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FOLLOW-UP REPORT ON AUDIT FINDINGS

Thirty-Third Judicial Circuit

City of Miner Municipal Division

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Thirty-Third Judicial Circuit, City of Miner Municipal Division
Follow-Up Report on Audit Findings
Table of Contents

State Auditor's Letter 2

Status of Findings

1. Missing Monies 4
2. Accounting Controls and Procedures 5
3. Bond Liabilities and Disbursements 6
4. Municipal Division Procedures 8

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Missouri State Auditor

Presiding Judge
Thirty-Third Judicial Circuit
and
Municipal Judge
and
Honorable Mayor
and
Members of the Board of Aldermen
Miner, Missouri

We have conducted follow-up work on audit report findings contained in Report No. 2014-143, *Thirty-Third Judicial Circuit, City of Miner Municipal Division* (rated as Poor), issued in December 2014, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

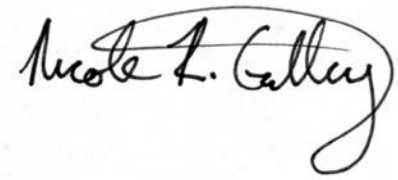
1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the court about the follow-up review on those findings.

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 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. As part of the AFTER work conducted, we reviewed supporting documentation provided by municipal division and city officials, and held meetings with municipal division and city officials. Documentation

reviewed included bank statements, Judicial Information System (JIS) reports, ticket logs, and various other financial and municipal division records. This report is a summary of the results of this follow-up work, which was substantially completed during April 2015.



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State Auditor

1. Missing Monies

From August 2012 through June 2014 municipal division receipts totaling at least $14,398 were recorded by the court and properly transmitted to the city; however, after release by the court, these monies were not deposited by the city. In addition, some essential records documenting amounts received by the city were altered.

In July and August 2014, we determined monies were missing, and notified the Municipal Judge, Mayor, and City Prosecuting Attorney of our concerns on September 16, 2014. The City Prosecuting Attorney contacted the Missouri State Highway Patrol to investigate. Stephanie Turner, City Clerk, was terminated by the city on October 3, 2014, and charged with felony theft/stealing by the Scott County Prosecuting Attorney on December 22, 2014. Ms. Turner had served as the city's Administrative Assistant from October 2011 until May 2014, when she was appointed interim City Clerk. She was appointed City Clerk in June 2014. The city did not hire a replacement Administrative Assistant until August 2014. The city hired a temporary City Clerk in September 2014 and a new City Clerk in October 2014.

Undeposited receipts

Receipts totaling $12,398 recorded on 108 receipt slips issued by the municipal division for fines and court costs and the Police Department for bonds, and transmitted to the city were not deposited.

Altered receipt report

After we discussed the initial receipt discrepancy with municipal division and city personnel in July 2014, someone made changes to the city's electronic receipt report to alter receipt amounts previously recorded. When we compared the electronic receipt report provided to us with the original electronic receipt report, we determined the amounts recorded for 19 receipt slips, totaling $2,000, had been altered.

Recommendation

The City of Miner Municipal Division work with law enforcement officials regarding any possible criminal prosecution related to the missing funds, including restitution.

Status

Implemented

The City Prosecuting Attorney indicated the municipal division is working closely with the Missouri State Highway Patrol and the Scott County Prosecuting Attorney in their investigation. A claim was filed with the city's insurance company related to the theft, and the Board of Aldermen (Board) accepted a settlement of $18,398[1] on April 22, 2015.

[1] Includes $14,398 for missing municipal division receipts, less $1,000 deductible, plus $5,000 allowed for additional auditing and accounting expenses.

2. Accounting Controls and Procedures

We identified significant weaknesses with accounting controls and procedures of the municipal division and the depositing and reconciling of monies by the city.

2.1 Oversight and reconciliations

Neither the municipal division nor city personnel performed adequate supervisory or independent reviews of accounting functions and records. Proper segregation of duties within the municipal division was not possible because the Municipal Court Clerk was the only municipal division employee.

In addition, no one independent of the cash custody and record-keeping functions reconciled recorded receipts to deposits, or reviewed disbursements.

Recommendation

The City of Miner Municipal Division ensure documented periodic independent or supervisory reviews of receipt, deposit, and disbursement records are performed.

Status

In Progress

The municipal division implemented the JIS on January 1, 2015. With this system, oversight and reconciliation procedures improved. The municipal division provides the City Clerk with daily receipt reports. The City Clerk reconciles the composition of receipts to the composition of monies transmitted by the municipal division. Although the City Clerk indicated he reviews the daily receipt reports within the JIS, his review of any composition differences identified is not documented. The City Clerk indicated he will start documenting his review. The monies are then transmitted to the City Collector, who also reconciles the composition of receipts with the composition of monies transmitted, issues a receipt slip for the monies received, and prepares the deposit. A copy of the city's receipt slip and deposit slip are then provided to the municipal division to reconcile with the monies transmitted to the city. Monthly disbursement totals are generated by the JIS. The City Clerk reviews the totals and prepares the disbursements.

2.2 Receipting, recording, transmitting, and depositing procedures

The municipal division and the city lacked procedures to ensure all monies received are receipted, recorded, transmitted, and deposited properly.

The method of payment was not recorded on numerous receipt slips reviewed, and the composition of receipt slips could not be reconciled to the composition of monies transmitted to the city or to the composition of monies deposited by the city. The Municipal Court Clerk did not always transmit monies timely to the city and the city did not always deposit court monies timely. Municipal division receipts were handled by several

employees before deposit, and there was not adequate documentation to support the transmittal of monies from one employee to another.

The City Collector did not perform a reconciliation to ensure the composition of monies transmitted by the Municipal Court Clerk to the city agreed to the composition of monies remitted to the City Collector for deposit. In addition, no copies of the City Collector's deposit slips were provided to the Municipal Court Clerk to support the amounts deposited.

Recommendation

The City of Miner Municipal Division establish procedures to improve receipting, recording, and transmitting controls to ensure the method of payment is indicated for all receipts and monies are transmitted to the city timely. In addition, work with the city to ensure the composition of municipal division receipts is reconciled to the composition of deposits, and receipts are deposited timely.

Status

In Progress

As noted in section 2.1, the municipal division implemented the JIS on January 1, 2015. Manual receipt slips are no longer used by the municipal division for fines and court costs, but are still used by the Police Department for bond monies. The city is reconciling the composition of receipts to monies transmitted by the municipal division and to deposits. However, we reviewed March and April 2015 municipal division records and noted an instance where the composition of monies receipted did not agree to the composition of monies transmitted and deposited. In addition, monies were not always transmitted or deposited timely. Also, there is no reconciliation of bond receipt slips issued by the Police Department with bond monies transmitted to the city. The City Clerk indicated in the future, monies will be transmitted daily from the municipal division and deposits will be more timely because a new City Collector took office on April 8, 2015. In addition, any composition differences will be investigated and documented. Monies transmitted for bonds will also be reconciled to the receipt slips issued by the Police Department.

3. Bond Liabilities and Disbursements

The municipal division's procedures related to identifying, reconciling, and monitoring bond liabilities needed improvement. In addition, the city made errors in the disbursement of court costs and bonds, and had inadequate disbursement controls.

3.1 Bond liabilities and reconciliations

The Municipal Court Clerk did not prepare a list of liabilities (open bonds) for comparison to the reconciled bond bank account balance, and was unable to agree open bonds to the account balance.

At our request, the Municipal Court Clerk prepared a list of open bonds at August 31, 2014, and the list totaling $33,831 exceeded the reconciled bank

balance of $31,774 by $2,057, indicating a shortage in the account. In addition, bond disbursements from November 2012, totaling $2,150, were not properly disbursed from the bond account to the city's general account. Had these bonds been disbursed, an additional shortage of $2,150 would have existed in the bond account.

Recommendation

The City of Miner Municipal Division prepare monthly lists of open bonds and reconcile the lists to the reconciled bank balance. Unidentified differences should be promptly investigated and resolved.

Status

Implemented

With the implementation of the JIS in January 2015, the city opened a new municipal division bank account. As existing bond information was entered into the JIS, the corresponding bond monies were transferred from the old municipal division bond bank account to the new account. A list of liabilities is generated monthly from the JIS and is reconciled to the bank balance. The City Clerk indicated any unidentified differences are investigated and resolved. The monthly open bond report is provided to the Municipal Judge and City Prosecuting Attorney for review. We reviewed the monthly bank reconciliations for January, February, and March 2015, and noted the reconciled bank balance agreed to a list of liabilities, which included open bonds.

3.2 Review of open bonds

The municipal division had not adequately reviewed the status of old open bonds held in the municipal division bond bank account. The August 31, 2014, list of open bonds consisted of 114 bonds totaling $33,831. Forty-eight of these bonds, totaling $17,375, were over 5 years old, with 4 of those bonds dating back to 2001. The municipal division had attempted to refund 8 of these bonds, totaling $1,365, but the disbursements were returned due to incorrect addresses. The Municipal Court Clerk indicated the municipal division did not previously forfeit bonds if defendants failed to appear in court; however, the current Municipal Judge was reviewing the old bonds and pledged to work with the City Prosecuting Attorney to ensure the bonds were applied, forfeited, or refunded timely.

Recommendation

The City of Miner Municipal Division routinely review the list of open bonds and disburse or dispose of monies as appropriate.

Status

Implemented

In December 2014, the municipal division and the City Clerk prepared a list of open bonds. Following review by the Municipal Judge, old bonds were applied, forfeited, or refunded as determined necessary. The municipal division plans to continue to review the open bond list annually to ensure old bonds are disbursed or disposed of as appropriate. We reviewed the

December 2014 list of open bonds and noted $18,712 in bonds had been forfeited. In addition, the City Clerk stated the payees of several bond refunds could not be located and he remitted the monies to the state as unclaimed property.

3.3 Monthly disbursements and reports

The City Clerk did not always accurately calculate monthly disbursements of fines, court costs, and bonds, and did not always prepare correct monthly court reports submitted to the state.

Recommendation

The City of Miner Municipal Division develop procedures to ensure the monthly distributions are properly calculated and disbursed, and amounts reported on monthly municipal division reports are accurate.

Status

Implemented

With the implementation of the JIS in January 2015, monthly disbursement amounts are automatically calculated. The City Clerk indicated he reviews the monthly disbursements to ensure court cost disbursements match the correct number of cases. In addition, monthly report totals are now automatically obtained from the JIS by the Office of State Courts Administrator (OSCA) and it is no longer necessary for the municipal division to prepare and submit the monthly report. We reviewed the monthly disbursement documentation for March 2015 and noted the disbursement amounts agreed to monthly report totals generated from the JIS.

3.4 Disbursement controls

The City Collector had custody of a facsimile stamp of the Mayor's signature and used the stamp to sign checks, with no subsequent review performed by the Mayor. In addition, the City Treasurer occasionally signed checks in advance. Disbursements from the municipal division bond bank account require the signatures of the Mayor, City Treasurer, and City Clerk.

Recommendation

The City of Miner Municipal Division work with the city to limit access to the Mayor's signature stamp to maintain the controls intended for multiple signatures on checks and discontinue allowing check signers to sign checks in advance.

Status

Implemented

The City Clerk indicated the city has discontinued signing checks in advance. In addition, the Mayor has custody of his signature stamp and he is the only person using it.

4. Municipal Division Procedures

Procedures related to ticket accountability and monitoring excess revenues needed improvement. Audit work did not identify significant noncompliance with Section 302.341.2, RSMo, but determined the need for

better records and monitoring procedures by the municipal division and city to ensure full compliance with state law. In addition, the municipal division had been inappropriately charging and collecting court costs for the Court Automation Fund (CAF) and did not file a monthly report of cases heard with the city as required.

4.1 Ticket accountability

The Police Department and the municipal division did not work together to ensure the numerical sequence and ultimate disposition of all tickets issued were accounted for properly.

Four tickets were missing out of 159 tickets reviewed and Police Department personnel could not locate any copies of these tickets. For 10 of 159 tickets reviewed, the Police Department incorrectly entered the ticket number into the Police Department's computerized system. In addition, 23 of 159 tickets reviewed were voided; however, the Police Department did not follow a consistent policy for handling voided tickets.

Recommendation

The City of Miner Municipal Division work with the Police Department to ensure the numerical sequence and ultimate disposition of all tickets are accounted for properly. In addition, the Police Department should prepare written policies and procedures for the handling of voided tickets.

Status

Implemented

The Police Department provides a spreadsheet to the municipal division identifying each ticket book assigned to each police officer. Also provided are spreadsheets accounting for each ticket issued from each ticket book. The Police Department identifies ticket information, including the ticket number, date issued, defendant's name, and offense. Once received, the municipal division compares each ticket listed on the ticket book spreadsheet to the JIS. The municipal division records on the spreadsheet if the ticket has been received and the ultimate disposition of the ticket. After all tickets have been accounted for, a copy of the ticket book spreadsheet is returned to the Police Department. We reviewed the spreadsheets maintained for several ticket books and noted the numerical sequence and ultimate disposition of all tickets were accounted for. In addition, we observed the new policies and procedures developed by the Police Department for the handling of tickets, including voided tickets. We noted no concerns.

4.2 Monitoring of excess revenues

The municipal division had not provided a report of traffic violation tickets and associated fines and court costs revenues to the city for inclusion in the calculation and reporting required in the city's annual financial report filed with the State Auditor's office (SAO).

The municipal division did not have procedures in place to identify traffic violation tickets and the associated fines and court costs collected and transmitted to the city. This information is needed by the city to calculate the percent of annual general operating revenue from fines and court costs related to traffic violations, to determine whether excess revenues should be distributed to the state Department of Revenue, and to provide an accounting of the percent in its annual financial report as required by state law.

Recommendation

The Municipal Division develop procedures and records to identify applicable traffic violations and the associated fines and court costs revenues and provide this information to the city.

Status

In Progress

The city's fiscal year end August 31, 2014, audited financial report was timely filed with the SAO, and included an accounting of the percent. However, our review determined the 9.5 percent reported was not accurate because the percent was calculated using total fines and court costs, rather than fines and court costs relating only to traffic violation tickets. Through the implementation of the JIS, the municipal division can now track traffic violation tickets and the associated fines and court costs collected and transmitted to the city. This information is used by the City Clerk monthly to calculate the percent of general operating revenue from fines and court costs related to traffic violations. This percent will also be reviewed annually and included in the city's annual financial report filed with the SAO. We observed the city's calculation for March 2015, which determined the percent of general operating revenue from fines and court costs related to traffic violations to be 3.9 percent. However, the report generated from the JIS did not include all applicable traffic violations due to the coding of certain traffic violations in the JIS. The City Clerk indicated he will work with the OSCA to ensure all traffic violations are properly coded in the JIS and the totals generated for fines and court costs associated with traffic violations are correct.

4.3 Court automation fee

The municipal division had been inappropriately charging and collecting court costs of $7 for the statewide CAF fee since at least June 2000. The municipal division collected CAF fees totaling $5,159 for the year ended August 31, 2014. The total amount collected in error likely exceeded $50,000. In addition, neither the municipal division nor the city could locate a municipal ordinance supporting the collection of the CAF fee.

Recommendation

The City of Miner Municipal Division review all court costs to ensure fees are assessed in accordance with state law and Supreme Court Operating Rules. In addition, review the past handling of the CAF fees with the OSCA to determine if any action should be taken.

Status

Partially Implemented

The city and the municipal division have worked with the OSCA to review all court costs and are also working to review the city's municipal division ordinances. In November 2014, the Board approved ordinance number 1091 identifying current court costs, surcharges, and judgements. With the implementation of the JIS in January 2015, it is now appropriate for the municipal division to charge and collect the $7 CAF fee. However, there has been no discussion with the OSCA regarding reviewing the past handling of the CAF fee.

4.4 Report of cases heard

The Municipal Court Clerk did not file a monthly report of cases heard with the city, as required by Section 479.080.3, RSMo, and Supreme Court Operating Rule 4.29.

Recommendation

The City of Miner Municipal Division ensure a monthly report of cases heard in the municipal division is prepared and filed with the city in accordance with state law and the Supreme Court Operating Rule.

Status

In Progress

The City Clerk indicated a copy of the monthly general ledger report is filed with the Board. The report identifies all municipal division receipts and disbursements for the month. We observed a copy of the March 2015 general ledger report included as part of the information presented to the Board. Beginning with April 2015, the municipal division also plans to submit a copy of the monthly court docket to the Board to support all cases heard in the municipal division court.