



Thomas A. Schweich
Missouri State Auditor

FOLLOW-UP REPORT ON AUDIT FINDINGS

Forty-Second Judicial Circuit

City of Bourbon Municipal Division

November 2014
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Forty-Second Judicial Circuit
City of Bourbon Municipal Division
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*Includes selected findings



THOMAS A. SCHWEICH

Missouri State Auditor

Presiding Judge
Forty-Second Judicial Circuit
and
Municipal Judge
and
Honorable Mayor
and
Members of the Board of Aldermen
Bourbon, Missouri

We have conducted follow-up work on certain audit report findings contained in Report No. 2014-033, *Forty-Second Judicial Circuit, City of Bourbon Municipal Division*, issued in May 2014, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. 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 municipal division 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 specific plans to begin, or 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 municipal division, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. The city entered into an agreement with a Certified Public Accountant (CPA) in April 2014 to make improvements in the municipal division and temporarily serve as the Court Clerk. We conducted our work when the CPA was serving as the Court Clerk. In the future, the city is considering giving municipal division record-keeping responsibilities to the City Clerk or City Collector or closing the municipal division and having the Crawford County Associate Circuit Division handle the city's cases. As part of the AFTER work conducted, we spoke with the City Clerk and the CPA regarding the status of the recommendations and requested various records and supporting documentation. We also spoke with the

Mayor, the City Prosecuting Attorney, the Municipal Judge, the Police Chief, and several Board members regarding the status of the recommendations and the future of the municipal division. This report is a summary of the results of this follow-up work, which was substantially completed in September and October 2014.

A handwritten signature in black ink that reads "Thomas A. Schweich". The signature is written in a cursive style with a large, stylized initial 'T' and 'S'.

Thomas A. Schweich
State Auditor

Forty-Second Judicial Circuit

City of Bourbon Municipal Division

Follow-Up Report on Prior Audit Findings - Status of Findings

1. Accounting Controls and Procedures We identified significant weaknesses in the accounting controls and procedures of the municipal division. Due to these weaknesses, there was no assurance all monies received were appropriately recorded, deposited, and distributed.

1.1 Segregation of duties The municipal division did not adequately segregate the duties of receiving and depositing monies from recording transactions. The Court Clerk was primarily responsible for all duties related to collecting monies; posting fines, court costs, and bad check restitution received into the Justice Information System (JIS), the Missouri Courts automated case management system; preparing deposits; and disbursing fines and court costs. The Municipal Judge did not document his review; however, he stated he reviewed at least one deposit during each month. Also, city officials independent of the cash custody and record-keeping functions did not provide any supervision or review of the work performed by the Court Clerk.

Recommendation The City of Bourbon Municipal Division segregate accounting duties to the extent possible. If it is not possible to segregate duties, documented periodic reviews of municipal division records should be performed by a person independent of accounting functions.

Status **Implemented**
The city entered into an agreement with a CPA in April 2014 to make improvements in the municipal division. This CPA serves as the Court Clerk and receipts court monies, records receipts in the JIS, and prepares deposits. The City Clerk reviews the deposits and takes them to the bank. Deposit reports and month-end reports are made available for the City Clerk to review. The City Clerk indicated she receives the daily cashier report the Court Clerk generates from the JIS and compares the totals to the deposit.

1.2 Manual receipt slips and unaccounted for monies Municipal division receipts totaling at least \$337 were received, but not recorded in the JIS; and therefore, could not be traced to a deposit in the municipal court bank account. One manual receipt slip issued on November 29, 2012, for \$279.50 (check) for a traffic ticket payment and another manual receipt slip issued on July 24, 2012, for \$57.45 (cash) for bad check restitution had not been recorded in the JIS as of July 2013 and therefore, could not be traced to a deposit in the municipal court bank account. In addition, manual receipt slips issued by the Court Clerk were not recorded timely in the JIS and in the order received, and therefore, were not deposited timely and intact. The Court Clerk did not perform reconciliations of manual receipt slips issued to manual receipt slips recorded in the JIS.

Recommendation The City of Bourbon Municipal Division ensure manual receipt slips are recorded in the JIS timely and intact and the corresponding monies received



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are deposited timely. Additionally, the municipal division should follow up on the unaccounted for monies and attempt to recover these funds.

Status

Implemented

The Court Clerk indicated JIS receipts are issued during court and provided to individuals when the payment is made. Manual receipt slips are issued only when the JIS is not operational. Manual receipt slips issued are recorded in the JIS as soon as it is available, and the JIS receipt number is written on the manual receipt slip kept in the receipt slip book. Manual receipt slips issued are reconciled to manual receipt slips recorded in the JIS. We reviewed the manual receipt slips issued in August 2014 and noted they were recorded in the JIS within a few days of the date issued. Our review of the September 2014 bank statement indicated deposits are generally made once or twice a week. As noted in the response to our May 2014 report, the City of Bourbon Municipal Division did follow up on the unaccounted for monies. The division determined the \$57.45 bad check receipt was deposited and disbursed from the restitution account. We reviewed the bank statements for the restitution account and noted the \$57.45 was apparently deposited and disbursed on December 3, 2012 (more than 4 months after the manual receipt slip was issued). The disposition of the \$279.50 check was not determined by the municipal division.

1.3 Receipting and
Depositing

The Court Clerk did not reconcile the composition (cash, check, and money order) of receipts recorded in the JIS to the composition of deposits. Additionally, checks and money orders received by the municipal division were not restrictively endorsed until the deposit was prepared.

Recommendation

The City of Bourbon Municipal Division reconcile the composition of recorded receipts to the composition of deposits and endorse checks immediately upon receipt.

Status

Implemented

The Court Clerk indicated the composition of receipts recorded in the JIS is reconciled to the composition of deposits each time a deposit is made. We reviewed the deposits prepared for September 8 and September 16, 2014, and noted the composition of receipts recorded in JIS agreed to the composition indicated on the deposit slips. The Court Clerk indicated checks and money orders are restrictively endorsed when she receives them.

2. Bank Reconciliations
and Liabilities

The municipal division's procedures regarding monthly bank reconciliations and liabilities needed improvement.

2.1 Bank reconciliations

We noted the following concerns during our review of the municipal division's bank reconciliations:



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- The Court Clerk did not reconcile the bank account timely.
- Reconciling items identified on the bank reconciliations were not followed up on timely and are carried forward from month to month. Therefore, appropriate adjustments were not made to the financial records timely.
- The Court Clerk did not print a listing of outstanding checks when preparing the monthly bank reconciliations. In addition, she had not followed up on outstanding checks since she became Court Clerk in September 2011.

Recommendation

The City of Bourbon Municipal Division perform timely monthly bank reconciliations, resolve reconciling items timely and make appropriate adjustments to the accounting records, and establish procedures to identify and routinely follow up on outstanding checks.

Status

In Progress

As of October 22, 2014, the Court Clerk has completed all monthly bank reconciliations through September 2014 and generated outstanding check listings to support the bank reconciliations. We reviewed the September 2014 bank reconciliation. The outstanding check listing as of September 30, 2014, included 14 checks totaling \$800 that were more than one year old. Some reconciling items appeared to have been resolved; however, others had been carried forward for a few months and adjusting entries had not been made.

2.2 Liabilities

The Court Clerk did not prepare a list of liabilities for comparison to the reconciled bank account balance. At our request, the Court Clerk prepared a list of liabilities at April 30, 2013, and the list totaling \$11,516 was less than the reconciled bank balance of \$12,528 by \$1,012.

Because monthly lists of liabilities were not prepared, liabilities were not adequately reviewed to ensure bonds or other monies were disbursed timely. The JIS liabilities report generated on May 15, 2013, included 12 bonds totaling \$2,850 dated in 2011 and 14 bonds totaling \$4,160 dated in 2012.

Recommendation

The City of Bourbon Municipal Division prepare monthly lists of liabilities and reconcile to the bank balance, promptly investigate and resolve differences, and establish procedures to review the status of liabilities to determine the appropriate disposition of funds held.

Status

In Progress

The Court Clerk printed an open items listing on September 30, 2014. However, the total of this listing did not agree to the September 30, 2014,



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bank reconciliation. The Court Clerk plans to perform additional work to determine the reasons for the difference. The Court Clerk disbursed the majority of the bonds held from 2011 and 2012.

3. Monitoring of Excess Revenues

The city's excess traffic violation revenue calculations incorrectly included restricted revenues and did not give consideration to specific traffic ticket violations or location of the violation to identify what tickets and related revenue should be included in the calculations. As a result, the city's calculations did not accurately assess whether excess revenues were due to the state.

The city performed excess revenues calculations for the 2 years ended June 30, 2013, and determined the percentage of fines and court costs for traffic violations as compared to annual general operating revenues to be less than the statutory threshold requiring payment to the Missouri Department of Revenue (DOR). However, our review of those calculations determined the city likely owes between \$34,718 and \$59,155 to the DOR for the 2 years ended June 30, 2013.

Recommendation

The City of Bourbon Board of Aldermen ensure only general operating revenues are included in the annual excess revenue calculations. In addition, the Board of Aldermen should work with the municipal division to track collections from fines and court costs for traffic violations, recalculate excess revenues for fiscal years 2012 and 2013, and make appropriate payments to the DOR for any additional excess revenues.

Status

In Progress

The city has attempted to recalculate excess revenues for 2012 and 2013. The city has also calculated excess revenues for 2014. Due to the time and expense involved, the city has not reviewed each ticket issued to determine if it was for a traffic or non-traffic offense and to determine if it was issued on a highway or city street. To determine the non-traffic tickets issued, the CPA consulted the Office of State Courts Administrator for instructions for generating a listing of tickets and the related offenses. However, this report indicated the total amount paid on these tickets and did not agree to the amount of fines and court costs remitted to the city. The CPA also sampled tickets to determine the percentage of tickets issued on the highway versus city streets. The city contacted the DOR and plans to repay excess revenues.

4. Ticket Controls and Procedures

Municipal division procedures regarding the accountability and disposition of tickets need improvement.

4.1 Ticket accountability

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



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Recommendation

The City of Bourbon Municipal Division work with the Police Department to ensure the numerical sequence and ultimate disposition of all tickets issued are accounted for properly.

Status

In Progress

The Police Department currently has each officer sign for each citation book issued on a form created by the department called a Uniform Citation Record. This form is given to the court. Tickets issued to individuals are entered into the JIS and a filings report is generated. We reviewed the filings report for the period July 1, 2014, through September 28, 2014, and noted two gaps in the ticket sequence. It was determined that these tickets had been issued prior to July 1, 2014, and therefore, should not be on this listing. The Police Chief agreed to keep a record of voided tickets and the City Prosecuting Attorney agreed to keep a record of tickets not prosecuted. These listings will be provided to the Court Clerk, so she will have a record of all ticket numbers.

4.2 Ticket disposition

The City Prosecuting Attorney did not sign tickets submitted to the municipal division.

Recommendation

The City Prosecuting Attorney sign all tickets.

Status

Implemented

The City Prosecuting Attorney currently reviews and signs all tickets issued. We reviewed the tickets presented to the City Prosecuting Attorney during the September 25, 2014, court date and noted they were signed.

6. Accrued Costs

The Court Clerk did not consistently follow up on accrued costs (receivables) owed to the municipal division, including fines and court costs, incarceration costs, and court-ordered restitution.

Recommendation

The City of Bourbon Municipal Division establish procedures to routinely review the accrued costs list and ensure proper follow up on amounts due, and provide information to and work with the Municipal Judge regarding amounts deemed uncollectible.

Status

Implemented

The Court Clerk reviewed the accrued costs listing generated from the JIS. Defendants that had been set up on payment plans but had not been paying timely were assigned court dates in September 2014 for payment review. The City Prosecuting Attorney and the Municipal Judge were consulted on numerous cases more than a year old where payments of small amounts were outstanding. It was agreed that it was not cost-effective to continue to attempt collection on these cases. Most of these amounts were written off



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per judicial order and proper documentation was placed in each corresponding file. We reviewed ten cases in September 2014 and determined that these files had been reviewed by the court and action had been taken to recall warrants, waive fines and court costs, or attempt to collect fines and court costs. The Court Clerk indicated she currently reviews the accrued costs listing once a month.