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Missouri State Auditor

Twenty-Third Judicial Circuit

City of Byrnes Mill Municipal Division

April 2008
Report No. 2008-21



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Office of
Missouri State Auditor
Susan Montee, CPA

April 2008

An audit was conducted by our office of the Twenty-Third Judicial Circuit, city of Byrnes Mill Municipal Division.

Monthly bank reconciliations are not prepared timely for the bond account, and there are several old outstanding checks that have not been resolved. The Court Administrator does not account for the numerical sequence of bond form. In addition, cash custody and recordkeeping duties have not been adequately segregated.

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YELLOW SHEET

TWENTY-THIRD JUDICIAL CIRCUIT
CITY OF BYRNES MILL
MUNICIPAL DIVISION

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge
Twenty-Third Judicial Circuit
and
Municipal Judge
Byrnes Mill, Missouri

We have audited certain operations of the city of Byrnes Mill Municipal Division of the Twenty-Third Judicial Circuit. The scope of our audit included, but was not necessarily limited to, the two years ended June 30, 2007. The objectives of our audit were to:

1. Determine if the municipal division has adequate internal controls over significant financial functions such as receipts.
2. Determine if the municipal division has complied with certain legal provisions.

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 tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We 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. 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. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not

necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

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 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 our audit of the division.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Byrnes Mill Municipal Division of the Twenty-Third 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:	Debra S. Lewis, CPA
In-Charge Auditor:	Steven Re', CPA
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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

TWENTY-THIRD JUDICIAL CIRCUIT
CITY OF BYRNES MILL
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Bond Controls and Procedures
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Monthly bank reconciliations are not prepared timely for the bond account. There are several old outstanding checks that have not been resolved. In addition, the Court Administrator does not account for the numerical sequence of bond forms.

- A. Monthly bank reconciliations are not prepared timely. The Bond Account had not been reconciled since December 31, 2006. Bank reconciliations for January 2007 through June 2007 were completed by the City Administrator in February 2008 for the municipal division's bond account upon our request. As of February 28, 2008, the bank reconciliations for July 2007 through January 2008 had not been completed.

Monthly bank reconciliations are necessary to ensure bank activity and accounting records are in agreement, cash balances reconcile to open items (liabilities), and to detect and correct errors in a timely manner.

- B. The Police Department issues prenumbered bond forms; however, the Court Administrator does not account for the numerical sequence of the bond forms to ensure all bonds have been accounted for properly.
To reduce the risk of loss, theft, or misuse of funds, and to provide assurance that all bond receipts are accounted for properly, the Court Administrator should establish procedures to account for the numerical sequence of bond forms.
- C. At June 30, 2007, the Bond Account had 10 outstanding checks, totaling \$475, that were over one year old. Old outstanding checks create additional and unnecessary record keeping responsibilities. Procedures should be adopted to routinely follow up on outstanding checks and reissue them if the payees can be located. The City Administrator indicated that old outstanding checks are written off and not handled as unclaimed property, which does not appear to comply with state law. If the payees cannot be located, these undistributed monies should be disposed of in accordance with state law.

WE RECOMMEND the city of Byrnes Mill Municipal Division:

- A. Along with the City Administrator, ensure the municipal division's bank account is reconciled on a timely basis.
- B. Establish procedures to account for the numerical sequence of bond forms.

- C. Ensure procedures to routinely follow up and reissue old outstanding checks are adopted. If the payees cannot be located, these monies should be disposed of in accordance with state law.

AUDITEE'S RESPONSE

The Court Administrator and City Administrator indicated:

- A. *We will ensure the municipal division bond bank account is reconciled on a timely basis.*
- B. *Procedures will be established to account for the numerical sequence of bond forms. A bond log will be kept of all bonds, date received, including the numerical sequence, name of defendant and agency executing the bond.*
- C. *Old outstanding bond checks, where payees cannot be located, will be disposed in accordance with state law, that is, transferred to the Unclaimed Property Division of the State Treasurer's Office.*

2.

Court Controls and Procedures

Cash custody and recordkeeping duties have not been adequately segregated. In addition, a copy of the court's computer backup is not maintained off-site.

- A. Cash custody and recordkeeping duties have not been adequately segregated in the Court Administrator's office. The Court Administrator collects monies, records transactions, prepares the deposit, and prepares the transmittal report. The City Administrator performs the bank reconciliations; however, a person independent of the receiving process does not compare the receipt slips issued to the transmittal report to ensure its accuracy and to ensure that all monies received are transmitted. In addition, the Court Administrator posts the receipts to the computer system which maintains the court docket and computerized case files. No receipt report is generated from this system nor is the information recorded on the court's system reconciled in some other way to amounts transmitted to the city for deposit.

Internal controls would be improved by having someone independent of the receipting, recording, and transmittal preparation processes review the records to ensure accuracy. To ensure all monies received are accounted for properly, a report of receipts posted to the court's computer system should be generated and agreed to amounts deposited.

- B. The city maintains all of the court case file information on their computer system which is backed-up daily; however, no backup is maintained off-site in the event of a disaster.

A current backup of the court's data maintained in their computers should be stored in a secure off-site location. This would allow the city to continue operations if a major disaster occurred at their location destroying all records and data stored.

WE RECOMMEND the city of Byrnes Mill Municipal Division:

- A. Establish procedures requiring someone independent of the receipting process to account for and verify monies recorded on receipt slips to transmittal reports. In addition, deposits should be reconciled to computer records and recorded receipts.
- B. Maintain a backup copy of computer data in a secure off-site location.

AUDITEE'S RESPONSE

The Court Administrator and City Administrator indicated:

- A. *Procedures will be established for the City Collector to account for and verify monies recorded on receipt slips to transmittal reports. Deposits will be reconciled to computer records and recorded receipts.*
- B. *A backup copy of computer data will be secured in an off-site location.*

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

TWENTY-THIRD JUDICIAL CIRCUIT
CITY OF BYRNES MILL
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Byrnes Mill Municipal Division is within the Twenty-Third Judicial Circuit, which consists of Jefferson County. The Honorable Edward Williams 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

At June 30, 2007, the municipal division employees were as follows:

Municipal Judge	Colby Smith-Hynes
Court Administrator	Mary Sheriff
City Administrator	Bill Sehie

Financial and Caseload Information

	<u>Year Ended June 30</u>	
	<u>2007</u>	<u>2006</u>
Receipts	\$ 357,689	328,130
Number of cases filed	3,766	3,278