



Office of Missouri State Auditor
Nicole Galloway, CPA

FOLLOW-UP REPORT ON AUDIT FINDINGS

**Twenty-First Judicial Circuit
City of Pine Lawn Municipal Division**

Report No. 2016-140
December 2016

auditor.mo.gov

Twenty-First Judicial Circuit
City of Pine Lawn Municipal Division
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*Includes selected findings



NICOLE GALLOWAY, CPA Missouri State Auditor

Presiding Judge
Twenty-First Judicial Circuit
and
Municipal Judge
and
Honorable Mayor
and
Members of the Board of Aldermen
Pine Lawn, Missouri

We have conducted follow-up work on certain audit report findings contained in Report No. 2016-041, *Twenty-First Judicial Circuit, City of Pine Lawn Municipal Division* (rated as Poor), issued in June 2016, 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 has no specific plans to implement the recommendation.

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 documentation provided by municipal division and city officials and held discussions with officials to verify the status of implementation for the recommendations. Documentation provided by the officials included bank statements, monthly reports, receipt and disbursement records, and various other financial records. This report is a summary of the results of this follow-up work, which was substantially completed during November 2016.

A handwritten signature in black ink that reads "Nicole R. Galloway".

Nicole R. Galloway, CPA
State Auditor

Twenty-First Judicial Circuit

City of Pine Lawn Municipal Division

Follow-Up Report on Audit Findings - Status of Findings

1. Accounting Controls and Procedures

Accounting controls and procedures needed improvement.

1.1 Electronic payments

The municipal division did not have adequate procedures in place to ensure all electronic payments received were deposited.

The municipal division used a vendor to process receipt of electronic payments (credit/debit cards). The vendor notified municipal division personnel of each payment of fines and court costs made by a defendant and direct deposited the payment into the city's General Revenue bank account. The vendor also notified the police department of each bond payment made by a defendant and direct deposited these payments into the bond bank account held by the city. However, neither city, municipal division, nor police department personnel reconciled the electronic payments recorded to amounts direct deposited into the bank accounts to ensure all electronic payments had been processed properly. As a result, 82 bond payments totaling \$15,630 were not deposited into the bond bank account until after our inquiry.

Recommendation

The City of Pine Lawn Municipal Division work with the city and police department to ensure electronic payments are reconciled to deposits in the city's accounts and promptly investigate any differences.

Status

In Progress

The city discontinued police department operations in March 2016. The bond bank account previously held by the city was closed in October 2015 when the balance was transferred to a bank account held by the municipal division. Therefore, the city no longer receives electronic bond monies, eliminating the need for a reconciliation by the city.

The electronic payments of fines and court costs made by a defendant to the court are deposited into the Justice Information System (JIS) bank account. Municipal division personnel enter the payments into the JIS system, and compare the JIS cashier session to the electronic payment notification received from the vendor. The electronic payment notifications are compared to the monthly bank statement to ensure amounts were deposited. We reviewed documentation from October 2016 and verified amounts per the JIS cashier sessions, the vendor notifications, and the October bank statement each matched. Though we did not note any issues with the documentation reviewed, municipal division personnel should initial and date the documentation to indicate by whom and when the review is completed, which they indicated they would begin doing January 2017.



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1.2 Bank reconciliations

The municipal division did not prepare accurate bank reconciliations for the bond account and has not completed any reconciliations of this account since the former City Treasurer left office in August 2015.

Recommendation

The City of Pine Lawn Municipal Division perform monthly bank reconciliations.

Status

Not Implemented

Complete and accurate bank reconciliations are still not being performed monthly. Effective October 2015, the bond account was closed and the outstanding balance transferred into a new JIS bank account. All court costs, fines, and fees are deposited into this account. Municipal division personnel indicated they utilize a feature in the JIS to perform the monthly bank reconciliation; however, their reconciliation process simply records the ending bank balance from the bank statement into the JIS to determine the difference between the bank statement balance and the system balance. They do not consider any reconciling items necessary to complete the reconciliation. Our review of the October 2016 JIS bank reconciliation noted unreconciled items, including outstanding checks and deposits in transit, were not accurate and not investigated.

1.3 Outstanding checks

The municipal division's procedures to follow up on outstanding checks were not adequate. As of June 30, 2015, the city's records for the bond bank account indicated 64 checks, totaling \$4,998, had been outstanding for over a year. Additionally, the previous Court Administrator transmitted bond refund checks returned as undeliverable to the Unclaimed Property Fund held by the State Treasurer in November 2015. A review of this transmittal determined it included 22 checks totaling \$1,332 that were not listed as outstanding on the June 30, 2015, bank reconciliation but that had been issued prior to that date. As a result, the reconciled bank balance appeared overstated by \$1,332. The transmittal also included 7 checks totaling \$2,146 that had been outstanding for only 3 months as of October 31, 2015. Many additional outstanding checks were not included in the transmittal and required follow-up.

Recommendation

The City of Pine Lawn Municipal Division maintain a complete list of outstanding checks and ensure the bank balance is properly reconciled to the book balance. In addition, utilize established procedures and follow up and resolve outstanding checks timely.

Status

Partially Implemented

Municipal division personnel could not provide a list of outstanding checks, and they do not reconcile the bank balance to the book balance. While they compare the bank balance to the book balance, no attempt is made to



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investigate any difference between them. No procedure has been established to evaluate and resolve outstanding checks timely. However, bond refund checks returned as undeliverable are now tracked. A second attempt is made to find the original owner before the money is turned over to the state. The municipal division turned over approximately \$1,450 to the State Treasurer's Unclaimed Property Fund on November 1, 2016.

1.4 Bond liabilities

The Court Administrator did not generate a monthly list of liabilities (open bonds) for comparison to the reconciled bond bank account balance and was unable to identify open bonds comprising the account balance.

Recommendation

The City of Pine Lawn Municipal Division prepare monthly lists of liabilities and reconcile the lists 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

Not Implemented

At the time of our follow-up meeting, the municipal division had taken no steps to implement this recommendation. A monthly list of liabilities is not generated from the JIS; therefore, a reconciliation between a list of liabilities and the bank account balance cannot be performed. Municipal division personnel provided a listing of open bonds at our request; however, we could not determine if the listing was complete and it did not reconcile with the bank balance. The municipal division has not established procedures to review the status of liabilities to determine the appropriate disposition of funds held.

1.5 Accrued costs

Municipal division personnel did not adequately monitor accrued costs owed to the court, including fines and court costs. In addition, there was no follow up on potentially thousands of pending cases not transferred from the Incode system to the JIS. An Incode report of accrued case costs as of March 3, 2016, showed 6,381 cases with accrued case costs totaling approximately \$1 million. However, the accuracy and the completeness of the report was questionable because not all manual cases reviewed were listed. In August 2015, the Municipal Judge recalled 11,000 outstanding warrants. Cases with recalled warrants were to be given new court dates and entered into the JIS. However, court personnel only transferred cases to the JIS when a defendant came in to make a payment. At February 2016 only 1,139 cases with accrued costs were being tracked in the JIS.

Recommendation

The City of Pine Lawn Municipal Division establish procedures to routinely generate and review the accrued costs list for accuracy and properly follow up on all amounts due. In addition, work with the city to identify additional resources to timely transfer the remaining cases from Incode to the JIS.



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Status

Not Implemented

At the time of our follow-up meeting, the municipal division had taken no steps to implement this recommendation. Procedures to routinely generate and review the accrued costs list for accuracy have not been established, and there has been no follow up on amounts due. Additionally, municipal division personnel have not worked with the city to identify additional resources to timely transfer the remaining cases from Incode to the JIS. As of November 2016, there was still a significant number of cases that had not been transferred to the JIS.

2.1 Municipal Division
Procedures - Municipal
division records

Municipal division records were not maintained in an accurate, complete, and organized manner. Municipal division personnel documented case information for each defendant on backer sheets or dockets maintained in manual case files as well as computerized docket sheets maintained in the case management system. However, information recorded on the backer sheets was very inconsistent, often incomplete, and in some cases blank.

Recommendation

The City of Pine Lawn Municipal Division ensure the proper disposition of cases is documented in manual and electronic records and sufficient documentation is maintained to support all case actions.

Status

Implemented

Municipal division personnel now ensure all documentation is in the case files and agrees to JIS. We reviewed 4 citations written to 1 defendant with a court date in October 2016, and 2 citations written to other defendants with a court date in November 2016. For each case we reviewed the original citation, the court backer sheet, and any documentation maintained to support the case action (i.e. docket sheets, receipts for payments of court costs and/or fines, continuance memos, etc.). Additionally, we reviewed the electronic records using case.net to ensure the manual and electronic records included the proper disposition of the cases. We found no issues with the cases reviewed.

2.2 Municipal Division
Procedures - Prosecutor
approval

The Prosecuting Attorney did not sign all tickets processed by the municipal division and the Prosecuting Attorney's approval of amended or dismissed traffic tickets was not always clearly documented. Additionally, the Court Administrator was allowed to use the Prosecuting Attorney's facsimile signature stamp to nolle pros (dismiss) traffic violations issued for no proof of insurance if the defendant later provided proof of insurance. It was not always possible to determine which official dismissed some violations or that the actions of the Court Administrator were reviewed by the Prosecuting Attorney as neither signed or initialed the actions.



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Recommendation

The City of Pine Lawn Municipal Division ensure the Prosecuting Attorney signs all tickets and reviews and approves all amended and dismissed tickets. Additionally, the Prosecuting Attorney should discontinue allowing the use of facsimile signatures.

Status

Partially Implemented

The Prosecuting Attorney does not sign all tickets processed by the municipal division. The Court Administrator is no longer authorized to amend or nolle pros traffic violations issued for any reason. Use of a facsimile stamp was not discontinued. A municipal division employee uses the facsimile stamp to add the Prosecuting Attorney's signature to tickets, and the Prosecuting Attorney also uses the stamp. The use of the stamp by multiple individuals makes it impossible to determine who actually applied the facsimile signature and/or reviewed the tickets.

**2.4 Municipal Division
Procedures - Report of
cases heard**

The municipal division did not file a monthly report of cases heard with the city.

Recommendation

The City of Pine Lawn 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

Municipal division personnel are now monthly providing the city the last page of the court's docket, which is signed by the Judge. The municipal division should be providing the docket in its entirety in order to provide the city with information pertaining to all of the cases heard. The Court Administrator indicated she will begin providing the entire docket to the city each month at the end of December 2016.

3. Ticket Accountability

Neither the city police department nor the municipal division adequately accounted for the numerical sequence or ultimate disposition of all tickets issued.

Effective March 11, 2016, the city closed the police department and began contracting with the North County Police Cooperative (NCPC) for law enforcement services.

Recommendation

The City of Pine Lawn Municipal Division work with the police department or the law enforcement cooperative to ensure the numerical sequence and ultimate disposition of all tickets, including voided tickets, is accounted for properly.



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Status

In Progress

The NCPC provides the municipal division with ticket transmittal tracking forms when the original tickets is sent to the court for processing. Municipal division personnel compare the ticket transmittal tracking forms to the actual tickets to ensure they have received all tickets listed on these forms. However, there are no procedures to ensure all tickets issued by the NCPC are included on the transmittal tracking forms or that all tickets transmitted to the municipal division are properly recorded in the JIS. Municipal division personnel indicated they would begin ensuring all tickets received by the municipal division are entered into the JIS by printing a ticket report from the JIS and matching it to the transmittal forms effective January 2017. In addition, they indicated they will work with the NCPC to determine the most efficient way to confirm all tickets issued are included on the transmittal forms.

4. **Monitoring of Excess Revenue**

Procedures related to the calculation of excess revenues due the Missouri Department of Revenue (DOR) were not adequate to ensure compliance with state law. The city's calculation included certain items that were not required to be included in the traffic violation revenue total. Also, the city's general operating revenue calculation improperly included revenues restricted for specific purposes and transfers from other funds, and the percentage calculated was not mathematically accurate. As a result, the city's calculation did not accurately assess the excess revenues owed to the DOR. Based on more accurate amounts identified, the city's percentage of general operating revenues from traffic violations was likely approximately 46 percent and more than \$400,000 should have been remitted to the DOR for excess revenue for the fiscal year ended June 30, 2015.

Recommendation

The City of Pine Lawn 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 Board of Aldermen should recalculate excess revenues for fiscal year 2015, maintain documentation to support the calculations, and make appropriate payments to the DOR for any excess revenues identified.

Status

Not Implemented

At the time of our follow-up meeting, the City of Pine Lawn had taken no steps to gather the appropriate information and recalculate excess revenues for fiscal year 2015, or make appropriate payments to the DOR for any excess revenues. The city has not begun excess revenue calculations for the fiscal year ended June 30, 2016.