



Susan Montee, CPA  
Missouri State Auditor

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# Thirty-Ninth Judicial Circuit

## City of Cassville Municipal Division

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July 2008

Report No. 2008-43



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Office of  
Missouri State Auditor  
Susan Montee, CPA

July 2008

An audit was conducted by our office of the Thirty-Ninth Judicial Circuit, city of Cassville Municipal Division.

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Receipt slips are not issued for bonds received; therefore, the court has no assurance that all bond monies collected are being properly deposited. Approximately \$44,300 was deposited during the two years ended December 31, 2007. In addition, bank reconciliations and listings of open items (liabilities) are prepared monthly; however, they are not compared to ensure all liabilities are identified.

The court's depositing schedule results in funds being transported to the bank twice and handled by several city employees before being credited to the city's account. The court should consider limiting the number of times monies are handled.

The accounts receivable records maintained by the Court Clerk are not always updated timely, and include old, inactive cases. Better follow-up of the delinquent accounts is necessary to facilitate monitoring of amounts due to the court, provide information to the Municipal Judge, and provide increased accountability over amounts due to the court.

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YELLOW SHEET

THIRTY-NINTH JUDICIAL CIRCUIT  
CITY OF CASSVILLE  
MUNICIPAL DIVISION

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STATE AUDITOR'S REPORT



**SUSAN MONTEE, CPA**  
**Missouri State Auditor**

Presiding Judge  
Thirty-Ninth Judicial Circuit  
and  
Municipal Judge  
Cassville, Missouri

We have audited certain operations of the city of Cassville Municipal Division of the Thirty-Ninth Judicial Circuit. The scope of our audit included, but was not necessarily limited to, the two years ended December 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.

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 Cassville Municipal Division of the Thirty-Ninth 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:	Donna Christian, CPA, CGFM
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MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

THIRTY-NINTH JUDICIAL CIRCUIT  
CITY OF CASSVILLE  
MUNICIPAL DIVISION  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

**Court Controls and Procedures**

Better controls and procedures are needed to account for bond monies collected. In addition, controls over open items (liabilities), the court's depositing schedule, and monitoring amounts due the court need improvement. Also, access to the court's computer system is not adequately restricted and the Court Clerk approved a case disposition with the Municipal Judge's signature stamp.

- A. Receipt slips are not issued for bonds received; therefore, the court has no assurance that all bond monies collected are being properly deposited. Bond monies are received by the Court Clerk and deposited into the bond account. Approximately \$44,300 was deposited during the two years ended December 31, 2007. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, a prenumbered receipt slip should be issued for all monies received, and the receipts slips should be reconciled to amounts deposited.
- B. Bank reconciliations and listings of open items (liabilities) are prepared monthly; however, they are not compared to ensure all liabilities are identified. A difference of approximately \$300 existed between the reconciled bank balances and the open items listings at December 31, 2007. The city indicated these differences resulted from several years of accumulated interest that had not been tracked.

Monthly reconciliations of the cash balances to liabilities are necessary to ensure cash balances are sufficient to cover liabilities. Without the preparation of such reconciliations, there is little assurance that cash receipts and disbursements have been properly handled and recorded.

- C. At approximately noon each day, the Court Clerk balances her drawer and transmits the money to the City Clerk for deposit. The City Clerk combines the money collected by the Court Clerk with other city collections and prepares the deposit slip. The deposit is then taken to the bank shortly after noon each day by a city police officer. At the end of the day, monies collected in the afternoon by the court and the city are placed in a money bag, locked, and dropped in the bank's night depositary by a city police officer. The next day a city police officer retrieves the money bag from the bank and returns it to the Court Clerk or city, whichever applies. These funds are combined with the morning collections and then are transmitted to the City Clerk for deposit.

To adequately safeguard receipts and reduce the number of times monies are handled, the court, along with the city, should consider preparing a deposit later in the day and drop and leave the money in the bank's night depository. Any undeposited receipts held overnight should be properly secured.

- D. The accounts receivable records maintained by the Court Clerk are not always updated timely, and include old, inactive cases dating back to 1996 that have amounts still due. Also, accounts receivable information is not regularly reviewed by the Municipal Judge to ensure amounts due are accurately reported and reasonable, and collection procedures are effective.

The municipal division allows defendants to sign a payment plan agreement and pay fines and costs over a period of time. At May 2008, municipal division records indicated an accounts receivable balance of approximately \$124,600. This balance included numerous old inactive cases, and in some instances the court had recalled the warrant for the defendant. Procedures should be instituted to periodically review these old cases to determine the court's ability to collect these unpaid amounts. We also noted three cases on the accounts receivable records that were paid in full, but the accounts receivable listing had not been updated for the payment.

Better follow-up of the delinquent accounts is necessary to facilitate monitoring of amounts due to the court, provide information to the Municipal Judge, and provide increased accountability over amounts due to the court. Old inactive case balances increase the volume of cases which must be monitored and controlled, putting a greater burden on limited personnel resources. Also, updated accounts receivable listings are necessary to ensure proper and timely follow-up action is taken on amounts due the municipal division.

- E. Computer passwords are not changed on a periodic basis to ensure confidentiality. Without procedures to periodically change passwords, there is less assurance that passwords effectively limit access to the data files and programs to only those individuals who need access for completion of job responsibilities, and to reduce the possibility of unauthorized users.
- F. The Court Clerk maintains custody of the Municipal Judge's signature stamp which she generally uses for correspondence. However, we noted one instance where a court case docket was approved using the judge's signature stamp.

Using a signature stamp in this manner lessens the controls over having the Municipal Judge review the case docket and increases the risk of court cases being handled improperly.

**WE RECOMMEND** the city of Cassville Municipal Division:

- A. Ensure prenumbered receipt slips are issued for all bond monies received, and receipts are reconciled to deposits.
- B. Reconcile liabilities to the cash balances on a monthly basis and investigate any differences.
- C. Along with the city, consider preparing a deposit later in the day and leaving the money in the bank's night depository for deposit. Any moneys held overnight by the court or city should be properly secured.
- D. Establish procedures to better monitor unpaid fines and court costs, take steps to maximize collections, and ensure the accounts receivable report listing is accurate.
- E. Ensure passwords are periodically changed.
- F. Require the Municipal Judge to sign the court docket sheets and discontinue the use of a signature stamp for the Municipal Judge.

**AUDITEE'S RESPONSE**

*The Municipal Judge, the Finance Officer, and the Municipal Court Clerk provided the following responses:*

- A. *We agree with your recommendation and recently ordered a receipt book and are issuing receipts for bond monies. The reason that we did not do that previously is because all bond receipts were from the county jail and paid by check. The check from the jail was deposited into the bond account and reconciled monthly when the municipal bond account was reconciled. We are now writing individual receipts for each bond sheet paid by the check and filing the receipt with the bond sheet.*
- B. *We agree with your recommendation and have started identifying the accumulated interest portion of the cash in the bond account. Although I reconcile the bank and the bond account monthly, I did not identify the outstanding cash in the bank except for the amount that tied back to the bond liability account. Basically what I did was identify every transaction that was deposited and disbursed in the bond bank account and tied those back to the booked transactions (expense and revenue) and the outstanding bonds (liability). The interest had been accumulating since 1995. When the auditor requested the reconciliation, I went back each year and was able to reconcile to the interest earned except for one error of \$23.50 which was for court costs that were accidentally applied from the bond account.*
- C. *We would prefer not to do this for two reasons, one is that we reconcile the cash register drawers at noon while the office is closed and locked. We feel that this gives us greater*

*security and safety. The second reason is that since we are depositing the cash at noon, those funds are processed the same day. If we waited until after 2:30, the funds would not be credited to our account until the following day. We feel that the money is well secured since we send a locked bank bag to the bank for over-night safekeeping. The court clerk has the only key to the court bag and the utility billing clerk has the only key for the city bag. The bank does not have keys. The bags are transported by police officers.*

- D. We agree that we need to work on improving these procedures. We have addressed that by entering into an agreement with the Office of State Courts Administrator to implement the Justice Information System (JIS). This agreement was approved at the June 16, 2008 council meeting. Training for our staff has already been scheduled by the State for August of this year. We are very excited about the system and feel that it will allow us greater internal controls and reporting. We are scheduled to go live on September 10, 2008.*
- E. We agree that we need to do this; in addition, the JIS system has excellent password safeguards built into their system.*
- F. We agree that the Municipal Judge should sign every court docket sheet and were surprised that there was one sheet that was signed with the signature stamp. That was an error on our part and should not have happened. However, we do need to use the signature stamp for correspondence that the Judge has authorized since he is only here in person one day a week for court. He is always accessible by phone and in his absence the signature stamp is routinely used (except for docket sheets). Our court clerk communicates with him by phone frequently on matters that need his direction.*

HISTORY, ORGANIZATION, AND  
STATISTICAL INFORMATION

THIRTY-NINTH JUDICIAL CIRCUIT  
CITY OF CASSVILLE  
MUNICIPAL DIVISION  
HISTORY, ORGANIZATION, AND  
STATISTICAL INFORMATION

The city of Cassville Municipal Division is in the Thirty-Ninth Judicial Circuit, which consists of Barry, Lawrence, and Stone counties. The Honorable Robert S. Wiley 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 December 31, 2007, the municipal division employees were as follows:

Municipal Judge	Dale Burke
Court Clerk	Jennifer Privett (1)

(1) Michelle Holenda served as Court Clerk prior to September 2007.

Financial and Caseload Information

	<u>Year Ended December 31,</u>	
	<u>2007</u>	<u>2006</u>
Receipts	\$ 142,996	98,307
Number of cases filed	1,162	1,081