



Susan Montee, JD, CPA
Missouri State Auditor

Ninth Judicial Circuit

City of Marceline Municipal Division

November 2009
Report No. 2009-129



auditor.mo.gov



Susan Montee, JD, CPA
Missouri State Auditor

YELLOW SHEET

Findings in the audit of the Ninth Judicial Circuit, City of Marcelline Municipal Division

| | |
|-------------------------------|--|
| Court Controls and Procedures | Controls and procedures for the handling of municipal division monies are in need of improvement. The duties of receiving, recording, depositing, disbursing, and reconciling court receipts are not adequately segregated. Monies received are not always posted to the accounting ledger and deposited on a timely basis. Bank reconciliations for the municipal division account are not performed. In addition, monthly lists of liabilities are not prepared and reconciled to the municipal division account. The composition of receipt slips issued is not reconciled to the composition of bank deposits. |
| Computer Controls | Access to various court records on the computer system is not adequately limited. The computer containing municipal division information is also used by police department personnel and, although passwords are required to log in to the shared computer, court files are accessible to all users. Passwords are not changed on a periodic basis to ensure confidentiality. In addition, backup copies of computer programs and data are not stored offsite. |
| Ticket Accountability | The municipal division and police department do not account for the numerical sequence of tickets issued. Without a proper accounting for the numerical sequence and ultimate disposition of tickets issued, the court and the police department cannot be assured all tickets issued were properly submitted for processing. |

All reports are available on our Web site: auditor.mo.gov

Ninth Judicial Circuit

City of Marceline Municipal Division

Table of Contents

| | |
|---|--|
| State Auditor's Report | 2 |
| Management Advisory Report - State Auditor's Findings | 1. Court Controls and Procedures.....4 2. Computer Controls5 3. Ticket Accountability7 |
| Organization and Statistical Information | 8 |



SUSAN MONTEE, JD, CPA
Missouri State Auditor

Presiding Judge
Ninth Judicial Circuit
and
Municipal Judge
Marceline, Missouri

We have audited certain operations of the City of Marceline Municipal Division of the Ninth Judicial Circuit. The scope of our audit included, but was not necessarily limited to, the year ended October 31, 2008. The objectives of our audit were to:

1. Evaluate the municipal division's internal controls over significant financial functions such as receipts.
2. Evaluate the municipal division's compliance 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 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 Marceline Municipal Division of the Ninth Judicial Circuit.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

| | |
|---------------------|-------------------------------|
| Director of Audits: | Alice M. Fast, CPA, CIA, CGFM |
| Audit Manager: | Robert Showers, CPA |
| In-Charge Auditor: | Richard Stuck |

Ninth Judicial Circuit

City of Marceline Municipal Division

Management Advisory Report - State Auditor's Findings

1. Court Controls and Procedures

Controls and procedures for the handling of municipal division monies are in need of improvement. Cash custody and record-keeping duties are not adequately segregated, and accounting procedures do not ensure municipal division monies are properly recorded, deposited, or reconciled.

1.1 Segregation of duties

The duties of receiving, recording, depositing, disbursing, and reconciling court receipts are not adequately segregated. Currently, the Court Clerk performs all of these duties. Neither the Municipal Judge nor other personnel independent of the cash custody and record-keeping functions provide any supervision or review of the work performed 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. Internal controls would be improved by segregating the duties of receiving and depositing municipal division monies from recording receipts. In addition, the Missouri Municipal Clerk Manual provides that someone other than the person who issued the receipts or checks should review the accounting records to verify the receipts and checks are issued in sequence and recorded on the cash control record. If proper segregation of duties cannot be achieved, at a minimum, there should be an independent review of the bank reconciliations and reconciliations of receipts and deposits.

1.2 Timely posting and depositing receipts

Monies received are not always posted to the accounting ledger and deposited on a timely basis. Receipts are posted to accounting records in the day or two following court, according to the Court Clerk. In addition, deposits generally are made one to two times a month. For example, March 2008 municipal division receipts totaling \$1,018 were deposited on April 1, 2008. The deposit contained \$265 in cash that was held almost 2 weeks prior to deposit. Posting and making deposits in a timely manner helps to safeguard receipts and reduce the risk of loss or misuse of funds.

1.3 Bank reconciliations

Bank reconciliations for the municipal division account are not performed. In addition, monthly lists of liabilities are not prepared and reconciled to the municipal division account.

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. The reconciliation of a complete and accurate bond liabilities list to the cash balance in the municipal division account would help ensure records are in balance and sufficient funds are available for the payment of all liabilities. Such reconciliations would also allow for prompt detection of errors.



1.4 Receipt composition reconciliation

The composition of receipt slips issued is not reconciled to the composition of bank deposits. Cash, checks, and money orders are accepted for bonds and payment of fines and court costs, and are deposited into the municipal division's bank account. Receipt slips issued by the municipal division indicate the method of payment received; however, bank deposit slips do not show the composition of deposits.

Reconciling the composition of deposits to receipt slips helps to adequately account for collections and reduce the risk of loss or misuse of funds.

Recommendations

The City of Marceline Municipal Division:

- 1.1 Adequately segregate the duties of receiving, recording, depositing, disbursing and reconciling court monies to the extent possible. If proper segregation of duties cannot be achieved, at a minimum, procedures for an adequate independent review of the record-keeping functions should be established.
- 1.2 Ensure receipts are posted and deposited timely.
- 1.3 Perform monthly bank reconciliations and ensure the book balance reconciles to the bank balance. In addition, the municipal division should prepare a monthly list of liabilities and reconcile the list to the book and bank balances.
- 1.4 Reconcile the composition of receipt slips to the composition of deposits.

Auditee's Response

The City of Marceline Municipal Division provided the following written responses:

- 1.1 *Agree. City Clerk will now review financial documents on a monthly basis.*
- 1.2 *Agree. Monies for the municipal court will be deposited in a more timely manner.*
- 1.3 *Agree. Bank reconciliations will be performed on a monthly basis.*
- 1.4 *Agree. This has already been implemented.*

2. Computer Controls

Computer systems and data are vulnerable to unauthorized use, modification, or destruction due to not limiting access and not keeping passwords confidential. In addition, programs and data are not periodically backed up and stored off-site.



Ninth Judicial Circuit
City of Marceline Municipal Division
Management Advisory Report - State Auditor's Findings

2.1 Restricted access

Access to various court records on the computer system is not adequately limited. The computer containing municipal division information is also used by police department personnel and, although passwords are required to log in to the shared computer, court files are accessible to all users. To establish individual responsibility, and to help preserve the integrity of computer systems and data files, access should be limited to authorized individuals through the use of access controls. Unauthorized access can result in the deletion or alteration of data files and programs.

2.2 Passwords

Passwords are not changed on a periodic basis to ensure confidentiality. The security of a password system is dependent upon keeping passwords confidential. However, passwords are not periodically changed to help ensure they remain known only to the assigned user and to reduce the risk of compromised passwords. As a result, there is less assurance passwords are effectively limiting access to computer systems and data files to only those individuals who need access to perform their job responsibilities. Passwords should be unique and confidential, changed periodically to reduce the risk of unauthorized use, and used to restrict individuals' access to only those computer systems and data files they need to accomplish their jobs.

2.3 Backup

Backup copies of computer programs and data are not prepared and stored off-site. Backup copies of computer information are necessary to provide a means for recreating destroyed data. Backup copies should be maintained and stored off-site to provide increased assurance municipal division data can be recreated in the event of an emergency.

Recommendations

The City of Marceline Municipal Division:

- 2.1 Ensure access to specific computer programs/data files is restricted to authorized individuals through a system of passwords.
- 2.2 Require passwords for all employees that are confidential and periodically changed to prevent unauthorized access to the division's computer systems and data.
- 2.3 Ensure backup copies of computer programs and data are prepared periodically and stored in a secure, off-site location.

Auditee's Response

The City of Marceline Municipal Division provided the following written responses:

- 2.1 *Agree. Municipal court clerk is working with IT to add additional log-ins on computer.*
- 2.2 *Agree. Passwords will now either be changed on a monthly or bi-monthly basis.*



2.3 *Agree. Working with IT to provide backups and store at Marceline City Hall in City vault.*

3. Ticket Accountability

The municipal division and police department do not account for the numerical sequence of tickets issued. The Police Department tracks the ticket numbers assigned to each officer, but does not keep records of tickets issued. As tickets are issued by the Police Department, they are given to the court for processing. The court employees enter the tickets into the computer system; however, they do not ensure the numerical sequence of all tickets issued is accounted for properly.

Without a proper accounting for the numerical sequence and ultimate disposition of tickets issued, the court and the police department cannot be assured all tickets issued were properly submitted for processing.

Recommendation

The City of Marceline Municipal Division work with the Police Department to ensure adequate records are maintained to account for the numerical sequence and ultimate disposition of all tickets issued.

Auditee's Response

The City of Marceline Municipal Division provided the following written response:

Agree. An Excel spreadsheet is being prepared to keep track of all tickets.

Ninth Judicial Circuit

City of Marceline Municipal Division

Organization and Statistical Information

The City of Marceline Municipal Division is in the Ninth Judicial Circuit, which consists of Chariton, Linn, and Sullivan Counties. The Honorable Gary Ravens 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 in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Personnel

At October 31, 2008, the municipal division employees were as follows:

| Title | Name |
|-----------------|-------------------|
| Municipal Judge | James Williams(1) |
| Court Clerk | Dana Hamilton |

(1) Mr. Williams also serves as the Ninth Circuit Associate Court Judge and is not compensated by the City of Marceline for his duties as Municipal Judge.

Financial and Caseload Information

| | Year Ended October 31, 2008 |
|-----------------------|--------------------------------|
| Receipts | \$8,331 |
| Number of cases filed | 142 |