firm in September 2011 to perform bank reconciliations, issue checks, and prepare financial statements for the city (including the municipal division); receipt records are not reviewed to ensure all monies are deposited. Our audit identified numerous discrepancies between amounts received and amounts recorded in the municipal division computer system. (See sections 1.1 and 1.2.) Additionally, this lack of segregation and oversight allowed \$207 in undeposited municipal division cash receipts to go undetected.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating duties to the extent possible. If proper segregation of duties is not possible, at a minimum, there should be a documented independent review of the municipal division transactions.

Recommendations

The City of Diamond Municipal Division:

- 1.1 Reconcile receipt slips to the amount and composition of deposits and deposit monies timely and intact. Additionally, the municipal division should follow up on the undeposited cash and credit card receipts and attempt to recover these funds.
- 1.2 Reconcile amounts received and deposited to amounts posted to the computer system. For periods prior to August 2011 the municipal division should compare reports filed with OSCA to amounts collected and determine if additional fees are due to the state and city funds.
- 1.3 Review bonds collected prior to August 2011 and identify any additional outstanding bonds and transfer case information to the JIS. Bond monies should be transferred to the municipal division bond account for proper disbursement.
- 1.4 Segregate accounting duties to the extent possible and implement appropriate reviews and monitoring procedures.

Auditee's Response

The Municipal Judge provided the following written responses:

- 1.1 *With the implementation of JIS, we are now reconciling receipt slips to court deposits and depositing timely and intact. We will*



investigate the \$207 in undeposited cash and make contact with the individuals whose credit card payments have been denied.

1.2 *Upon implementing the JIS court accounting system all amounts received are recorded and reconciled to deposits daily. We will review the large difference identified in the June 2010 court report and amend if necessary. The Court Clerk will review the small differences identified in other monthly court reports filed prior to August 2011 as time allows.*

1.3 *Several cases have already been identified and subsequently entered into the JIS accounting system for proper disposition. Procedures have been established to enter any additional outstanding bonds that are identified into the current accounting system and transfer monies to the court account as cases are identified.*

1.4 *Procedures are now in place for the City Clerk to review receipts collected and deposited by the Court Clerk daily.*

2. Municipal Division Procedures

Improvement is needed to maintain an organized filing system of municipal division records. Additionally, the municipal division has not prepared and filed with the city a list of cases heard each month as required by state law, court costs were not remitted to the state in a timely manner, and restitution amounts are not supported by a court approved schedule. Further, improvement is needed in accounting for traffic ticket numbers.

2.1 Organization of records

Some court records are filed in general disarray and municipal division personnel had difficulty locating some records and could not locate four requested case files. Since some case files could not be reviewed, we could not determine if the disposition of those tickets were properly reflected in the municipal division records.

Organization and retention of municipal division records is necessary to properly account for all case activity and financial transactions. Additionally, Supreme Court Operating Rules require all financial records be maintained for 5 years or until completion of an audit.

2.2 Report of cases heard

The monthly report filed with the city does not include a list of all cases heard. The former Court Clerk prepared a report indicating the number of new cases and court revenues received, and the Court Clerk's monthly reports generated from the Summit system were not always complete and accurate. (See MAR finding number 1.) While converting to the JIS, the Court Clerk discontinued filing reports with the city. Without complete and accurate reports, the city cannot effectively monitor municipal division activity.



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Section 479.080.3, RSMo, requires the Court Clerk to prepare a monthly list of all cases heard in the municipal division court, including the names of the defendants and fines and court costs imposed, to be verified by the Court Clerk or Municipal Judge and filed with the city.

2.3 Untimely disbursements

The state's portion of Crime Victim's Compensation (CVC) and Peace Officer Standards and Training (POST) fees collected by the municipal division along with the monthly summary reports were not submitted in a timely manner. For example, reports for March, April, and May 2010 were not submitted until notification was received from OSCA indicating the reports were 3 months late, and fees collected in May 2011 were not disbursed until July 26, 2011.

Supreme Court Operating Rules provide that state court costs collected by the municipal division should be disbursed to the state on a monthly basis, and require the submission of monthly reports detailing municipal division activity on or before the 15th of the following month.

2.4 Restitution amounts

Restitution amounts imposed by the court for defendants involved in alcohol or drug related offenses are not supported by a court approved schedule. Restitution amounts ordered by the court range from \$50 to \$162 per applicable case.

Section 488.5334, RSMo, allows for the reimbursement of reasonable costs associated with any chemical test required in addition to those costs associated with processing, charging, booking, and holding such persons in custody. The city's municipal code requires the Chief of Police to establish and submit for approval a schedule of processing costs to the Municipal Judge.

2.5 Ticket accountability

Neither the city Police Department nor the municipal division adequately accounts for the numerical sequence and ultimate disposition of traffic tickets issued.

Computerized municipal division records track the ticket numbers issued by the Police Department; however, the Court Clerk does not ensure each ticket number is entered into the system. Our review identified instances where ticket numbers were not in the system and an instance where one ticket number was entered twice. The Police Department tracks the ticket book numbers assigned to each officer on a log; however, individual tickets issued are not tracked.

Without proper accounting for the numerical sequence and ultimate disposition of tickets issued, the municipal division and the Police Department cannot be assured all tickets issued are properly submitted for processing.



Recommendations

The City of Diamond Municipal Division:

- 2.1 Ensure municipal division records are organized efficiently and appropriately retained.
- 2.2 Ensure a monthly list of cases heard in the municipal division is prepared and filed with the city in accordance with state law.
- 2.3 Disburse court monies and file monthly reports timely.
- 2.4 Work with the Chief of Police to establish a schedule of processing costs for restitution collections in accordance with city code.
- 2.5 Work with the Police Department to ensure the numerical sequence and ultimate disposition of all tickets issued are accounted for properly.

Auditee's Response

The Municipal Judge provided the following written responses:

- 2.1 *An adequate filing system has now been implemented.*
- 2.2 *The court is currently working with OSCA on how to prepare a monthly report through JIS that contains the proper information to provide to the Board of Aldermen.*
- 2.3 *Reports are filed and court fees are now disbursed monthly.*
- 2.4 *We will work with the Chief of Police to establish a fee schedule for restitution amounts charged.*
- 2.5 *The court receives two copies of the ticket. One copy is placed in a defendant's file and the other copy is now being filed numerically to account for ticket numbers. We will continue to work with the Police Department to account for the disposition of all tickets issued.*

Fortieth Judicial Circuit

City of Diamond Municipal Division

Organization and Statistical Information

The City of Diamond Municipal Division is in the Fortieth Judicial Circuit, which consists of Newton and McDonald Counties. The Honorable Timothy W. Perigo serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Personnel

At June 30, 2011, the municipal division employees were as follows:

Title	Name
Municipal Judge	Steven White
Court Clerk	Teresa Setser

Financial and Caseload Information

	Year Ended June 30, 2011
Receipts	\$61,007
Number of cases filed	408

American Recovery and Reinvestment Act 2009 (Federal Stimulus)

The Diamond Municipal Division did not receive any federal stimulus monies during the year ended June 30, 2011.