



Susan Montee, CPA
Missouri State Auditor

Twenty-Third Judicial Circuit

City of Olympian Village Municipal Division

June 2008

Report No. 2008-37



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Office of
Missouri State Auditor
Susan Montee, CPA

June 2008

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

Controls and procedures for the handling of court monies are in need of improvement. Cash custody and recordkeeping duties have not been adequately segregated, monies received are not always deposited on a timely basis, bank reconciliations are not performed, and monthly listings of opens items (liabilities) are not prepared and reconciled to the applicable account. In addition, the Court Clerk does not request replenishment of the petty cash fund on a timely basis and has not turned over fines and costs to the city monthly as required by state law. In addition, neither the police department nor the court clerk maintain adequate records to account for the traffic tickets issued and their ultimate disposition.

This audit was conducted as part of the State Auditor's Office's petition audit of the city of Olympian Village. However, due to the city's overall lack of records, that audit has been delayed and will be ongoing for some time.

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YELLOW SHEET

TWENTY-THIRD JUDICIAL CIRCUIT
CITY OF OLYMPIAN VILLAGE
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
Olympian Village, Missouri

We have audited certain operations of the city of Olympian Village Municipal Division of the Twenty-Third Judicial Circuit. The scope of our audit included, but was not necessarily limited to, the year 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. 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 Olympian Village Municipal Division of the Twenty-Third Judicial Circuit.

A petition audit of the city of Olympian Village, 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: Debra S. Lewis, CPA
In-Charge Auditor: Zeb Tharp

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

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

1.	Controls and Procedures
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Controls and procedures for the handling of court monies are in need of improvement. Cash custody and recordkeeping duties have not been adequately segregated, monies received are not always deposited on a timely basis, bank reconciliations are not performed, and monthly listings of opens items (liabilities) are not prepared and reconciled to the applicable account. In addition, the Court Clerk does not request replenishment of the petty cash fund on a timely basis and has not turned over fines and costs to the city monthly as required.

- A. Cash custody and recordkeeping duties have not been adequately segregated. The Court Clerk receives all monies, records transactions, prepares deposits, and issues checks. There is no evidence of any independent or supervisory review of these records.

Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating the duties of receiving monies from that of recording receipts and depositing court monies. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

- B. Monies received are not always deposited on a timely basis. Deposits generally are made once a month. For example, on April 12, 2007 the municipal court deposited \$1,278 into the Municipal Court Fund, but court was held on April 7, 2007. Cash included totaled over \$510. In addition, one receipt included in the deposit was from March 9, 2007.

To adequately safeguard cash receipts and reduce the risk of loss or misuse of funds, deposits should be made on a daily basis and more frequently if significant amounts of cash are collected.

- C. Bank reconciliations for the Municipal Court account, Bond account, and Judicial Education Account are not performed. In addition, monthly listings of open items (liabilities) are not prepared and reconciled to the Municipal Court account or the Bond account. At February 28, 2008, the checkbook balances of \$1,049 and \$892 for the Municipal Court account and the Bond account, respectively, did not agree to the reconciled bank balances, which did not agree to open items as noted below:

	Municipal Court Account	Bond Account
Reconciled bank balance	\$ 2,007	591
Open items (liabilities)	2,145	250
Overage (shortage)	\$ <u>(138)</u>	<u>341</u>

The Court Clerk could not explain the differences noted in the accounts. The court should immediately investigate the difference between the open items and the available cash balances.

At the Court Clerk's request, the bank reconciled the Municipal Court account as of March 11, 2008. The bank found numerous unrecorded items and several mathematical errors in the checkbook. There were a total of \$538 in overdraft fees and \$80 in non-sufficient check charges for the Municipal Court account for the period of March 2007 to January 2008. Some of these fees had been refunded by the bank and some deducted from the monthly disbursement to the city. However, the Court Clerk did not maintain adequate documentation to ensure all of these fees had been recovered, which could possibly explain the shortage in the Municipal Court Account. Preparation of a monthly bank reconciliation would have detected these various errors on a timely basis and avoided the additional bank charges.

Monthly bank reconciliations are necessary to ensure bank activity and accounting records are in agreement, to detect and correct errors timely, to ensure all fees are recorded and/or refunded, and to allow old outstanding checks to be resolved in a timely manner. A complete and accurate bond open items listing should be prepared monthly and reconciled to the cash balance and fees on hand should be reconciled to the Municipal Court account to ensure records are in balance and sufficient funds are available for the payment of all liabilities. Such reconciliations would allow for prompt detection of errors. The Court Clerk should investigate any differences noted and take appropriate action.

- D. The Court Clerk does not request replenishment of the petty cash fund on a timely basis. The Court Clerk maintains a petty cash fund for small expenditures such as postage. As of March 1, 2008, the Court Clerk indicated she had not requested \$200 to replenish the petty cash fund and \$157 of her personal monies which had been used for these items. The Court Clerk maintained all of the vendor invoices for these items, but has not submitted them to the city for reimbursement.

Without adequate supporting documentation, the city cannot evaluate the necessity and reasonableness of petty cash expenditures. Petty cash invoices should be submitted with the request for replenishment on a timely basis.

- E. The Court Clerk has not turned over fines and costs to the city monthly as required. Fines and costs for November 2007 (\$2,192) and January 2008 (\$708) were not turned over to the city until January 14, 2008 and March 11, 2008,

respectively. In addition, the Court Clerk had not submitted a report of cases filed to the city since October 2007 due to concerns with city personnel changes.

Section 479.080.1, RSMo, requires all fines and court costs to be paid to or deposited into the city treasury at least monthly. Also, Section 479.080.3, RSMo, requires a monthly report of cases to be filed with the city clerk.

WE RECOMMEND the Municipal Court:

- A. Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- B. Deposit monies on a timely basis.
- C. Perform monthly bank reconciliations for all accounts and ensure the book balances reconcile to the bank balance. In addition, prepare a monthly list of open items and fees on hand and reconcile the lists to the book and bank balances. The Court Clerk should attempt to identify the differences noted, make any necessary adjustments to bring the books into balance, and dispose of any unidentified amounts in accordance with state law. Any unreimbursed bank fees should be replenished by the city.
- D. Submit all petty cash purchase receipts to the city to ensure the fund is replenished timely.
- E. Ensure all fines and court costs paid to or deposited into the city treasury monthly and a report of fees is filed with the city clerk at least monthly as required by state law.

AUDITEE'S RESPONSE

The Mayor indicated:

Currently, the 23rd Judicial Circuit Court has taken over our court. I will work with the Board in their attempt to start the city court again in the future.

The Board indicated:

We are planning to start up the court again. We will implement these recommendations with the start of the new court.

Neither the police department nor the Court Clerk maintain adequate records to account for the traffic tickets issued and their ultimate disposition. The Court Clerk maintains a log of ticket books assigned to officers, showing the date, the name of the officer, and the ticket numbers; however, the log is not complete. For example, the log did not always show the date the ticket books were assigned to the police officers. No log is maintained of tickets issued. The police department issued approximately 142 tickets during the year ended June 30, 2007.

Without a proper accounting for the numerical sequence and ultimate disposition of tickets issued, the court cannot be assured all tickets issued were properly submitted for processing. A record should be maintained accounting for the ultimate disposition of each ticket issued to ensure all tickets have been accounted for properly.

WE RECOMMEND the city of Olympian Village Municipal Division work with the police officers to ensure adequate records are maintained to account for the numerical sequence and ultimate disposition of all tickets issued. In addition, ensure the log of ticket books assigned is accurate and complete.

AUDITEE'S RESPONSE

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The Board indicated:

We are planning to start up the court again. We will implement these recommendations with the start of the new court.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

TWENTY-THIRD JUDICIAL CIRCUIT
CITY OF OLYMPIAN VILLAGE
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Olympian Village 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	Dan Adey *
Court Clerk	Evelyn Haithcoat **

* The city did not renew their contract with the Judge when it expired on May 1, 2008.

** The Court Clerk resigned in May 2008 and has not been replaced.

Financial and Caseload Information

	Year Ended June 30, 2007
Receipts	\$ 11,897
Number of cases filed	142