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Missouri State Auditor

Twenty-Sixth Judicial Circuit

City of Lebanon Municipal Division



May 2008

Report No. 2008-27

auditor.mo.gov



Office of
Missouri State Auditor
Susan Montee, CPA

May 2008

An audit was conducted by our office of the Twenty-sixth Judicial Circuit, city of Lebanon, Missouri Municipal Division.

The Court Clerk accepts payments for and maintains a bank account for bonds. Independent reconciliations of bond receipts and deposits are not performed and receipt slips were not issued for some bonds received. We noted four bonds totaling \$1,155 were deposited for which receipt slips were not issued during the year ended October 31, 2007. In addition, during our review we noted five bonds totaling \$4,008 for which receipt slips were not issued by the police department.

Although the Court Clerk files a monthly report with the city, the report does not include all information required by state law. Also, the court does not have an adequate password system or procedures to restrict access to the computer system.

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YELLOW SHEET

TWENTY-SIXTH JUDICIAL CIRCUIT
CITY OF LEBANON
MUNICIPAL DIVISION

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge
Twenty-Sixth Judicial Circuit
and
Municipal Judge
Lebanon, Missouri

We have audited certain operations of the city of Lebanon Municipal Division of the Twenty-Sixth Judicial Circuit. The scope of our audit included, but was not necessarily limited to, the year ended October 31, 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.
3. Determine the extent to which recommendations included in our prior audit report were implemented.

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. 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 finding arising from our audit of the city of Lebanon Municipal Division of the Twenty-Sixth Judicial Circuit.

A petition audit of the City of Lebanon fulfilling our obligation under Section 29.230, RSMo, is still in process, and any additional findings and recommendations will be included in the subsequent report.



Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Peggy Schler, CPA
In-Charge Auditor:	April McHaffie Lathrom, CPA
Audit Staff:	Natalie McNish

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

TWENTY-SIXTH JUDICIAL CIRCUIT
CITY OF LEBANON
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

Accounting Controls and Procedures

Independent reconciliations of bond receipts and deposits are not performed. In addition, receipt slips were not issued for some bonds received. The court does not file a detailed monthly report of all cases heard in court. Also, access to the court's computer system and data files is not adequately restricted.

The Court Clerk accepts payments for and maintains a bank account for bonds. For fines and costs, the Court Clerk issues a payment slip indicating the amount due and records the payment of fines and court costs into the court's computerized accounting software. The defendant then pays fines and court costs to the city's cash collection clerks who issue a receipt slip. The monies are deposited into the city's bank account. The Court Clerk and City Clerk indicated they reconcile amounts recorded for fines and court costs.

A.1. Independent reconciliations of bond receipts and deposits are not performed and receipt slips were not issued for some bonds received. While the Municipal Judge indicated he reviews the bank reconciliations, this review does not include a reconciliation of receipts and deposits. The court clerk indicated she reconciles the composition of receipts to deposits; however, during our review of bond receipts for the year ended October 31, 2007, we noted four bonds totaling \$1,155 were deposited for which receipt slips were not issued by the court.

In addition, prenumbered rediform receipt slips rather than official prenumbered receipt slips are issued.

2. During our review we noted five bonds totaling \$4,008 for which receipt slips were not issued by the police department. Bonds are received by the court during regular office hours and by the police department at other times. Bonds received by the police department are transmitted to the Court Clerk.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for. Internal controls would be improved by ensuring a documented independent comparison of bond receipt slips issued to amounts deposited is performed. In addition, official prenumbered receipt slips should be issued by the court and police department for all bond monies received.

A similar condition for the court was noted in our prior report.

B. The Court Clerk does not file a detailed monthly report with the city of all cases heard in court. The Court Clerk reports the number of cases on the docket and

new cases filed. However, Section 479.080.3, RSMo, requires the Court Clerk to prepare a monthly listing of all cases heard in court, including the name of the defendant, the fine imposed and the amount of court costs, to be verified by the Court Clerk or Municipal Judge, and filed with the City Clerk.

- C. The court does not have an adequate password system or procedures to restrict access to the computer system. Passwords are used, but passwords are shared by court employees and are not changed periodically to ensure that they remain confidential.

Passwords should be unique, confidential, and changed periodically to reduce the possibility of unauthorized users, provide increased accountability, and provide an audit trail of transactions processed.

WE RECOMMEND the city of Lebanon Municipal Division:

- A. Ensure a periodic documented independent comparison of bond receipt slips issued to amounts deposited is performed. In addition, official prenumbered receipt slips should be issued for all bond monies received.
- B. Prepare detailed monthly reports of cases heard in court and file these reports with the city in accordance with state law.
- C. Ensure passwords remain confidential and require passwords to be changed periodically.

AUDITEE'S RESPONSE

The Court Clerk indicated:

- A.1. *Each month, the bond account bank statement is reconciled with the bonds on the court computer system. A computer generated statement is printed out once all the entries from the bank statement are entered into the computer, and any outstanding checks are recorded on the statement. After that is complete both statements should balance to each other. Every month our statements have been in balance.*

An independent comparison of bond receipt slips to amounts deposited will be performed monthly by the Municipal Judge when the Municipal Judge reviews the reconciliation of the bond account. As for printing "official" bond receipts rather than using pre-printed ones, this is a minor issue given that only a small number of receipts are used each year, and there is such a low risk of forgery of a bond receipt. The system of checks and balances would prevent the use of a forged receipt. Such a requirement is also not cost effective.

- 2. *Again, all bond monies have been accounted for that have been provided to the Municipal Court, and this appears to be merely an error by police department personnel. The police department should properly prepare and record receipt of bond monies in*

their cash bond book, and should further provide a copy of the bond receipt to the Court daily when the bond monies are turned over to the Court.

- B. *The Court has for at least the past 13 years timely provided a detailed, computer software generated report to the City Clerk on a monthly basis to comply with Section 479.080.3, RSMo.*

The requirement of more detailed reports to fully comply with Section 479.080.3, RSMo, has already been implemented.

- C. *The Court respectfully disagrees with this requirement. The computer system in place required that the full-time clerk's (primary) computer be turned on and logged into the system for the printer to work with the part-time clerk's (secondary) computer or the computer in the courtroom. Each clerk would therefore have to have access to the primary computer. The sharing of passwords between the two court clerks was thus necessary and did not, in any event, cause a breach of security. Passwords are only necessary to prevent unauthorized entry by non-authorized persons.*

We have now repaired the network/computer problem that required the clerks to use shared passwords. However, the Court still disagrees as to the necessity of separate passwords between the clerks as the Court does not handle money and our software system does not differentiate between entries made by particular clerks or the judge. Again, passwords are important to prevent unauthorized access by non-court personnel only.

FOLLOW-UP ON PRIOR AUDIT FINDINGS

TWENTY-SIXTH JUDICIAL CIRCUIT
CITY OF LEBANON
MUNICIPAL DIVISION
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by the city of Lebanon Municipal Division of the Twenty-Sixth Judicial Circuit on the finding in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended October 31, 2001.

The prior recommendation which has not been implemented is repeated in the current MAR.

City of Lebanon Municipal Division

- A.1. The Court Clerk did not always issue receipt slips for bonds received and the composition of monies received was not always reconciled to the composition of the monies deposited.
- 2. The municipal division did not have adequate procedures to follow up on outstanding checks and bonds held for over one year.
- B.1. Neither the police department nor the municipal division maintained adequate records to account for the traffic and parking tickets assigned and issued, and their ultimate disposition.
- 2. Neither the police department nor the municipal division maintained adequate records to account for complaint/summons forms assigned and issued, and their ultimate disposition.

Recommendations:

The City of Lebanon Municipal Division:

- A.1. Issue prenumbered receipt slips for all monies received and reconcile the composition of receipts to the composition of monies deposited.
- 2. Dispose of unclaimed bonds in accordance with state law, and periodically review outstanding checks to determine if the payees can be located and if the checks can be reissued. If payees cannot be located, the monies should be disbursed to the state's Unclaimed Property Section.
- B.1. Work with the police department to ensure adequate documentation is maintained to account for the numerical sequence and ultimate disposition of all traffic and parking tickets assigned and issued.

2. Work with the police department to ensure adequate documentation is maintained to account for the numerical sequence and ultimate disposition of all complaint/summons forms assigned and issued.

Status:

- A.1. Not implemented. The court clerk indicated she reconciles the composition of monies received to the composition of the monies deposited; however, receipt slips were not issued for some bond monies collected. See the MAR finding.

A.2,

B.1.

&B.2 Implemented.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

TWENTY-SIXTH JUDICIAL CIRCUIT
CITY OF LEBANON
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Lebanon Municipal Division is in the Twenty-Sixth Judicial Circuit, which consists of Camden, Laclede, Miller, Moniteau, and Morgan counties. The Honorable Greg Kays 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 October 31, 2007, the municipal division employees were as follows:

Municipal Judge	Mark Rector
Court Clerk	Tane Burris
Court Clerk	Barbara Mullins

Financial and Caseload Information

	<u>Year Ended October 31,</u>	
	<u>2007</u>	<u>2006</u>
Receipts	\$313,471	322,011
Number of cases filed	2,828	2,657