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Thirty-Fourth Judicial Circuit

New Madrid County

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CITIZENS SUMMARY

Findings in the audit of the Thirty-Fourth Judicial Circuit, New Madrid County

Accounting Controls and Procedures

The Circuit Clerk has not adequately segregated the duties of receiving and recording receipts, reviewing Justice Information System (JIS) cashier sessions, disbursing monies, and preparing deposits. Some monies received are not recorded in the JIS, there is no independent review to ensure manual receipt slips were properly recorded in the JIS and deposited, and the numerical sequence of manual receipt slips and JIS receipt numbers are not accounted for properly. The court's month-end bank and liabilities reconciliation process does not include CDs and interest and time payment fee bank accounts. Therefore, the reconciliation is incomplete and does not account for all monies held by the court, which increases the risk of loss, theft, or misuse of monies. The court does not retain daily cashier session reports, which document monies received and recorded. Blank checks were not securely stored, and voided checks are thrown away or are shredded monthly. The Circuit Clerk is not properly reviewing or requiring clerks to document the non-monetary and voided transactions in the JIS. Of the 10 non-monetary transactions audit staff reviewed, 5 were not supported by a court order reducing the defendant's debt owed, and none of the 15 voided transactions audit staff reviewed included an explanation. The Circuit Clerk has not established procedures to adequately review liabilities monthly to ensure monies are disbursed in a timely manner. The Circuit Clerk does not prepare budgets for the Circuit Clerk's Interest Fund and the Time Payment Fee Fund.

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

*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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New Madrid County
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THOMAS A. SCHWEICH

Missouri State Auditor

Presiding Judge and Court en Banc
and
Circuit Clerk of the
Thirty-Fourth Judicial Circuit
New Madrid County, Missouri

We have audited certain operations of the Thirty-Fourth Judicial Circuit, New Madrid County in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2012. The objectives of our audit were to:

1. Evaluate the court's internal controls over significant financial functions.
2. Evaluate the court'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 court, 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 court's management, the Office of State Courts Administrator, and New Madrid County and was not subjected to the procedures applied in our audit of the court.

For the areas audited, we identified (1) deficiencies in internal controls and (2) no significant noncompliance with legal provisions. The accompanying Management Advisory Report presents our findings arising from our audit of the Thirty-Fourth Judicial Circuit, New Madrid County.



Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

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Thirty-Fourth Judicial Circuit

New Madrid County

Management Advisory Report - State Auditor's Findings

1. Accounting Controls and Procedures

Weaknesses were identified with accounting controls and procedures.

According to court records, receipts collected during the year ended December 31, 2012, totaled approximately \$863,000. Fines, court costs, and bonds are collected, recorded in the Justice Information System (JIS), the Missouri Courts automated case management system; and deposited into the Circuit Clerk's main bank account by personnel of the Circuit Clerk's office.

1.1 Segregation of duties and supervisory reviews

The Circuit Clerk has not adequately segregated the duties of receiving and recording receipts, reviewing daily JIS cashier sessions, disbursing monies, and preparing deposits.

All nine clerks in the circuit court receive and record monies. Cashier supervisor duties are primarily performed by one clerk, and in her absence the duties are rotated between two other clerks. In addition to receiving monies, supervisors also record transactions, review daily cashier session reports for all clerks (including their own cashier session), and prepare deposits. As a result, there are instances where the cashier supervisor is responsible for transactions from initial receipt to deposit. Also, the primary cashier supervisor is related to another clerk and is responsible for reviewing her work. Because of this relationship and lack of proper segregation and oversight, there is greater risk in this area.

Disbursement duties are primarily performed by the Circuit Clerk, but the Deputy Circuit Clerk, who also serves as a cashier supervisor, and one other clerk can also perform disbursement duties as needed. As a result, the Deputy Circuit Clerk and one other clerk may be responsible for transactions from initial receipt to disbursement without involvement from other clerks. The Deputy Circuit Clerk also alternates preparing monthly bank reconciliations with the Circuit Clerk. The Circuit Clerk does not document her review of daily receipt and deposit activity or of bank reconciliations prepared by the Deputy Circuit Clerk.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, the Circuit Clerk should implement an adequate and documented independent or supervisory review of bank and accounting records.

1.2 Receipting, recording, and depositing

The Circuit Clerk has not established adequate receipting, recording, and depositing procedures.

- Some monies received are not recorded in the JIS. While information was entered into the case court docket, the court did not account for some monies in the financial module of JIS. For example, while court docket entries for a case indicated \$7,200 was received annually in 2013, 2012, and 2011 and \$11,000 was received in 2008, the \$32,600 was not



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recorded in the JIS financial accounting records. Additionally, after our questioning of the \$11,000 docket entry made in 2008, the Circuit Clerk provided documentation showing this docket entry was made in error. The \$11,000 was actually deposited into a certificate of deposit (CD) for the Circuit Clerk's Interest Fund and incorrectly reported in the docket for this case. Further, the remaining \$21,600 collected on this case was also not recorded in the JIS as receipts, but was accounted for in court docket entries and deposited into a CD by the court. The Circuit Clerk indicated she was not aware of how to track this type of case or the related CD in the JIS, so the receipts and CD were never entered into the JIS.

The Circuit Clerk maintains a separate bank account and CD for interest monies, and maintains a separate bank account for the deposit of time payment fees; however, these monies and related bank accounts/CD are not recorded in the JIS. Further, the Circuit Clerk does not maintain other records (such as bank account ledgers) for the time payment fee account, Circuit Clerk interest CD or bank account, or the CD for the active court case noted above.

The court's month-end bank and liabilities (open items) reconciliation process does not include the CDs and interest and time payment fee bank accounts. Therefore, the reconciliation is incomplete and does not account for all monies held by the court, which increases the risk of loss, theft, or misuse of monies.

- There is no independent review to ensure manual receipt slips were properly recorded in the JIS and subsequently deposited, and as a result, errors or discrepancies were not identified. For example, the court could not explain why a manual receipt slip issued in March 2012 for \$30 cash was recorded in the JIS as \$40 cash. Manual receipt slips issued for copy monies or miscellaneous court costs such as costs for transcript documents are also not recorded in the JIS or deposited. According to the Circuit Clerk, these monies are placed in an envelope and are used for making change or miscellaneous expenses. For example, during our review of 8 manual receipt slips issued from March 6, 2012, to March 26, 2012, 2 manual receipt slips issued for these types of monies totaling \$27 were not recorded in JIS or deposited. Further, the method of payment was not recorded on 3 of the 8 manual receipt slips reviewed, which could have resulted in the incorrect method of payment in the JIS.
- The numerical sequence of manual receipt slips issued and JIS receipt numbers is not accounted for properly.

Failure to implement adequate receipting, recording, and depositing procedures increases the risk that loss, theft, or misuse of monies received will go undetected. Further, to ensure all receipts and



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disbursements are accounted for properly and the cash balance in the bank accounts/CDs can be properly identified, all monies received and the related bank accounts/CDs should be recorded in the JIS and reconciliations performed between book and bank balances.

1.3 Record retention,
composition of receipts
and deposits, and record
storage

The court throws away or shreds printed daily cashier session reports, which document monies received and recorded in JIS by each cashier, at each month end. The Circuit Clerk indicated she makes handwritten explanations on the printed cashier session reports to document that receipt transactions reconciled to deposits; however, these explanations are lost when the records are discarded. Due to the unavailability of printed cashier session reports, we utilized reprinted cashier session reports that did not include the handwritten explanations and noted numerous instances where the composition of JIS receipt slips did not agree to the composition of the related deposit. Court personnel could not provide explanations for the discrepancies. Their ability to explain the differences was likely hindered by the unavailability of the discarded records.

Additionally, blank checks were not securely stored, and voided checks are thrown away or are shredded by the court monthly. Blank checks are stored on an open shelf in the Deputy Circuit Clerk's office.

Supreme Court Operating Rule No. 8 requires the accounting records be maintained for varying time periods based on the type of record. To ensure monies are accounted for properly, the composition of receipts should be reconciled to the composition of deposits, and documentation of such should be retained. To ensure records are properly safeguarded, the Circuit Clerk should ensure access to blank checks is properly restricted.

1.4 Non-monetary and
voided transactions

The Circuit Clerk is not properly reviewing or requiring clerks to document the non-monetary and voided transactions in the JIS.

Non-monetary transactions, including judicial order transactions and uncollectible bad debt write-offs, are transactions where no monies are received; however, a credit is applied or the amount due is changed. All clerks are allowed to enter non-monetary transactions and to void receipt transactions in the JIS. Of the 10 non-monetary transactions we reviewed, 5 were not supported by a court order reducing the defendant's debt owed. Additionally, the Circuit Clerk is not reviewing the report of voided receipt transactions, and is not requiring an explanation to be documented in the JIS to support voided transaction. As a result, the 15 voided transactions we reviewed had no documented explanation.

To reduce the risk of loss, theft, or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly. Non-monetary transactions and voided receipt



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transactions should be supported by adequate documentation and reviewed by the Circuit Clerk to ensure such transactions are appropriate.

1.5 Liabilities

The Circuit Clerk has not established procedures to adequately review liabilities monthly to ensure monies are disbursed in a timely manner. For example, a case was dismissed on December 27, 2011; however, the related \$10,000 bond was not refunded until April 24, 2012. To properly monitor and ensure monies are appropriately disbursed as provided by state law, procedures should be established to routinely investigate monies remaining on the liabilities list over a specific period of time.

1.6 Budgets

The Circuit Clerk does not prepare budgets for the Circuit Clerk's Interest Fund and the Time Payment Fee Fund. Although the court is primarily funded by the state and county, the interest and time payment fees are spent at the discretion of the court, and during 2012 approximately \$1,473 was disbursed through the Circuit Clerk's Interest Fund and no disbursements were made from the Time Payment Fee Fund. At December 31, 2012, the cash balances of the Circuit Clerk's Interest Fund and Time Payment Fee Fund were \$17,075 and \$7,330, respectively.

Preparing a budget for public funds aids in the fiscal management of the monies, provides a means to effectively monitor actual costs and revenues, and helps inform both the county and the public of the court's financial picture.

Recommendations

The Circuit Judge and Circuit Clerk:

- 1.1 Segregate duties to the extent possible or ensure an adequate independent or supervisory review of bank and accounting records is performed and documented.
- 1.2 Establish procedures to ensure all manual receipt slips and monies received are recorded in the JIS, all monies received are deposited, and the numerical sequence of both manual and JIS receipt slips/numbers are accounted for. The Circuit Judge and Circuit Clerk should also ensure the bank and liability reconciliation process is complete and accounts for all monies held by the court.
- 1.3 Ensure daily cashier's sessions and voided checks are retained, the composition of monies received is reconciled to the composition of monies deposited, and access to blank checks is properly restricted.
- 1.4 Implement procedures regarding the documentation, review, and approval of non-monetary and voided transactions.



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- 1.5 Establish procedures to review the status of liabilities monthly to determine the appropriate disposition of funds held on closed and active cases.
- 1.6 Prepare annual budgets for the Circuit Clerk's Interest Fund and Time Payment Fee Fund, and provide copies of these budgets to the county budget officer.

Auditee's Response

The Circuit Judge and Circuit Clerk provided the following written responses:

- 1.1 *Daily cashier supervisor duties have been assumed by one clerk with one alternate. That clerk does no receipting at all. The clerk's cashier session, who is related to the cashier supervisor by virtue of their husbands being related, is being reviewed by the Circuit Clerk or the Deputy Circuit Clerk.*
- 1.2 *No manual receipt slips are being used for any purpose. We are currently working with Office of State Court Administrator to determine how best to record, receipt, and maintain non-JIS funds. All copy money is currently being recorded in JIS and paid over to the County Treasurer. We are currently running reports to account for all transaction/receipt numbers. Explanations of exceptions are attached to daily cashier's reports. The Circuit Clerk and the Deputy Circuit Clerk alternate months in completing the bank reconciliation. All accounts will be included in the reconciliation. The Circuit Clerk is approving the reconciliation the Deputy Circuit Clerk completes.*
- 1.3 *Voided checks are currently being retained and blank checks are being kept in a locked drawer in the Deputy Circuit Clerk's office. All daily cashier reports are being retained by scanning and maintaining in electronic form. Cash/check composition is being reconciled daily.*
- 1.4 *Non-monetary and voided transactions are currently being documented, reviewed, and approved by the Circuit Clerk or Deputy Circuit Clerk.*
- 1.5 *Reports are currently being run monthly by the Circuit Clerk or Deputy Circuit Clerk to determine status of liabilities to ensure prompt disbursement of funds on disposed cases.*
- 1.6 *The Circuit Clerk is including the Circuit Clerk Interest Fund and the Time Payment Fee Fund in the annual budget process and will submit those budgets to the County Commission annually.*

Thirty-Fourth Judicial Circuit

New Madrid County

Organization and Statistical Information

The Thirty-Fourth Judicial Circuit consists of New Madrid County as well as Pemiscot County.

The Thirty-Fourth Judicial Circuit consists of one circuit judge and three associate circuit judges. The circuit judge hears cases in New Madrid and Pemiscot Counties. Of the three associate circuit judges, one is located in New Madrid County and presides over Associate Circuit Divisions II and III. The other two associate circuit judges are located in Pemiscot County. Circuit personnel located in Pemiscot County are not included in the scope of this audit.

Personnel

At December 31, 2012, the judges, Circuit Clerk, and Juvenile Officer of the Thirty-Fourth Judicial Circuit, New Madrid County, were as follows:

Title	Name
Circuit Judge	Fred Copeland
Associate Circuit Judge	Charles L. Spitler
Circuit Clerk	Marsha Meatte Holiman
Juvenile Officer	Brian Abbott

Financial Information

Receipts of the Thirty-Fourth Judicial Circuit, New Madrid County, were as follows:

	Year Ended December 31, 2012
Court deposits, fee, bonds, and other	\$862,651
Interest Income	153
Total	\$862,804

Caseload Information

From the Office of State Courts Administrator Missouri Judicial Reports, case filings of the Thirty-Fourth Judicial Circuit, New Madrid County, were as follows:

	Year Ended June 30, 2012
Civil	820
Criminal	2,520
Juvenile	62
Probate	109
Total	3,511