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Missouri State Auditor

Douglas County Prosecuting Attorney



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Office of the
Missouri State Auditor
Susan Montee, CPA

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Our office conducted an audit of the Prosecuting Attorney of Douglas County, Missouri.

Cash receipts totaling at least \$4,459 received by the Douglas County Prosecuting Attorney's office between October 1, 2007 and February 25, 2008, were not deposited and are unaccounted for. Poor accounting controls allowed these missing funds to go undetected.

In March 2008, the State Auditor's office was contacted by the Douglas County Prosecuting Attorney's office requesting assistance with balancing and maintaining accounting records. The State Auditor's office was informed that the Prosecuting Attorney's Legal Assistant, who was responsible for maintaining the accounting records, was terminated, and accounting records had not been properly balanced and maintained. Our review of the accounting records identified discrepancies and the need for an audit which was subsequently requested by the Prosecuting Attorney.

Poor receipting and depositing procedures allowed the missing cash receipts to occur and not be detected. For example, unrecorded checks and money orders appear to have been substituted into deposits and recorded cash receipts were not deposited. Additionally, some checks and money orders were not recorded for up to two months after being received and deposited. This delay in recording receipts also helped to conceal the missing cash. Further, the method of payment (cash, check, or money order) is not always indicated on receipt slips, receipts are not deposited timely, and the numerical sequence of receipt slips is not accounted for.

Other weaknesses were noted including the failure to adequately segregate accounting duties and perform bank reconciliations. All collection, distribution, and record-keeping duties are performed by the Prosecuting Attorney's Legal Assistant, and there is no documentation that the work performed or the records maintained are reviewed by a supervisor or the Prosecuting Attorney. Monthly bank reconciliations are not performed, and listings of open items are not prepared and reconciled to the account balance. As of February 2008, bank reconciliations had not been performed for almost a year and restitution and fees had not been disbursed for several months.

Also in the report are recommendations related to restitution distributed to victims, fees distributed to the County Treasurer, and information posted to case files.

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YELLOW SHEET

PROSECUTING ATTORNEY
DOUGLAS COUNTY

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Christopher D. Wade, Prosecuting Attorney
Douglas County

The State Auditor was requested by the Honorable Christopher D. Wade, Prosecuting Attorney, to audit the receipts and disbursements of the Douglas County Prosecuting Attorney. The scope of our audit included, but was not necessarily limited to, the period January 1, 2007 through February 25, 2008. The objectives of our audit were to:

1. Determine if the Prosecuting Attorney's office has adequate internal controls over significant financial functions, such as receipts.
2. Review certain receipts and attempt to determine the amount of any missing funds.
3. Determine if the Prosecuting Attorney's office has complied with certain legal provisions.

Our methodology included reviewing financial records and other pertinent documents; interviewing various personnel of the Prosecuting Attorney's office, 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 contract or 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 Management Advisory Report presents our findings arising from our audit of the Douglas County Prosecuting Attorney.



Susan Montee, CPA
State Auditor

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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

DOUGLAS COUNTY
PROSECUTING ATTORNEY
MANAGEMENT ADVISORY REPORT-
STATE AUDITOR'S FINDINGS

1.	Missing Funds
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Cash receipts totaling at least \$4,459 were received by the Prosecuting Attorney's office between October 1, 2007 and February 25, 2008, but were not deposited and are unaccounted for.

In March 2008, the State Auditor's office was contacted by the Douglas County Prosecuting Attorney's office requesting assistance with balancing and maintaining accounting records. The State Auditor's office was informed that the Prosecuting Attorney's Legal Assistant, who was responsible for maintaining the accounting records, was terminated, and accounting records had not been properly balanced and maintained for many months. The former Legal Assistant was hired January 2, 2007, her last day at work was February 20, 2008, and she was terminated on February 27, 2008. After reviewing the accounting records and providing assistance to the Prosecuting Attorney's office, it was determined that an audit of the records was necessary. The State Auditor was subsequently requested by the Prosecuting Attorney to audit the receipts and disbursements of his office.

Court ordered restitution, delinquent state tax payments, and bad check restitution and fees were collected by various employees of the Prosecuting Attorney's office and transmitted to the former Legal Assistant to be deposited into the Prosecuting Attorney's checking account. Prosecuting Attorney's office employees issue manual receipt slips for court ordered restitution and delinquent tax payments and issue computer generated receipt slips through the Bad Check Prosecution System (BCPS) for bad check restitution and fees.

Between October 1, 2007 and February 25, 2008, the Prosecuting Attorney's Office recorded cash receipts of \$16,678 but only deposited cash totaling \$12,219 resulting in a cash shortage of \$4,459. During this time period, checks and money orders totaling approximately \$2,400 were deposited but not receipted helping to conceal this shortage. The Appendix included in this report documents the missing cash receipts.

Poor accounting controls, as discussed in the remainder of the Management Advisory Report (MAR), allowed these missing funds to go undetected.

WE RECOMMEND the Prosecuting Attorney investigate missing cash receipts and take appropriate action to recover the monies including working with law enforcement officials regarding criminal prosecution and restitution of the missing funds.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following written response:

The matter has been referred to the highway patrol for investigation and the Attorney General's Office has been appointed special prosecuting attorney.

2. Receipt Procedures

Numerous weaknesses relating to receipt procedures have allowed the missing cash receipts noted in MAR finding number 1 to occur and not be detected. Monies deposited into the Prosecuting Attorney's bank account for the period January 1, 2007 through February 25, 2008, totaled approximately \$80,000.

- Receipt slips are not issued for some monies received. We identified numerous instances where receipt slips were not issued for checks and money orders received for restitution and delinquent tax payments. These unrecorded checks and money orders appear to have been substituted into deposits and recorded cash receipts were not deposited. Additionally, we identified instances where receipt slips were issued up to two months after a check or money order had been received and deposited. It appears this delay in recording receipts also helped to conceal the missing cash receipts.
- The method of payment (cash, check, or money order) is not always indicated on the receipt slip issued, and the composition of receipts is not reconciled to the composition of deposits. Additionally, for some deposits there is no indication of which receipts were included in the deposit. While some deposit slips included an itemized listing of cash, checks, and money orders, several deposit slips did not provide adequate documentation to determine which receipts were included in the deposit. Also, in some instances a detailed listing was included on the back of the deposit slip, but a copy was not retained by the Prosecuting Attorney's office and the bank did not provide a copy of the back of the deposit slip in the bank statements.
- Receipts are not deposited timely. For example, no deposits were made in November 2007 or January 2008. Only one deposit was made in December 2007, totaling \$14,065, and it included receipts collected since October 12, 2007. The next deposit was not made until February 25, 2008. Prior to October 2007, deposits were generally made weekly. The significant delays in deposits beginning in October 2007 was an indication that accounting records were not being properly maintained; however, there is no documentation to indicate that these records were reviewed by someone other than the former Legal Assistant.
- The Prosecuting Attorney's office occasionally accepts money orders made payable to the victims, which are not deposited, but are forwarded directly to the victims.

Receipt slips issued for these money orders did not always indicate these money orders were sent directly to the victim rather than deposited.

- The Prosecuting Attorney's office issues rediform receipt slips rather than official prenumbered receipt slips for court ordered restitution payments. Additionally, checks and money orders received are deposited without an endorsement on the back. The office does not have a stamp to restrictively endorse checks and money orders.
- The numerical sequence of both computerized and manual receipt slips was not accounted for. Instances were noted where all copies of manual receipt slips were missing from the receipt book and some copies of voided receipt slips were not retained. Additionally, some computerized receipt numbers were not included on computer generated reports. Software support personnel indicated the information associated with these missing receipt numbers was most likely reversed out of the bad check system because of an error and may have been recorded again. However, documentation was not maintained to associate these missing receipt numbers to subsequent entries into the system. As a result, the Prosecuting Attorney should follow up on these missing receipt numbers to determine if additional funds are missing.

To ensure all monies are properly accounted for and deposited, prenumbered official receipt slips indicating the composition (cash, check, or money order) should be issued for all monies received, the composition of receipt slips should be reconciled to the deposit, and deposits should be made timely. Additionally, copies of itemized deposit slips or other documentation of items included in deposits should be maintained, and the numerical sequence of all receipt slips should be accounted for. Also, documentation should be maintained to support instances when money orders received are made payable to the victim and forwarded directly to the victim, and checks and money orders should be restrictively endorsed when received.

WE RECOMMEND the Prosecuting Attorney issue official, prenumbered receipt slips for all monies received with the method of payment documented, reconcile the composition of receipt slips to the composition of deposits, document which receipts are included in deposits, and deposit monies timely. Additionally, the numerical sequence of all receipts slips should be accounted for, money orders forwarded directly to the victim should be documented, and checks and money orders should be restrictively endorsed when received. Further, the Prosecuting Attorney should follow up on missing computerized receipt slip numbers to determine if additional funds are missing.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following written response:

All recommendations have or will be implemented. Prenumbered receipt slips with the Douglas County Prosecuting Attorney's Office printed on them are now being used. A stamp marked Douglas County Prosecuting Attorney For Deposit Only has been obtained and is used to

endorse all payments to the office. No "blank" money orders will be accepted. The missing computerized receipts will be investigated by the highway patrol.

3. Internal Controls, Records, and Procedures
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Poor controls, records, and procedures have allowed the missing cash receipts identified in MAR finding number 1 to go undetected. Duties are not adequately segregated, bank reconciliations are not performed, and open items listings are not prepared and reconciled to the cash balance. Additionally, fees are not disbursed monthly to the County Treasurer and restitution payments are not always documented in the defendant's case file and disbursed to the victim.

- A. Accounting duties are not adequately segregated or supervised. All collection, distribution, and record-keeping duties are performed by the Prosecuting Attorney's Legal Assistant. In addition, there is no documentation that the work performed or records maintained by the Legal Assistant are reviewed by a supervisor or the Prosecuting Attorney. Had such controls been in place, some of the missing monies noted in this report may have been discovered earlier.

Proper segregation of duties helps ensure 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 receipts from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

- B. Monthly bank reconciliations are not performed, and listings of open items are not prepared and reconciled to the account balance. As of February 2008, bank reconciliations had not been performed for almost a year, and restitution and fees had not been disbursed for several months. The bank account balance was approximately \$23,000.

At our request the Prosecuting Attorney's new Legal Assistant reviewed accounting and bank records and prepared monthly bank reconciliations, disbursed restitution and fees that had accumulated in the account, and prepared a listing of restitution and fees that still remained in the account (open items). As of September 30, 2008, the account balance was approximately \$1,400, and adequate funds were not available in the bank account to disburse all restitution due to victims.

The open items listing prepared by the Prosecuting Attorney's new Legal Assistant included liabilities of approximately \$2,600; however, this listing was not complete. Our limited review of disbursements identified five cases that were not included on this list resulting in an additional \$800 owed to victims.

In addition, in March 2007, approximately \$5,000 was transferred from the old Prosecuting Attorney's bank account to the current Prosecuting Attorney's bank account. This \$5,000 was associated with an open items listing left by the former Bad Check Clerk. Approximately \$2,300 of this money was distributed to the County Treasurer for fees; however, there is no documentation to indicate how the distribution of fees was calculated, or if all of the remaining \$2,700 was disbursed in accordance with the open items listing left by the former Bad Check Clerk. The Prosecuting Attorney should determine if all of these funds were properly distributed or if some of the balance is still being held in the account and should be added to the current open items listing.

Monthly reconciliations between accounting records and bank statements are necessary to ensure all monies are properly accounted for and errors are detected and corrected in a timely manner. Only by preparing complete and accurate open items listings on a monthly basis and reconciling the listing to the account balance can the Prosecuting Attorney be assured the records are in balance and sufficient cash is available to cover liabilities.

- C. Amounts disbursed to victims are not adequately tracked. The BCPS is not used to track bad check restitution disbursed to victims. While this computer system has the capability of tracking disbursements and printing checks, this part of the system is not utilized. Manual checks are written for all disbursements, and adequate records are not always maintained to document restitution receipts are subsequently disbursed to the victims. For example, in some instances "paid out" written across the receipt slip was the only documentation to indicate the restitution receipt was disbursed; however, in one instance a corresponding check was not found to verify the restitution had actually been paid out. The Prosecuting Attorney should take steps to review all receipt and disbursement information to ensure all amounts received have been properly disbursed to victims.
- D. Fees are not disbursed monthly to the County Treasurer, and a monthly report of fees is not prepared to support the amounts turned over to the County Treasurer. For example, fees totaling \$844 for October 2007, were not turned over to the County Treasurer until December 31, 2007. Additionally, it is not clear how amounts paid to the County Treasurer for fees were determined, as monthly reports were not prepared to document how total fees were calculated.

Timely disbursements of restitution and fees collected are necessary to provide adequate controls over account balances and increase the likelihood that discrepancies are detected in a timely manner. Further, Section 50.370, RSMo, requires county officials to prepare and file with the County Commission monthly reports of fees collected.

- E. Court ordered restitution payments received are not consistently documented in the defendant's case file. We noted several instances where deposit records reflect payments were received, but the payments were not posted to the case files and the monies were not paid to the victims. In one instance receipt records show an individual made three separate payments totaling \$550 for delinquent taxes, but only two payments totaling \$350 were sent to the Missouri Department of Revenue.

To ensure all payments received have been posted to the defendants' case files and disbursed to the victims, the Prosecuting Attorney should compare all receipt and deposit records to information posted to case files to ensure all money received is accounted for and made available to the victims.

WE RECOMMEND the Prosecuting Attorney

- A. Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- B. Ensure monthly bank reconciliations are performed, complete and accurate open items listings are compiled, and the account balance is reconciled to open items listings monthly. The Prosecuting Attorney should review the transfer of funds made from the former Prosecuting Attorney's bank account and determine if the funds were properly disbursed or if amounts need to be included on the current open items listing.
- C. Review all receipt and disbursement information to ensure all amounts paid have been properly disbursed to victims.
- D. Disburse fees to the County Treasurer monthly and prepare monthly reports of fees to support amounts turned over to the County Treasurer.
- E. Compare restitution receipt and deposit records to information posted to case files and ensure all monies received are accounted for and disbursed to victims.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following written responses:

- A. *The Prosecuting Attorney will open the monthly bank statement and review it before any employee sees it.*
- B. *Monthly bank reconciliations are being performed. The old account is being reviewed to determine if payments were made or not. The account will be closed out entirely if possible.*
- C. *A review is being conducted to determine what amounts have been paid to which victims.*

- D. Fees are being disbursed to the County Treasurer monthly along with a report showing how the amount was calculated.*
- E. A monthly report will be made showing the amount of money taken in and the amount of money disbursed.*

APPENDIX

DOUGLAS COUNTY
PROSECUTING ATTORNEY
APPENDIX

The following schedule shows the deposits and receipts for which cash received was not deposited.

<u>Deposit Date</u>	<u>Receipt Numbers*</u>	<u>Cash Per Receipt Slips</u>	<u>Cash Deposited</u>	<u>Difference</u>
10/12/02007	6989-7018 254632-254651	\$ 2,091 2,065 <u>4,156</u>	4,027	129
12/26/2007	7019-7093 254652-254678	3,597 2,044 <u>5,641</u>	3,901	1,740
2/25/2008	7094-7129 254679-254707	1,607 5,274 <u>6,881</u>	4,291	2,590 <u>4,459</u>
				\$ <u>4,459</u>

* Includes manual and computer generated receipt slip numbers with method of payment identified as cash and receipt slip number 254668 with composition not indicated, but appears to be cash. Adjustments were made for instances identified of payees issued both manual and computer receipt slips. Excludes receipt numbers 6991, 6999, and 7001 dated in September 2007. Receipt number 254644 indicates cash, but composition appears to be both cash and money order.