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Missouri State Auditor

October 2007

Fourteenth Judicial Circuit

City of Huntsville, Missouri
Municipal Division



Office of
Missouri State Auditor
Susan Montee, CPA

October 2007

An audit was conducted by our office of the Fourteenth Judicial Circuit, city of Huntsville, Missouri Municipal Division.

The city of Huntsville Municipal Division is within the Fourteenth Judicial Circuit, which consists of Howard and Randolph counties. The Honorable Scott Hayes serves as Presiding Judge.

The Court Clerk is primarily responsible for receiving, recording, and depositing fines, court costs, and bonds into the municipal division's bank account and disbursing all monies collected each month. As a result, the duties of receiving and depositing monies are not adequately segregated from the recording of transactions. Although the City Treasurer does have the responsibility of reconciling the municipal division's bank account each month, it appears these reconciliations were not thorough. In addition, no one independent of the receiving, recording, or depositing processes reconciles the amount deposited with the cases filed or the receipt slips issued by the Court Clerk.

The method of payment is not consistently indicated on receipt slips. A ledger or listing of bonds received and disbursed is not maintained and a listing of open items is not prepared periodically and reconciled to the book balance. Case file records are not maintained, and a comprehensive control ledger showing the total amounts owed by defendants to the municipal division is not maintained. Additionally, neither the police department nor the municipal division maintains adequate records to account for traffic tickets assigned and issued, and their ultimate dispositions.

Crime Victim's Compensation fees (CVC) and Peace Officer Standards and Training Commission (POSTC) fees are not turned over to the state monthly in accordance with state law. POSTC training monies received by the city from the state are maintained in the municipal division's account. The city does not track POSTC monies received and disbursements are not accounted for separately to ensure the fees are used only for the training of law enforcement officers. In addition, bad check restitution monies received have not been distributed.

The Court Clerk does not file a monthly report with the city of all cases heard in court and court personnel indicated required traffic offenses have not been reported to the Missouri Department of Revenue. Also, a schedule of fines and court costs is not posted at the Violations Bureau offices. These three procedures are all required by state law.

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YELLOW SHEET

FOURTEENTH JUDICIAL CIRCUIT
CITY OF HUNTSVILLE, MISSOURI
MUNICIPAL DIVISION

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge
Fourteenth Judicial Circuit
and
Municipal Judge
Huntsville, Missouri

We have audited certain operations of the city of Huntsville Municipal Division of the Fourteenth Judicial Circuit. The scope of this audit included, but was not necessarily limited to, the two years ended March 31, 2007. The objectives of this audit were to:

1. Review internal controls over significant financial functions.
2. Review compliance with certain legal provisions.
3. Review certain receipts.

Our methodology to accomplish these objectives included reviewing written policies, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. We also performed tests of certain controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to 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 significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by August 2007.

The accompanying History, 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 the audit of the division.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Huntsville Municipal Division of the Fourteenth Judicial Circuit.



Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits: Kenneth W. Kuster, CPA
Audit Manager: Randall Gordon, CPA, CGAP
In-Charge Auditor: Christina Davis
Audit Staff: Heather Stiles
Liang Xu

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

FOURTEENTH JUDICIAL CIRCUIT
CITY OF HUNTSVILLE, MISSOURI
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Accounting Controls and Procedures

The method of payment is not consistently indicated on receipt slips. Duties are not adequately segregated, and reconciliation procedures need to improve. A ledger or listing of bonds received and disbursed is not maintained, and a listing of open items is not prepared periodically and reconciled to the book balance. Case file records are not maintained. A comprehensive control ledger showing the total amounts owed by defendants is not maintained.

- A. The method of payment (cash, checks, and money orders) is not consistently indicated on receipt slips. Duplicate receipt slips are issued by the Court Clerk for monies collected for fines, court costs, and bonds. One copy is given to the payee and one copy is maintained by the Court Clerk. Instances were noted where receipt slips did not indicate the method of payment.

To adequately account for collections and reduce the risk of loss or misuse of funds, the method of payment should be noted on the receipt slips when the slips are prepared and the composition of collections should be reconciled to the composition of deposits.

- B. The Court Clerk is primarily responsible for receiving, recording, and depositing fines, court costs, and bonds into the municipal division's bank account and disbursing all monies collected each month. As a result, the duties of receiving and depositing monies are not adequately segregated from the recording of transactions. Although the City Treasurer does have the responsibility of reconciling the municipal division's bank account each month, it appears these reconciliations were not thorough. We noted a \$618 deposit in December 1999 that was deposited into the wrong bank account and this error went undetected until we requested an open items listing be prepared in August 2007. A thorough and adequate reconciliation could have detected this error in a more timely manner. In addition, no one independent of the receiving, recording, or depositing process reconciles the amount deposited with the cases filed or the receipts written by the Court Clerk.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. The Municipal Judge indicated she does not review financial information. Internal controls could be improved by implementing an independent, documented comparison of the court docket to

recorded receipts and bank statements and a periodic review of bank reconciliations.

- C. A ledger or listing of bonds received and disbursed is not maintained. A bond ledger indicating the related case, date and amount received, and date of disbursement is necessary to ensure proper accountability over bonds. In addition, the bond ledger should be reconciled to the bonds held in trust to ensure all transactions involving bonds have been properly handled.
- D. A listing of open items (liabilities) is not prepared periodically and reconciled to the book balance. A monthly listing of open items is necessary to ensure proper accountability over open cases and to ensure monies held in trust are sufficient to meet liabilities. At our request, an open items listing was prepared as of August 31, 2007, and totaled \$4,561 in identified liabilities. The reconciled bank balance was \$5,139, resulting in an unidentified balance of \$578. The Court Clerk believes this is related to monies received prior to January 1997.

Monthly listings of open items are necessary to ensure proper accountability over open cases and to ensure monies held in trust are sufficient to meet liabilities. Any discrepancies or fluctuations noted should be promptly investigated.

- E. Case file records are not maintained, with the exception of court dockets, for cases handled in the municipal division. Tickets are returned to the police department which are placed haphazardly in a box. The Missouri Supreme Court Operating Rule 8 requires municipal divisions to retain all case file records, including ticket logs and copies of tickets issued. Retention of municipal records is essential to establish accountability of municipal division activity and in demonstrating compliance with state law. Effective control of records requires all documents and records to be safeguarded against loss, be accessible to the appropriate municipal division employees, and upon reasonable request, be accessible to the public.
- F. A comprehensive control ledger showing the total amounts owed by defendants to the municipal division is not maintained. Defendants are allowed to pay fines and court costs over a period of time, and individual payment sheets are maintained. These payment sheets show the amounts due, payments made, and the balance for each defendant who owes money to the municipal division. However, a control ledger indicating the total amount owed by all defendants is not maintained.

A complete and comprehensive control (or summary) ledger showing the total amounts owed by defendants would allow the municipal division to properly monitor the amounts due, ensure all payment sheets remain intact, and ensure deferred payments are processed correctly.

WE RECOMMEND the city of Huntsville Municipal Division:

- A. Record the method of payment on all receipt slips issued and reconcile the composition of collections to the composition of deposits.
- B. Adequately segregate the duties of receiving and depositing monies from that of recording and disbursing monies. If a proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to the amount and composition of bank deposits, and an independent review of bank statements and month-end reconciliations. Any unusual items or discrepancies noted should be investigated promptly.
- C. Maintain a bond ledger to account for bond receipts, forfeitures, refunds and balances. In addition, the ledger should be reconciled to the bonds held in trust.
- D. Prepare and maintain monthly listings of open items to document the reconciliation of these listings to monies held in trust.
- E. Ensure case file information is properly retained in accordance with Missouri Supreme Court Operating Rule 8.
- F. Maintain a comprehensive control ledger of the amount owed by defendants to properly monitor the total amount due and ensure deferred payments are processed correctly.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk provided the following responses:

- A. *We will begin indicating the method of payment on all receipt slips and we will reconcile the composition of collections to the composition of deposits.*
- B. *We will begin having an individual other than the Court Clerk reconcile the bank account records with other court documents and any unusual items or discrepancies will be investigated.*
- C. *A bond ledger has been developed and will be used for completing bank reconciliations monthly and will be used to reconcile bonds held in trust.*
- D. *Open items will be prepared monthly. The \$578 unidentified balance has been turned over to the city as training funds and the account no longer has an unidentified balance.*
- E. *Case files have been developed for all cases and will be maintained and retained for all cases heard in the municipal division.*

- F. *We will develop a process to notify the Judge monthly of costs owed and this will include indicating the amounts owed, payments made, and date of last payment so that unpaid amounts can be followed up on timely.*

2. Disbursement Procedures

Crime Victim's Compensation (CVC) and Peace Officer Standards and Training Commission (POSTC) fees are not turned over to the state monthly. POSTC training monies received by the city from the state are maintained in the municipal account, and bad check restitution monies received have not been distributed.

- A. CVC and POSTC fees are not turned over to the state monthly in accordance with state law. CVC and POSTC fees have been assessed and collected by the division for violations of municipal ordinances, except for cases dismissed by the court. The fees are deposited into the municipal division's account, and the division remits these fees to the state periodically. For example, we noted instances where CVC and POSTC fees were remitted to the state once every two to five months. Section 595.045, RSMo, requires 95 percent of the CVC fees to be paid monthly to the state. POSTC fees, established by Section 488.5336, RSMo, should also be disbursed to the state monthly.

- B. POSTC training monies received by the city from the state are maintained in the municipal division's account. The city does not track POSTC monies received and disbursements are not accounted for separately to ensure the fees are used only for the training of law enforcement officers.

Section 488.5336, RSMo, requires law enforcement training monies to be used only for the training of law enforcement officers. The municipal division should transfer these monies to the city so they can be accounted for in accordance with state law.

- C. Bad check restitution monies received have not been distributed. Bad check restitution monies totaling \$3,394 were in the municipal division's account at August 31, 2007. Of that amount, \$3,149 was for vendors, that according to court personnel, they stopped collecting restitution for in 2005. The monies for these vendors should be disbursed to them and any additional collections should be properly disbursed to the applicable vendors.

WE RECOMMEND the city of Huntsville Municipal Division:

- A. Remit CVC and POSTC fees to the state monthly in accordance with state law.
- B. Turn POSTC monies over to the city.
- C. Disburse bad check restitution monies to the applicable vendors.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk provided the following responses:

- A. *We will begin submitting these payments on a monthly basis.*
- B. *POSTC training monies have been turned over to the city and will be handled by the city.*
- C. *All bad check restitution monies held were distributed on October 15, 2007. Restitution payments received will be distributed at the end of each month.*

3. Ticket Accountability

Neither the police department nor the municipal division maintains adequate records to account for traffic tickets assigned and issued, and their ultimate disposition. A ticket book is assigned to each police car and officers issue tickets from the book assigned to each police car. No log is maintained to provide ticket issuance information. We noted 43 out of approximately 230 tickets that may have been issued from January 2005 to July 2007 that could not be accounted for.

Without a proper accounting for the numerical sequence and ultimate disposition of traffic tickets, the police department and the municipal division cannot be assured that all tickets assigned and issued are properly submitted to the division. A log listing ticket books assigned, each ticket number, the date issued, and the violator's name would ensure all tickets issued are submitted to the division for processing, properly voided, or not prosecuted. A record of the ultimate disposition of each ticket should also be maintained to ensure all tickets have been accounted for properly.

WE RECOMMEND the city of Huntsville Municipal Division work with the police department to implement the necessary procedures and records to account for the numerical sequence of all tickets issued and their ultimate disposition.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk provided the following response:

A spreadsheet has been developed to account for all tickets issued and their ultimate disposition.

4. Reporting and Posting of Fines and Court Costs
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The Court Clerk does not file a monthly report with the city of all cases heard in court. Required traffic offenses have not been reported to the Missouri Department of Revenue. A schedule of fines and court costs is not posted at the Violations Bureau.

- A. The Court Clerk does not file a monthly report with the city of all cases heard in court. The Court Clerk is required to prepare a monthly listing of all cases heard in court, including fines and court costs collected, to be verified by the clerk or Municipal Judge and filed with the City Clerk. This listing should indicate information such as the defendant's name, any fine imposed, the amount of court costs, and whether there was an application for a trial de novo (an application for a new trial before another judge). We noted that the Court Clerk's report has only provided the City Clerk with a listing of the fines and court costs collected.

Section 479.080, RSMo, requires the Court Clerk to prepare a monthly listing of all cases heard in court.

- B. Court personnel indicated required traffic offenses have not been reported to the Missouri Department of Revenue (DOR).

Section 302.225, RSMo, requires that records of any pleas or findings of guilty on traffic violations under the laws of the state, county or municipal ordinance be reported to the DOR within seven days of the conviction date.

- C. A schedule of fines and court costs is not posted at the Violations Bureau (VB) offices. Section 479.050, RSMo, and Supreme Court Rule No. 37.49 require a schedule which designates the offenses within the authority of the Court Clerk, and the amount of fines and costs to be imposed for each offense, be posted at the VB.

WE RECOMMEND the city of Huntsville Municipal Division:

- A. Prepare monthly reports of cases heard in the court and file these reports with the city in accordance with state law.
- B. Ensure all required traffic offenses are reported to the Missouri Department of Revenue in accordance with state law.
- C. Ensure the schedule of fines and court costs is posted at the Violations Bureau.

AUDITEE'S RESPONSE

The Municipal Judge and Court Clerk provided the following responses:

- A. *The docket is being filed with the city as the monthly report.*
- B. *We have begun submitting moving violations offenses to the Missouri Department of Revenue as required.*
- C. *This schedule has been posted.*

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

FOURTEENTH JUDICIAL CIRCUIT
CITY OF HUNTSVILLE, MISSOURI
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Huntsville Municipal Division is within 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 (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality.

Personnel

Municipal Judge	Stephanie Luntsford
Court Clerk/City Collector	Kathy Remole
City Clerk	Dixie Thomas
City Treasurer	Lori Boyd

Financial and Caseload Information

	<u>Year Ended March 31,</u>	
	<u>2007</u>	<u>2006</u>
Receipts	\$7,130	6,930
Number of cases filed	44	77