Office of Missouri State Auditor

Nicole Galloway, CPA

Fourteenth Judicial Circuit
City of Huntsville
Municipal Division

Report No. 2016-054
August 2016

auditor.mo.gov

Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Huntsville municipal division

Accounting Controls and Procedures	Accounting controls and procedures need improvement. Neither the Municipal Judge nor city personnel perform adequate supervisory or independent reviews of accounting functions and records maintained by the division's one employee. The Court Clerk does not always deposit receipts timely and intact or receipt monies timely. Auditors identified multiple receipts held more than a week and found that some deposits included monies that had not been receipted. The division has not established procedures to maintain a listing of liabilities (open bonds), review the status of open bonds held in the municipal bank account, and ensure bond monies are disbursed timely. The division also does not have adequate procedures to monitor and review accrued costs owed to the court, including fines, court costs, and fees.
Municipal Division Procedures	Municipal division procedures need improvement. The division assesses a potentially improper warrant and contempt fees ($25 each) for failure to appear in court and/or pay amounts due. According to municipal division records, warrant and contempt fees totaled $350 for year ended June 30, 2015. Additionally, case files are not maintained in a complete and accurate manner. Auditors found that files did not always indicate the warrant fee or contempt fee when added to the fine and court cost amount and did not always include updated information such as plea agreements being reached.
Monitoring of Excess Revenues	The municipal division does not have procedures in place to identify minor traffic violation tickets and the associated fines and court costs collected. In addition, city procedures to calculate whether excess revenues are due to the Department of Revenue (DOR) are not adequate to ensure compliance with state law. City officials calculated no excess revenues were due to the DOR for the year ended June 30, 2015, but failed to retain documentation to support the numbers used in the calculation and the calculation may be inaccurate.

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

***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.

All reports are available on our Web site: auditor.mo.gov

Fourteenth Judicial Circuit
City of Huntsville Municipal Division
Table of Contents

State Auditor's Report 2

Management Advisory Report - State Auditor's Findings

1. Accounting Controls and Procedures 4
2. Municipal Division Procedures 7
3. Monitoring of Excess Revenues 8

Organization and Statistical Information 10

NICOLE GALLOWAY, CPA
Missouri State Auditor

Presiding Judge
Fourteenth Judicial Circuit
and
Municipal Judge
and
Honorable Mayor
and
Members of the City Council
Huntsville, Missouri

We have audited certain operations of the City of Huntsville Municipal Division of the Fourteenth 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, 2015. 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 and city's compliance with certain legal provisions.

3. Evaluate the municipal division's compliance with certain court rules.

4. Evaluate the city's compliance with state laws restricting the amount of certain court revenues that may be retained.

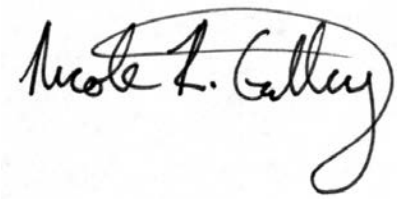
Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and 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, (2) noncompliance with legal provisions, (3) noncompliance with court rules, and (4) noncompliance with state laws restricting the amount of certain court revenues that may be retained. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Huntsville Municipal Division of the Fourteenth Judicial Circuit.

A petition audit of the City of Huntsville, 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.



Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Keriann Wright, MBA, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Chris Vetter, CPA
In-Charge Auditor:	Joyce Thomson
Audit Staff:	Albert Borde-Koufie, MBA
	Margie Freeman, CPA

1. Accounting Controls and Procedures

Accounting controls and procedures need improvement. For the year ended June 30, 2015, the municipal division's records indicate collections totaled approximately $12,200.

1.1 Oversight

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

The Court Clerk is responsible for all duties related to collecting court monies, recording and posting payments to the municipal division's records, making deposits into the municipal division's bank account, and disbursing funds to the city.

To reduce the risk of loss, theft, or misuse of funds, internal controls should provide reasonable assurance all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by implementing documented supervisory or independent reviews of accounting records.

1.2 Depositing and receipting procedures

The Court Clerk does not always deposit receipts timely and intact or receipt monies timely. Our review of 13 deposits made during the months of November 2014 and January 2015, identified 2 deposits containing receipts held more than a week. A deposit made on November 18, 2014, consisted of $222.50 receipted on November 3, 2014. Other monies receipted on November 3 and November 4, 2014, were deposited prior to the November 18 deposit. Also, a deposit made on January 22, 2015, consisted of $122.50 receipted on January 13, 2015.

In addition, 2 other deposits in our review included monies that had not been receipted. For example, a December 31, 2014, deposit included 2 checks totaling $395 that were receipted January 5, 2015. The Court Clerk indicated she made the deposit prior to the holiday weekend before receipting these monies.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all monies should be deposited intact and timely. In addition, all monies should be receipted immediately when received.

1.3 Review of open bonds

The municipal division has not established procedures to maintain a listing of liabilities (open bonds), review the status of open bonds held in the municipal division's bank account, and ensure bond monies are disbursed timely.

The Court Clerk does not prepare a list of open bonds for comparison to the reconciled bank account balance and is unable to agree open bonds to the account balance. At our request, the Court Clerk prepared a list showing there were 15 open bonds at June 30, 2015, totaling $3,747, which differed from the reconciled bank account balance of $3,787 by $40.

In addition, the court clerk does not adequately review the status of old open bonds held and does not have procedures to ensure bond monies are disbursed timely. The June 30, 2015, list included 8 bonds totaling $2,175 that had not been disbursed to the city even though the Municipal Judge had ordered disbursement of the bonds. In October 2015, the Court Clerk discovered the error and disbursed the monies to the city.

Monthly reconciliations between open bonds and the reconciled bank account balance are necessary to ensure proper accountability over open cases and to ensure monies held in trust are sufficient to meet liabilities. In addition, monthly lists of open bonds are necessary to properly monitor bonds and ensure monies are disbursed as appropriate.

1.4 Accrued costs

The municipal division does not have adequate procedures to monitor and review accrued costs owed to the court, including fines, court costs, and fees.

The municipal division accepts partial payments from defendants, but requires no minimum monthly payments and does not maintain a listing of accrued costs. At our request, the Court Clerk prepared a list of accrued costs at June 30, 2015, that totaled $4,686. Cases on the list date back to 2007.

In addition, the municipal division does not notify the Missouri Department of Revenue (DOR) and request driver license suspension when defendants charged with a moving traffic violation do not pay their fines and court costs and fail to appear in court. Taking such action would increase the likelihood of collecting amounts owed to the court.

Proper and timely monitoring of accrued costs is necessary to help ensure unpaid amounts are collected and proper follow-up action is taken for nonpayment. Proper monitoring is necessary to provide information to the Municipal Judge and determine appropriate handling when amounts are deemed uncollectible. In addition, Section 302.341.1, RSMo, states that if a Missouri resident is charged with a moving traffic violation and fails to dispose of the charges within a specific period of time, the court has the jurisdiction to inform the defendant by ordinary mail that the court will order the DOR to suspend the defendant's driving privileges if the charges are not disposed of and fully paid within 30 days from the date of mailing.

Recommendations

The City of Huntsville Municipal Division:

1.1 Ensure documented independent or supervisory reviews of municipal division accounting records are periodically performed.

1.2 Ensure all monies are receipted immediately upon receipt and are deposited intact and timely.

1.3 Prepare a monthly list of open bonds, reconcile the list to the reconciled bank account balance, and disburse or dispose of monies as appropriate.

1.4 Establish procedures to review accrued costs, properly follow up on amounts due, and notify the DOR of all unpaid moving traffic violations as allowed by state law.

Auditee's Response

1.1 To improve segregation of duties, the City has developed protocols through which the part-time clerk now reviews the court accounting functions and records. The Court Clerk will continue a manual spreadsheet showing receipts and distribution of fines and bonds. The part-time clerk now records the information into a computer spreadsheet calculating balances of fines and bonds and amounts held by the City. Both the Court Clerk and part-time clerk balance receipts deposited and payments made with the bank statement.

1.2 The City has adopted a policy requiring that monies be immediately receipted when received. Any money held overnight (small amounts or amounts received after bank hours) is placed in the safe. The City Collector now balances the receipt book making sure all money is deposited at least weekly to help ensure that deposits are timely and intact.

1.3 Beginning in November 2015, the Court Clerk and part-time clerk have expanded the use of spreadsheets to include a listing of open bonds and, at the end of each month in which Court is held, perform a reconciliation between open bonds and the municipal division's bank account balance to ensure proper accountability over open cases and to ensure that monies held in trust are sufficient to meet liabilities. As cases are completed, every effort will be made to disburse bonds timely. When appropriate, old bond monies will be submitted to the Missouri State Treasurer's unclaimed property section.

1.4 Effective July 1, 2016, in the event a defendant charged with a moving violation does not pay his/her fines and court costs, the Court Clerk shall, within ten days of the failure to comply, inform

the defendant by ordinary mail at the last address shown on the Court records that the Court will order the Director of Revenue to suspend the defendant's driving privileges if the charges are not disposed of and fully paid within thirty days from the date of mailing. Thereafter, if the defendant fails to timely act to dispose of the charges and fully pay any applicable fines and Court costs, the Court Clerk shall notify the Director of Revenue of such failure and of the pending charges against the defendant and request that the Director suspend the license of the driver, effective immediately, and provide notice of the suspension to the driver at the last address for the driver shown on the records of the Department of Revenue.

Moreover, if a defendant fails to pay court costs, fines, fees, or other sums ordered by the court, the Court Clerk shall report any such delinquencies in excess of $25 to the Director of the Department of Revenue and request that the Department seek a setoff of an income tax refund as provided by Sections 143.782 to 143.788, RSMo.

Effective July 1, 2016, the Court also adopts a minimum monthly payment of $50 toward fines and court costs for all defendants allowed to make partial payments on assessed fines and court costs. Pursuant to Supreme Court Operating Rule 21.09, when approving any partial payment plans, the Court shall obtain and confidentially maintain, if reasonably available, the defendant's social security number.

2. Municipal Division Procedures

Municipal division procedures related to warrant and contempt fees and maintaining case files need improvement.

2.1 Warrant and contempt fee

The municipal division assesses potentially improper warrant and contempt fees ($25 each) for failure to appear in court and/or pay amounts due. According to municipal division records, warrant and contempt fees totaled $350 for year ended June 30, 2015. Per Section 479.260, RSMo, a municipality may by ordinance provide for court fees pursuant to sections 488.010 to 488.020, RSMo; however, these sections do not include any provisions that authorize the municipal division to assess a warrant or contempt fee. In addition, Supreme Court Operating Rule 21 does not provide for the assessment of a warrant or contempt fee.

2.2 Case files

Case files are not maintained in a complete and accurate manner. We noted case files do not always indicate the warrant fee or contempt fee when added to the fine and court cost amount. Case files also do not always include updated information such as plea agreements.

To ensure cases are processed properly, case activity should be accurately and timely recorded in the case file.

Recommendations

The City of Huntsville Municipal Division:

2.1 Work with the city and legal counsel to reevaluate the warrant and contempt fee and the authority to assess the fee.

2.2 Ensure case activity is accurately recorded in the case file.

Auditee's Response

2.1 Effective July 1, 2016, the Court will no longer assess fees for issuance of warrants or contempt orders.

2.2 Since the Court will no longer assess fees for warrant issuance or contempt orders, failure to indicate warrant or contempt fees will no longer be an issue.

All activity of a case will be compiled into the case file, including plea bargains previously noted only on tickets.

3. Monitoring of Excess Revenues

The municipal division does not have procedures in place to identify minor traffic violation tickets and the associated fines and court costs collected. This information is needed so that city officials can accurately calculate whether the city owes excess revenues to the DOR. In addition, the city's procedures to calculate whether excess revenues are due to the DOR are not adequate to ensure compliance with state law. City officials calculated no excess revenues were due to the DOR for the year ended June 30, 2015, but failed to retain documentation to support the numbers used in the calculation and the city's calculation may be inaccurate. The city's calculation showed the percentage of annual general operating revenue from fines, bond forfeitures, and court costs for minor traffic violations was 3.7 percent, significantly below the 30 percent statutory threshold for fiscal year 2015. The city clerk indicated she monitors the court revenues and percentage monthly by comparing total revenues and court collections, but does not prepare a formal calculation.

Section 302.341.2, RSMo (as it existed from August 28, 2013 to August 27, 2015), required cities to provide an accounting of the percent of annual general operating revenues from fines and court costs for traffic violations in its annual financial report submitted to the SAO (as required by Section 105.145, RSMo), and required cities to remit any such revenues in excess of 30 percent of annual general operating revenue to the DOR.

Effective August 28, 2015, Senate Bill 5 (SB 5) changes the excess revenues requirements. Section 479.350, RSMo, provides new definitions for elements of the excess revenue calculation. Section 479.359.1, RSMo,

requires cities to annually calculate the percent of annual general operating revenue from fines, bond forfeitures, and court costs for minor traffic violations, and send any excess revenues to the DOR. Section 479.359.2, RSMo, reduces the amounts of these revenues the city may retain in the future.

Due to the impact of these provisions on operations of the municipal division and the city, it is important the city and its municipal division take action to implement policies and procedures to ensure future compliance with state law.

Recommendation

The City of Huntsville Municipal Division should work with the city to ensure the accuracy of annual excess revenue calculations and include appropriate general operating revenues and court revenues in the calculations. In addition, the City Council should maintain documentation to support the calculation and make payment to the DOR, if appropriate, for any excess revenues identified.

Auditee's Response

Retroactive to January 1, 2016, the Court Clerk shall annually calculate the percentage of the City's annual general operating revenue received from fines, bond forfeitures, and court costs for minor traffic violations, including amended charges for any minor traffic violations, and shall maintain both the calculation and the evidence supporting such calculation.

The Court Clerk shall report the percentage calculation and provide the supporting evidence to the City Council in February of each year. The City Council shall maintain the documentation supporting the calculation and shall order payment to the Department of Revenue, if necessary, of any excess revenues identified.

Fourteenth Judicial Circuit
City of Huntsville Municipal Division
Organization and Statistical Information

The City of Huntsville Municipal Division is in the Fourteenth Judicial Circuit, which consists of Howard and Randolph Counties. The Honorable Scott Hayes 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 court costs are collected at times other than during court and transmitted to the city treasury. The municipal division does not utilize OSCA's statewide automated case management system known as JIS. Instead, the municipal division maintains manual records.

Personnel

At June 30, 2015, the municipal division employees were as follows:

Title	Name
Municipal Judge	Stephanie Luntsford
Court Clerk	Lori Boyd

Financial and Caseload Information

	Year Ended June 30, 2015
Receipts	$12,226
Number of cases filed	73

Court Costs, Surcharges, and Fees

Type	Amount
Court Costs (Clerk Fee)	$11.00
Crime Victims' Compensation	7.50
Law Enforcement Training	2.00
Peace Officer Standards and Training	1.00
Domestic Violence Shelter	4.00
Contempt Fee	25.00
Warrant Fee	25.00

Vehicle Stops Report

Section 590.650, RSMo, requires law enforcement agencies report vehicle stop data to the Attorney General's Office (AGO) by March 1st of each year. The AGO compiles the data in a statewide report that can be viewed on the AGO website at http://ago.mo.gov/docs/default-source/public-safety/2015agencyreports.pdf?sfvrsn=2. The following table presents data excerpted from the AGO report for the City of Huntsville Police Department. In addition, see information at: http://ago.mo.gov/home/vehicle-stops-report/2015-executive-summary, for background information on the AGO's vehicle stops executive summary along with definitions for footnotes of the following table.

Racial Profiling Data/2015 - Huntsville Police Department - Population 1,564[1]

Key Indicators	Total	White	Black	Hispanic	Asian	Am. Indian	Other
Stops	183	175	8	0	0	0	0
Searches	22	22	0	0	0	0	0
Arrests	28	27	1	0	0	0	0
Statewide Population %	N/A	82.76	10.90	2.94	1.71	0.41	1.28
Local Population %	N/A	91.36	6.44	0.98	0.24	0.08	0.90
Disparity Index[2]	N/A	1.05	0.68	0.00	0.00	0.00	0.00
Search Rate[3]	12.02	12.57	0.00	#Num!	#Num!	#Num!	#Num!
Contraband hit rate[4]	18.18	18.18	#Num!	#Num!	#Num!	#Num!	#Num!
Arrest Rate[5]	15.30	15.43	12.50	#Num!	#Num!	#Num!	#Num!

[1] Population figures are from the 2010 Census for persons 16 years of age and older who designated a single race. Hispanics may be of any race. "Other" includes person of mixed race and unknown race.
[2]. Disparity index = (proportion of stops / proportion of population). A value of 1 represents no disparity; values greater than 1 indicate over-representation, values less than 1 indicate under-representation.
[3]. Search rate = (searches / stops) X 100
[4]. Contraband hit rate = (searches with contraband found / total searches) X 100
[5]. Arrest rate = (arrests / stops) X 100
#Num! indicates zero denominator