



Office of Missouri State Auditor  
**Nicole Galloway, CPA**

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**Sixth Judicial Circuit  
Village of Ferrelview  
Municipal Division**

Report No. 2018-004

January 2018

[auditor.mo.gov](http://auditor.mo.gov)



**Nicole Galloway, CPA**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of Sixth Judicial Circuit - Village of Ferrelview Municipal Division

<p><b>Background</b></p>	<p>In August 2017, the Board of Trustees of the Village of Ferrelview voted to discontinue the village's municipal division. Pending traffic tickets were dismissed and court personnel either applied bond monies on hand to fines and court costs due or refunded the bonds. Final dissolution of the court is pending resolution of defendant licensing issues with the Department of Revenue, final storage of court files, and closure of court bank accounts. The Court Clerk position will be eliminated effective February 28, 2018. The village continues to employ a Police Chief, although he was suspended indefinitely with pay in December 2017. The Board's plan for future law enforcement activities is uncertain. Some findings in the report focus on issues that need resolution before final dissolution can occur or are required by law to be resolved, and include recommendations. Other findings do not contain recommendations due to the municipal division having been dissolved and the police department is no longer issuing traffic tickets.</p>
<p><b>Excess Revenues</b></p>	<p>The calculation of excess revenues by the village for 2016 shows the statutory percentage of court revenues allowed to be retained was exceeded. Approximately \$30,000 was calculated as the excess, but no money has been remitted to the Department of Revenue (DOR) as required. Adequate documentation was not retained to support the calculations and the Village Treasurer, who also serves as the Court Clerk, indicated some errors may exist in the amounts used in the calculation. Excess revenues calculations were not prepared for 2013 to 2015 so it is unclear if any excess revenues were due to the DOR for those years.</p>
<p><b>Liabilities</b></p>	<p>Unidentified balances exist in the municipal division bank accounts. Although the municipal division has ceased collections of fines and court costs and no longer receives bond monies, the bank accounts used to account for these functions still have balances. Since the court is now dissolving, the municipal division will need to determine the disposition of this money.</p>
<p><b>Municipal Division Procedures</b></p>	<p>Neither the Municipal Judge nor village personnel performed supervisory or independent reviews of accounting functions and records. Proper segregation of duties within the municipal division was not possible because the Court Clerk is the only municipal division employee. The Prosecuting Attorney did not sign 19 of 60 tickets we tested.</p>
<p><b>Ticket Accountability</b></p>	<p>Neither the police department nor the municipal division had developed adequate procedures to account for the numerical sequence or ultimate disposition of tickets issued. In addition, numerous tickets were unaccounted for during the audit period.</p>

Due to the nature of this report, no overall rating has been provided.

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# Sixth Judicial Circuit

## Village of Ferrelview Municipal Division

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## **NICOLE GALLOWAY, CPA** **Missouri State Auditor**

Presiding Judge  
Sixth Judicial Circuit  
and  
Municipal Judge  
and  
Honorable Chairman  
and  
Members of the Board of Trustees  
Ferrelview, Missouri

We have audited certain operations of the Village of Ferrelview Municipal Division of the Sixth 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, 2016. 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 village's compliance with certain legal provisions.
3. Evaluate the municipal division's compliance with certain court rules.
4. Evaluate the village's compliance with state laws restricting the amount of certain court revenues that may be retained.

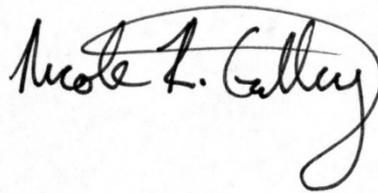
Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that 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 applicable contract, grant agreement, or 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 Village of Ferrelview Municipal Division of the Sixth Judicial Circuit.

A petition audit of the Village of Ferrelview, 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.

A handwritten signature in black ink that reads "Nicole R. Galloway". The signature is written in a cursive style with a large, looping flourish at the end of the name.

Nicole R. Galloway, CPA  
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Keisha Guthrie
Audit Staff:	Amanda G. Flanigan, M.Acct.

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# Sixth Judicial Circuit

## Village of Ferrelview Municipal Division

### Introduction

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#### **Background**

On August 1, 2017, the Board of Trustees (Board) of the Village of Ferrelview voted to discontinue the village's municipal division. Village officials expressed concerns about excess revenues from traffic tickets owed to the Department of Revenue.

Ongoing court operations ceased August 1, 2017. Pending traffic tickets were dismissed and court personnel either applied bond monies on hand to fines and court costs due or refunded the bonds. Pending warrants were also canceled and traffic tickets are no longer issued for ordinance violations in the village. Final dissolution of the court is pending resolution of defendant licensing issues with the Department of Revenue, final storage of court files, and closure of court bank accounts. The Court Clerk position will be eliminated effective February 28, 2018. The village continues to employ a Police Chief, although he was suspended indefinitely with pay by the Board in December 2017. The Board's plan for law enforcement activities is uncertain.

The municipal division was still in operation during the audit period and ceased ongoing operations before our audit fieldwork. Because MAR finding number 3 relates to operations of the court prior to closure, and the court is in the process of dissolution, no recommendation is provided. Given the current status of the police department and because tickets are no longer being issued, no recommendation for MAR finding number 4 is provided. Other findings focus on issues that will need resolution before final dissolution can occur or are required by law to be resolved, and include recommendations.

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# Sixth Judicial Circuit

## Village of Ferrelview Municipal Division

### Management Advisory Report - State Auditor's Findings

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#### **1. Excess Revenues**

The village does not have adequate support for its 2016 excess revenues calculation, did not prepare a calculation for 2015, and has not remitted excess revenues to the Department of Revenue (DOR) even though the 2016 calculation shows the statutory percentage of court revenues the village is allowed to retain was exceeded.

The village failed to retain adequate documentation to support the calculation filed with the State Auditor's Office (SAO) for the year ended December 31, 2016. The Village Treasurer, who also serves as the Court Clerk, indicated the annual general operating revenue amount was based on amounts presented in the financial statement filed with the SAO; however, we could not agree the amounts to the financial statement originally submitted to the SAO on June 21, 2017, or the revised financial statement submitted on June 30, 2017. Also, both financial statement versions included a notation that the Village Treasurer was still working to correct errors in the village's financial records and, thus, amounts provided might not be accurate. The Village Treasurer indicated she determined the amount of fines and court costs to use in the calculation by reviewing the one write ledger. While the ledger provides information regarding the type of violation, there was no supporting documentation showing how she accumulated the amounts for the calculation. The Village Treasurer indicated fines and court costs related to some violations may have been included in error.

The village's 2016 calculation indicates the percentage of annual general operating revenue from fines, bond forfeitures, and court costs for minor traffic violations was 43 percent (the statutory threshold for 2016 was 20 percent) resulting in approximately \$30,000 due to the DOR. Because of potential additional errors in the financial records and uncertainty regarding the fines and court costs amount, it is unclear how much is actually due.

Calculations for excess revenues were not prepared and submitted to the SAO from 2013 to 2015. It is unclear whether any amounts are due to the DOR for those years.

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

Effective August 28, 2015, and also August 28, 2016, Section 479.350, RSMo, was changed to provide new definitions for elements of the excess revenues calculation, including adding municipal ordinance violations as an element. Section 479.359.1, RSMo, requires villages to annually calculate the percent of annual general operating revenue from fines, bond forfeitures, and court costs for minor traffic violations and municipal ordinance violations and



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send any excess revenues to the DOR. Section 479.359.2, RSMo, reduces the amount of these revenues the village may retain in the future.

To ensure compliance with state law, village officials should correct errors in the financial statements, determine if the amounts used in the calculation are accurate, recalculate the amount of excess revenues, and remit the proper amount to the state.

## Recommendation

The Village of Ferrelview Municipal Division work with the Village Board of Trustees to recalculate excess revenues for calendar year 2016 and make payment to the DOR. In addition, calculations for past years should be prepared as appropriate and any excess revenues remitted to the DOR. Adequate documentation of all calculations should be maintained.

## Auditee's Response

*The Village Board of Trustees provided the following response:*

*We will work with the Village Treasurer to recalculate excess revenues for 2016 and will make the required payment to the Department of Revenue as soon as feasibly possible. We hope to complete this process by April 30, 2018. We will also have the Village Treasurer review prior years' financial records to determine if any excess revenues were collected. Documentation of all amounts determined will be retained.*

## 2. Liabilities

Unidentified balances exist in the municipal division bank accounts. The fines and court costs account has a reconciled balance of \$375 and the bond account has a reconciled balance of \$278 as of October 31, 2017. The Court Clerk indicated lists of liabilities (open items) have not been prepared for either account in recent years. She said all open bonds have been refunded or applied to outstanding fines and court costs and she did not know what these balances represent. In addition, as of October 31, 2017, the judicial education bank account had a balance of \$190 to be used for training of court personnel. Since the court is now dissolving, the municipal division will need to determine the disposition of this money.

Missouri Supreme Court Operating Rule No. 4.59 (Uniform Record Keeping System) requires reconciling all bank balances and open items records at least monthly. Additionally, Missouri Supreme Court Operating Rule No. 4.56 requires the municipal division to prepare a record of open items monthly. Regular identification and comparison of liabilities to reconciled cash balances is necessary to ensure records are in balance, transactions are properly recorded, and errors or discrepancies are detected and corrected timely. Various statutory provisions provide for the disposition of unidentified monies.

## Recommendation

The Village of Ferrelview Municipal Division review bank account balances and liabilities to determine the appropriate disposition of funds held.



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## Auditee's Response

*The Court Clerk provided the following response:*

*I will do a final determination of bank account balances and confer with the Board of Trustees as to the appropriate disposition of these funds.*

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## 3. Municipal Division Procedures

The municipal division had weak procedures.

### 3.1 Oversight

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

The Court Clerk was 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 accounts, and disbursing funds to the village.

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.

### 3.2 Prosecutor approval

The Prosecuting Attorney did not sign 19 of 60 (32 percent) tickets we tested. 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 his signature, is needed to provide assurance that proper cases and charges are filed with the municipal division.

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## 4. Ticket Accountability

Neither the police department nor the municipal division had developed adequate procedures to account for the numerical sequence or ultimate disposition of tickets issued. In addition, numerous tickets were unaccounted for during the audit period.

During the audit period, officers issued tickets from 2 sequences of tickets, with each sequence containing 1,100 tickets (44 ticket books). An assignment log was not maintained to indicate which ticket books were assigned to officers. The Court Clerk maintained a computerized numerical ticket log for both sequences of tickets. Tickets issued by officers were submitted to the Police Chief for review before being sent to the municipal division for processing, at which time the Court Clerk would enter the ticket information into the applicable ticket log. The logs had numerous gaps in sequence, although no explanations were provided to the municipal division by the



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Police Chief. We reviewed ticket logs and unissued tickets on hand in the police department and identified 139 unaccounted for tickets. We selected 67 tickets from the logs for testing and neither the municipal division nor the police department could locate 7 of those tickets.

Without properly accounting for the numerical sequence and ultimate disposition of tickets, the municipal division and police department cannot be assured all tickets issued are properly submitted for processing. In addition, accounting for ultimate disposition of all tickets issued decreases the risk of loss, theft, or misuse of funds.

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# Sixth Judicial Circuit

## Village of Ferrelview Municipal Division

### Organization and Statistical Information

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The Village of Ferrelview Municipal Division is in the Sixth Judicial Circuit, which consists of Platte County. The Honorable James W. Van Amburg 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 village treasury. The municipal division did not utilize OSCA's statewide automated case management system known as the Justice Information System. Prior to dissolving, the municipal division maintained manual records.

#### Personnel

At December 31, 2016, the municipal division employees were as follows:

Title	Name
Municipal Judge	Michael J. Svetlic
Court Clerk	Mickey Vulgamott
Prosecuting Attorney	Scott Campbell

#### Financial and Caseload Information

	Year Ended December 31, 2016
Receipts	\$71,826
Number of cases filed	604

#### 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	2.00
Sheriff's Retirement	3.00
Judicial Education	1.00