Office of Missouri State Auditor

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Twenty-Seventh Judicial Circuit
City of Rich Hill
Municipal Division

Report No. 2016-062
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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Rich Hill Municipal Division

Accounting Controls and Procedures	Accounting controls need improvement and accountability for tickets and bond forms is not adequate. Neither the municipal division nor city personnel perform adequate supervisory or independent reviews of accounting functions and records. Additionally, the Police Department and the municipal division have not developed adequate procedures to account for the numerical sequence or ultimate disposition of tickets issued. The Police Department also issues unnumbered bond forms and the bond log maintained by the municipal court is not complete. A monthly listing of bond liabilities (open bonds) is not prepared and reconciled with the bonds held in the city's bank account. The Court Clerk also does not adequately monitor accrued costs, including fines and court costs, incarceration costs, and court-ordered restitution.
Prosecuting Attorney Approval	The Prosecuting Attorney personally signs all traffic tickets processed by the court, but one of 14 tickets tested by auditors was not signed by the Prosecuting Attorney. Additionally, the Prosecuting Attorney's approval of dismissed traffic tickets is not always documented.
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, the city did not perform any calculations to determine if excess revenues are due to the Department of Revenue.

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.

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Twenty-Seventh Judicial Circuit
City of Rich Hill Municipal Division
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NICOLE GALLOWAY, CPA
Missouri State Auditor

Presiding Judge
Twenty-Seventh Judicial Circuit
and
Municipal Judge
and
Honorable Mayor
and
Members of the Board of Aldermen
Rich Hill, Missouri

We have audited certain operations of the City of Rich Hill Municipal Division of the Twenty-Seventh 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 December 31, 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.

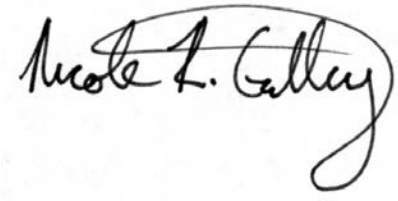
Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We 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 a court rule, 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 Rich Hill Municipal Division of the Twenty-Seventh Judicial Circuit.

A petition audit of the City of Rich Hill, 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.



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1. Accounting Controls and Procedures

Accounting controls need improvement and accountability for tickets and bond forms is not adequate.

1.1 Segregation of duties

Neither the municipal division nor city personnel perform adequate supervisory or independent reviews of accounting functions and records. The Court Clerk is responsible for all duties related to collecting and recording monies, posting fines and court costs into the manual case records and the city's computerized accounting system, preparing deposits, and making disbursements. Neither the Municipal Judge nor other personnel independent of the cash custody and record-keeping functions provide adequate supervision or review of the work performed by the Court Clerk.

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 Ticket and bond accountability

Neither the Police Department nor the municipal division has developed adequate procedures to account for the numerical sequence or ultimate disposition of tickets issued. In addition, the Police Department issues unnumbered bond forms.

The Police Department maintains records to track ticket numbers assigned to each officer and the Court Clerk completes a log once tickets are issued and turned in by police officers to the court. However, neither the Court Clerk nor Police Department personnel periodically review the logs for gaps in ticket number sequence or missing tickets. The Police Chief indicated ticket books are sometimes left in a police car and used by reserve officers, rather than assigning each officer his/her own ticket book. Also, an officer left the employment of the city in December 2015, but failed to return his unissued tickets until June 2016 after being contacted by the Police Chief.

Because bond forms are not sequentially numbered, neither the Court Clerk nor Police Department personnel can account for them. In addition, the use of unnumbered bond forms decreases the ability to ensure bond receipts are adequately recorded and properly transmitted to the municipal division.

Without properly accounting for the numerical sequence of tickets and bond forms, there is less assurance that all tickets and bond forms issued are properly submitted to the municipal division for processing.

1.3 Bond liabilities

The bond log maintained by the municipal division is not complete. In addition, a monthly listing of bond liabilities (open bonds) is not prepared and reconciled with the bonds held in the city's bank account. We identified

a $140 bond received in May 2015 that the Court Clerk had not posted to the manual bond log. We also identified a $110 bond received in July 2015 that was deposited to the city's bank account but posted to the wrong account within the Police Fund. A reconciliation between the open bonds on the bond log and the bonds held by the city would have identified these errors.

A complete bond log is necessary to ensure proper accountability over bonds. Monthly listings of bond liabilities (open bonds) should be prepared and reconciled to bonds held by the city to ensure accounting records are in balance and sufficient funds are available for the payment of liabilities.

1.4 Accrued costs

The Court Clerk does not adequately monitor accrued costs, including fines and court costs, incarceration costs, and court-ordered restitution. As of December 31, 2015, the court had 66 cases with balances due totaling $26,433.

The court accepts partial payments from defendants and formal payment plans are signed by defendants. Generally a minimum payment of $30 per month is required by the plan, but can vary depending on the judge's orders. For 4 of 5 cases we reviewed, payments had not been made as required by the payment plans and no follow-up actions occurred.

Proper and timely monitoring of accrued costs is necessary to ensure unpaid amounts are collected and proper follow-up action is taken. In addition, proper monitoring is necessary to provide information to the Municipal Judge and determine appropriate handling when amounts are deemed uncollectible.

Recommendations

The City of Rich Hill Municipal Division:

1.1 Ensure documented periodic independent or supervisory reviews of municipal division records is performed.

1.2 Work with the Police Department to ensure the numerical sequence and ultimate disposition of all tickets issued is accounted for properly and bond forms issued are prenumbered and the numerical sequence is accounted for properly.

1.3 Maintain an accurate and complete bond log and ensure the log is reconciled to bond monies held by the city.

1.4 Establish procedures to monitor accrued costs and properly follow up on amounts due.

Auditee's Response

1.1 We agree. This recommendation has already been implemented.

1.2 The Court Clerk is now accounting for the numerical sequence of all tickets and we will begin monitoring the ultimate disposition of all tickets issued. We plan to work with the city and Police Department to ensure bond forms are prenumbered and account for the numerical sequence of bond forms when they are posted to the bond log.

1.3 We agree and will ensure this is done.

1.4 The new Court Clerk is in the process of developing procedures for monitoring accrued costs and following up on amounts due.

2. Prosecuting Attorney Approval

The Prosecuting Attorney did not always sign traffic tickets processed by the municipal division and the Prosecuting Attorney's approval of dismissed traffic tickets is not always documented.

It is the Prosecuting Attorney's procedure to sign all traffic tickets processed by the court. However, 1 of the 14 tickets we tested was not signed by the Prosecuting Attorney. In addition, we identified a ticket dismissed by the court without documentation of who approved the dismissal. The Prosecuting Attorney indicated she believes she dismissed the ticket; however, no other documentation could be provided.

Missouri Supreme Court Rule 37.35 states citations shall be in writing and signed by the prosecutor and filed with the municipal division. The Prosecuting Attorney's review, documented with her signature, is needed to provide assurance proper cases and charges are filed with the municipal division. Additionally, to ensure the proper disposition of all cases has been entered in the municipal division records, the Prosecuting Attorney should sign or initial all dismissed tickets indicating her review and approval.

Recommendation

The City of Rich Hill Municipal Division ensure the Prosecuting Attorney signs all tickets and reviews and approves all dismissed tickets.

Auditee's Response

The Municipal Judge indicated she works closely with the Prosecuting Attorney to ensure all dismissed cases are properly documented. The Municipal Judge and the Prosecuting Attorney believe the case cited by the auditors was an exception, but will ensure all dismissals are properly documented in the future.

3. 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 Missouri Department of Revenue (DOR). City officials did not perform any calculations to determine if amounts were due to DOR.

In order to determine if excess revenues were collected in 2015, we reviewed the city's year end statement of revenues and expenditures for the General Fund (unaudited) that showed total revenues of $155,708. We reduced that amount by the primary restricted revenue source included in the General Fund, motor-vehicle related taxes and fees that totaled $51,569. After adjustment, total general operating revenue was determined to be $104,139. We compared that amount to total revenues reported to OSCA by the court ($18,941 in 2015). We were unable to determine the revenues received from minor traffic violations because the municipal division does not have procedures in place to track those types of violations and related revenues received. The percentage of general operating revenue derived from total court revenue in 2015 is about 18 percent. The municipal division needs to take action to begin monitoring revenues received from minor traffic violations and work with the city to accurately calculate this percentage in future years to ensure compliance with state law.

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 revenue 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 changes the excess revenues requirements. Section 479.350, RSMo, provides new definitions for elements of the excess revenues 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 immediate action to implement policies and procedures to ensure future compliance with state law.

Recommendation

The Rich Hill Municipal Division work with the city to prepare and ensure the accuracy of annual excess revenue calculations and include appropriate general operating revenues and court revenues in the calculations. In addition, the Board of Aldermen should calculate excess revenues for fiscal year 2015, maintain documentation to support the calculation, and make payment to the DOR, if appropriate, for any excess revenues identified.

Auditee's Response

We agree and will work with the city to ensure compliance with state law.

Twenty-Seventh Judicial Circuit
City of Rich Hill Municipal Division
Organization and Statistical Information

The City of Rich Hill Municipal Division is in the Twenty-Seventh Judicial Circuit, which consists of Bates, Henry, St. Clair Counties. The Honorable James K. Journey 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 the JIS. Instead, the municipal division maintains manual records.

Personnel

At December 31, 2015, the municipal division employees were as follows:

Title	Name
Municipal Judge	Debra Hopkins
Court Clerk	Scott Skocy

Financial and Caseload Information

	Year Ended December 31, 2015
Receipts	$18,941
Number of cases filed	127

Court Costs, Surcharges, and Fees

Type	Amount
Court Costs (Clerk Fee)	$ 12.00
Domestic Violence Shelter	2.00
Crime Victims' Compensation	7.50
Law Enforcement Training	2.00
Peace Officer Standards and Training	1.00
Inmate Prisoner Detainee Security	2.00
Sheriff's Retirement Fund	3.00

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 which can be viewed on the AGO website at https://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 Rich Hill Police Department. In addition, see information at https://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 - Rich Hill Police Department - Population 1,056[1]

Key Indicators	Total	White	Black	Hispanic	Asian	Am. Indian	Other
Stops	104	100	2	1	0	0	1
Searches	3	3	0	0	0	0	0
Arrests	4	3	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	95.64	0.19	1.33	0.00	0.57	2.27
Disparity Index[2]	N/A	1.01	10.15	0.73	#Num!	0.00	0.42
Search Rate[3]	2.88	3.00	0.00	0.00	#Num!	#Num!	0.00
Contraband hit rate[4]	0.00	0.00	#Num!	#Num!	#Num!	#Num!	#Num!
Arrest rate[5]	3.85	3.00	50.00	0.00	#Num!	#Num!	0.00

[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 persons 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