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Missouri State Auditor

Seventh Judicial Circuit

City of Mosby Municipal Division

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Office of the
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Susan Montee, JD, CPA

December 2009

The following findings were included in our audit report on the Seventh Judicial Circuit, City of Mosby Municipal Division.

Receipts totaling at least \$6,445 were received by the City of Mosby Municipal Division during the period June 2008 through October 2008, but were not deposited. The Chief of Police indicated he reported an alleged fraud to the County Prosecuting Attorney after he discovered some municipal division monies received were not deposited, monthly court reports were not prepared, and Crime Victims Compensation (CVC) monies were not remitted to the state. In addition to the missing monies, the current Court Administrator has been unable to locate many court documents including the following: some case files/tickets, several court dockets, and some deposit slips, monthly court reports, bank statements, and receipt slips. Lack of internal controls and bond and ticket accountability, as well as no independent review of the Court Administrator's work, allowed the missing monies to go undetected.

The various duties of the municipal division are not adequately segregated, and the work of the Court Administrator is not adequately reviewed. Receipt slips were not issued for some monies received, the numerical sequence of receipt slips issued from June through October 2008 could not be accounted for, a cash control record was not maintained, and no record was maintained to indicate the individual receipts making up each deposit. In addition, receipts were not deposited intact on a timely basis and bond forms issued by the Police Department are not prenumbered. Prior to January 2009, monthly bank reconciliations for the municipal division bond account were not performed and lists of liabilities were not maintained to account for bonds held for defendants. The current Court Administrator was only able to identify \$2,100 in open bonds as of January 2009, leaving an unidentified difference of \$7,095 in the bond account. Checks and money orders received by the municipal division are not restrictively endorsed until the deposit is prepared. Neither the Court Administrator nor the Police Department account for the numerical sequence and ultimate disposition of traffic tickets issued.

While the city has an ordinance requiring the collection of \$2 per case for Law Enforcement Training (LET), this fee is not collected. Judicial Education Fund (JEF) fees have not been deposited to the JEF bank account since May 2008 and court costs collected on traffic tickets were not always distributed to the state. Monthly summary reports were not always submitted to the Office of State Courts Administrator as required, and a final court docket is not prepared.

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YELLOW SHEET

SEVENTH JUDICIAL CIRCUIT
CITY OF MOSBY
MUNICIPAL DIVISION

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STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

Presiding Judge
Seventh Judicial Circuit
and
Municipal Judge
Mosby, Missouri

We have audited certain operations of the City of Mosby Municipal Division of the Seventh Judicial Circuit. The scope of our audit included, but was not necessarily limited to, the 2 years ended March 31, 2009. 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 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 Mosby Municipal Division of the Seventh 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: Todd M. Schuler, CPA
In-Charge Auditor: Julie A. Moulden, CPA

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

SEVENTH JUDICIAL CIRCUIT
CITY OF MOSBY
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.

Missing Funds

Receipts totaling at least \$6,445 were received by the City of Mosby Municipal Division during the period June 2008 through October 2008, but were not deposited.

The former Court Administrator was elected to the position of City Collector in April 2008, and also took over the duties of Court Administrator and City Clerk in June 2008, when the prior Court Administrator and City Clerk quit. She was replaced as Court Administrator and City Clerk in November 2008. The Chief of Police indicated he reported an alleged fraud to the county Prosecuting Attorney after he discovered some municipal division monies received were not deposited, monthly court reports were not prepared, and Crime Victims Compensation (CVC) monies were not remitted to the state.

For the period June to October 2008, we compared amounts receipted as cash on the city's and municipal division's receipt slips for court fines, costs, and bonds to cash deposited into the city's General Fund and the municipal division's bond bank account. Recorded fines and costs received as cash, totaling at least \$5,792, were not deposited and are missing. In addition, cash bonds received from the Police Department, totaling \$653, were not deposited, and are missing. The Schedule of Missing Fines, Costs, and Bonds included in this report documents the missing cash receipts.

In addition to the missing monies, the current Court Administrator has been unable to locate many court documents including: some case files/tickets, several court dockets, and some deposit slips, monthly court reports, bank statements, and receipt slips.

Lack of internal controls and bond and ticket accountability, as well as no independent review of the Court Administrator's work, as discussed in the remainder of the Management Advisory Report (MAR), allowed the missing monies to go undetected.

WE RECOMMEND the City of Mosby Municipal Division, along with the city, work with law enforcement officials regarding possible criminal prosecution, including restitution of the missing funds, and attempt to locate or recover the missing court records and documents.

AUDITEE'S RESPONSE

The current Court Administrator provided the following response:

The appropriate parties have already been notified and missing records have been located to the extent possible.

2. Internal Controls and Records

Internal controls and procedures regarding accounting functions and records are in need of improvement in the municipal division.

- A. The various duties of the municipal division are not adequately segregated, and the work of the Court Administrator is not adequately reviewed. The Court Administrator performs all of the duties related to the collection of fines, court costs, and bonds and the disbursement of bonds. 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 Administrator.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that transactions are accounted for properly and assets are adequately safeguarded. Since this office currently has only one employee and proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to amounts deposited and an independent review of bank statements and reconciliations. Any unusual items or discrepancies should be investigated and resolved promptly.

- B. Controls over the processing of municipal division receipts and deposits are in need of improvement.

- 1) Between June and October 2008, receipt slips were not issued for some monies received and the numerical sequence of receipt slips issued could not be accounted for properly. A cash control record was not maintained and no record was maintained to indicate the individual receipts making up each deposit. In addition, the composition of receipt slips issued was not compared to the composition of deposits.

The municipal division issues manual receipt slips for the payment of fines and costs, but the former Court Administrator sometimes issued city receipt slips for municipal division receipts and, as a result, the numerical sequence of receipt slips could not be accounted for properly. Neither the city nor the municipal division was able to locate some receipt books used between June and October 2008.

We obtained the deposit detail from the bank for deposits made from June through October 2008 by the former Court Administrator. Receipt slips were either not issued or not located for 32 checks received from defendants, totaling approximately \$2,420, which were included in deposits. As a result, the composition of deposits did not agree to the deposit slips for any deposits made between June and October 2008, and the majority of these deposits had little or no cash, although the receipt slips available indicated significant amounts of cash were received. These discrepancies were not identified by municipal division or city personnel.

To adequately account for all monies received, receipt slips should be issued for all monies received, posted to a cash control, and the numerical sequence of receipt slips should be accounted for periodically. Additionally, the composition of receipt slips should be reconciled to the composition of deposits.

- 2) Receipts were not deposited intact on a timely basis. The deposit frequency for fines and court costs significantly decreased in June 2008. Prior to that time, an average of four deposits were made each month to the fines and costs account, and these deposits averaged approximately \$1,000. Between June and October 2008, the average number of deposits decreased to approximately two per month, and the average deposit amount increased to over \$1,500. From June to October 2008, there were no deposits made to the bond account; bond monies that were deposited, were deposited to the city's General Fund account in error.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all receipts should be deposited intact on a timely basis.

- 3) Receipts slips are not issued to the Police Department when cash bonds are transmitted to the municipal division. While the bonds are signed for when received by the Court Administrator, an independent review is not performed to ensure all cash bonds are received and deposited.

- C. Bond forms issued by the Police Department are not prenumbered. Bonds received by the Police Department are given to the Court Administrator, who initials the bond log indicating the monies were received, but there is no sequential number associated with each bond to allow the municipal division to ensure all bonds received have been accounted for properly.

To reduce the risk of loss, theft, or misuse of bond monies, and to provide assurance that all bond monies are accounted for properly, prenumbered bond forms should be used and procedures to account for the numerical sequence of bond forms should be established.

- D. Prior to January 2009, monthly bank reconciliations for the municipal division bond account were not performed and lists of liabilities were not maintained to account for bonds held for defendants. The current Court Administrator investigated the bond account in January 2009, and determined the reconciled account balance was \$9,195, but was only able to identify \$2,100 in open bonds, leaving an unidentified difference of \$7,095. As of June 30, 2009, this difference remained undistributed.

Monthly bank reconciliations are necessary to ensure the accounting records are in agreement with the bank records and to help detect errors on a timely basis. Monthly lists of liabilities should be prepared and reconciled to the available cash balance to ensure proper accountability over open cases and to ensure monies held in trust by the municipal division are sufficient. An attempt should to be made to identify and disburse these balances to the appropriate parties.

- E. Checks and money orders received by the municipal division are not restrictively endorsed until the deposit is prepared. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.
- F. Neither the Court Administrator nor the Police Department account for the numerical sequence and ultimate disposition of traffic tickets issued. The current Court Administrator maintains a log of ticket books assigned to officers and posts the ultimate disposition of each ticket to a numerical log; however, between June and October 2008, neither the former Court Administrator nor the Police Department accounted for the numerical sequence and ultimate disposition of traffic tickets issued. In addition, during our review of 40 traffic tickets, 4 tickets could not be located.

Without a proper accounting for the numerical sequence and ultimate disposition of tickets issued, the municipal division and the Police Department cannot be assured all tickets issued were properly submitted for processing.

WE RECOMMEND the City of Mosby Municipal Division:

- A. Establish a documented periodic review of municipal division records by an independent person.
- B.1. Issue receipt slips for all monies received, maintain a cash control and periodically account for the numerical sequence of receipt slips issued. In addition, the composition of receipt slips issued should be reconciled to the composition of bank deposits.
2. Deposit receipts intact on a timely basis.
 3. Establish procedures to ensure all cash bonds are deposited.

- C. Work with the Police Department to ensure prenumbered bond forms are used for all bonds received and establish procedures to account for their numerical sequence.
- D. Prepare bank reconciliations for the bond account monthly and compare the reconciled account balance to a monthly list of liabilities. Any unidentified differences should be investigated and if the owner cannot be located, the unclaimed bonds should be disposed of in accordance with state law.
- E. Restrictively endorse checks immediately upon receipt.
- F. Work with the Police Department to ensure the numerical sequence and ultimate disposition of all tickets issued are accounted for properly.

AUDITEE'S RESPONSE

The current Court Administrator provided the following responses:

- A. *We will work with the City Clerk to establish an independent review.*
- B,
E&F. *These recommendations have been implemented.*
- C. *We have discussed the issue with the Police Department and the department ordered prenumbered bond forms that were placed into use on October 1, 2009.*
- D. *We have already begun reconciling the bond account on a monthly basis and continue to investigate the unidentified difference.*

3.	Compliance
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- A. While the city has an ordinance requiring the collection of \$2 per case for Law Enforcement Training (LET), this fee is not collected. The city currently collects \$12 court costs, \$1 Peace Officers Standards Training (POST) fee, \$7.50 Crime Victims Compensation (CVC) fee, and \$1 Judicial Education Fund (JEF) fee for a total of \$21.50 per case.

Section 488.5336, RSMo, allows a surcharge of \$2 per case to be collected for LET.

- B. JEF fees have not been deposited to the JEF bank account since May 2008. The division collects \$1 per case for the JEF, which is to be deposited in a bank account for court training by the city, but since May 2008 these fees have been deposited to the city's General Fund account. Section 479.260.1, RSMo, allows JEF fees to be assessed in addition to other court costs and deposited into a fund

to be used for judicial education and training for the Municipal Judge and Court Administrator. The municipal division should determine the amount due to the JEF account and request the city transfer these funds. Without a proper accounting of the JEF fees collected, it cannot be determined whether the monies have been expended only for the purposes allowed by state law.

- C. Court costs collected on traffic tickets were not always distributed to the state. CVC fees were collected but not distributed between June and November 2008 and as of March 31, 2009, the last payment to the state for POST collections was May 1, 2008. State law requires certain court costs be distributed to the applicable state agencies on a monthly basis. Failure to pay court costs collected to the appropriate agencies deprives the state of revenue.
- D. Monthly summary reports were not always submitted to the Office of State Courts Administrator (OSCA) as required. During our review of the municipal division records, we were unable to locate summary reports for January and August 2007, June 2008, and August through October 2008.

The OSCA requires municipal divisions to submit a summary report each month that reports monthly caseload information and monthly collections.

- E. A final court docket is not prepared. The Court Administrator takes notes during court on the working docket but does not post that data to a final docket and the Municipal Judge does not sign the working court dockets.

Section 479.070, RSMo, requires the proceeding for every case commenced before the court to be entered on the docket, along with the ultimate disposition of the case. To ensure the proper disposition of all cases has been entered in the court records, a final court docket should be prepared and the Municipal Judge should sign the dockets after reviewing to ensure their propriety.

WE RECOMMEND the City of Mosby Municipal Division:

- A. Collect \$2 per case for LET in accordance with state law and city ordinance.
- B. Work with the city to determine the amount due from the General Fund to the JEF account and ensure all JEF fees collected are deposited to the proper account in accordance with state law.
- C. Ensure fines and court costs are transmitted to the appropriate parties at least monthly as required by state law and determine the amounts due from prior months.
- D. Prepare summary reports as required and ensure they are submitted to the OSCA timely.

- E. Prepare a final court docket containing information required by state law and ensure the Municipal Judge reviews all court dockets for propriety and signs the dockets to indicate his approval.

AUDITEE'S RESPONSE

The current Court Administrator provided the following responses:

A, B,

&D. These recommendations have been implemented.

C. The amounts due to the state have been determined and checks will be issued in the near future.

E. We will prepare a final court docket beginning with the next court date and will present it to the Municipal Judge for his review and signature.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

SEVENTH JUDICIAL CIRCUIT
CITY OF MOSBY
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The City of Mosby Municipal Division is in the Seventh Judicial Circuit, which consists of Clay County. The Honorable Rex Gabbert 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 March 31, 2009, the municipal division employees were as follows:

Municipal Judge William Shull
Court Administrator Sally Denney*

* Sally Denney was hired in November 2008 to replace Teresa Dravenstott. Teresa Dravenstott was elected to the position of City Collector in April 2008 and also served as City Clerk and Court Administrator between June and October 2008. Prior to April 2008, Julie Cazzell served as City Collector and prior to June 2008, she also served as City Clerk and Court Administrator and had held these positions for approximately 20 years.

Financial and Caseload Information

	<u>Year Ended March 31,</u>	
	<u>2009</u>	<u>2008</u>
Receipts	N/A	\$73,440
Number of cases filed	N/A	781

Note: 2009 data was not available because of numerous missing court records.

SCHEDULE OF MISSING FINES, COSTS, AND BONDS

SEVENTH JUDICIAL CIRCUIT
 CITY OF MOSBY
 MUNICIPAL DIVISION
 SCHEDULE OF MISSING FINES, COSTS, AND BONDS

Missing fines and costs:

<u>Deposit Date</u>	<u>Receipt Numbers</u>	<u>Cash Receipts</u>	<u>Cash Deposited</u>	<u>Missing Receipts</u>
7/17 & 7/25/08	14849-14880 & 862405	\$ 1,652	0	1,652
8/26, 9/3, & 9/16/08	14881-14904, 862408, & 862417-862427	2,824	225	2,599
9/24/2008	14905	53	53	0
10/23/2008	14906-14928 & 862428	1,813	75	1,738
10/29/2008	14929	103	300	(197)
		<u>\$ 6,445</u>	<u>653</u>	<u>5,792</u>

Missing bonds:

<u>Receipt Date</u>	<u>Bond Amount</u>
9/29/2008	\$ 250
10/5/2008	103
10/28/2008	300
	<u>\$ 653</u>