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Thirtieth Judicial Circuit

City of Pleasant Hope Municipal Division

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YELLOW SHEET

Findings in the audit of the Thirtieth Judicial Circuit, City of Pleasant Hope Municipal Division

Receipting and Depositing	Controls and procedures over the collection of fines, court costs, and bonds need improvement. According to municipal division records, approximately \$21,700 was processed during the year ended December 31, 2008. Receipt slips are not always issued for monies received, the correct amount and method of payment is not always recorded correctly on the receipt slip, and receipt slips are not always issued in a timely manner. In addition, receipts are not always deposited intact and on a timely basis.
Segregation and Bond Coverage	Cash custody and accounting duties are not adequately segregated, and the supervisory review performed by the Municipal Judge of municipal division records is not sufficient. In addition, the municipal division and city are not adequately protected from the risk of theft through bonding of municipal division officials.
Liabilities and Receivables	While a list of liabilities is maintained on the municipal division's computer system, month-end liabilities are not identified and reconciled to the municipal division's bank account balances. As a result, errors went undetected and bank balances do not balance with municipal division liabilities. Accounts receivable are not reviewed periodically and inaccuracies in the records are not identified by the municipal division.
Reporting and Procedures	A monthly list of all cases heard is not prepared and filed with the city as required by state law. The issuance of warrants and application of bond monies to fines and costs was not always performed in a timely manner and was sometimes performed without obtaining proper approval. As a result of not transferring the most current municipal division information to a new computer in December 2007, various municipal division records are not complete and accurate. In addition, a periodic back-up of information maintained on the municipal division's computer system has not been performed since October 2007.
Ticket Accountability	Neither the city police department nor the municipal division accounts for the numerical sequence and ultimate disposition of traffic tickets issued.

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Thirtieth Judicial Circuit

City of Pleasant Hope Municipal Division

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Missouri State Auditor

Presiding Judge
Thirtieth Judicial Circuit
and
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Pleasant Hope, Missouri

We have audited certain operations of the City of Pleasant Hope Municipal Division of the Thirtieth Judicial Circuit. The scope of our audit included, but was not necessarily limited to, the year ended December 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 Pleasant Hope Municipal Division of the Thirtieth Judicial Circuit.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

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Management Advisory Report - State Auditor's Findings

1. Receipting and Depositing

Controls and procedures over the collection of fines, court costs, and bonds need improvement. According to municipal division records, approximately \$21,700 was processed during the year ended December 31, 2008.

1.1 Receipting

Receipt slips are not always issued for monies received, and the correct amount and method of payment is not always recorded correctly on the receipt slip. In addition, receipt slips are not always issued in a timely manner. For example, the municipal division received a \$200 check and acknowledged the receipt of the monies by a letter to the defendant dated October 7, 2008. The check was deposited on November 11, 2008, but a receipt slip was not issued until November 17, 2008.

Without issuing receipt slips for all monies collected immediately upon receipt, including the correct amount and method of payment, the municipal division has less assurance all monies collected are properly recorded and deposited.

1.2 Depositing

Receipts are not always deposited intact and on a timely basis. To ensure all receipts are accounted for properly and deposited intact, the composition of receipt slips should be reconciled to the composition of deposits. Additionally, the failure to deposit timely increases the risk of theft or misuse of funds.

Recommendation

The City of Pleasant Hope Municipal Division improve receipting and depositing procedures.

Auditee's Response

The Municipal Judge and Court Clerk provided the following written response:

The court's operating order requires the Court Clerk to issue a receipt for all collections and provide such a receipt to the payer and retain a duplicate copy with the case file information. Deviation from this procedure is due to clerical error or some extraordinary circumstance which is readily determinable. For example, the instance mentioned above was a circumstance where an arresting law enforcement agency sent an arrest bond to the wrong court, then the amount was remitted to this court by said court with no identifying or supporting information. A delay in receipting occurred while the Court Clerk investigated to whom the bond applied (the Court Clerk should have created a non-electronic generated receipt in lieu of the delay). Finally, the court agrees and accepts the recommendation to make all efforts to minimize clerical error and the effect of extraordinary circumstance and improve compliance with its operating order.

The court's operating order requires the Court Clerk to deposit all fines, costs, surcharges, and bonds collected on a daily basis, or when amount on hand reaches \$100 if not on a daily basis. When deposits are prepared, the collection is reconciled to the receipt slip form which is generated from the



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Automated Court Management System (ACMS) data input. The receipt slip form is created as collection is receipted for the defendant and court file. The Municipal Judge reviews the deposits and corresponding receipt form along with the bank account reconciliation monthly. Deviation from this procedure is due to clerical error or some extraordinary circumstance which is readily determinable. For example, when the Court Clerk is on vacation or sick leave, collections are receipted but held in safe-keeping until such can be entered in ACMS and properly prepared for deposit by the Court Clerk. An instance of clerical error occurred when a check given to the court came back as insufficient funds after all reporting and disbursement to the State and City was completed. When the defendant submitted a cover payment by money-order it was deposited directly into the general account in order to minimize corrective paperwork and correspondence with the State and City. In another instance, a money order received was misplaced and later deposited when found.

Finally, the court agrees and accepts the recommendation to make all efforts to minimize clerical error and the effect of extraordinary circumstance and improve compliance with its operating order.

2. Segregation and Bond Coverage

Cash custody and accounting duties are not adequately segregated, and the supervisory review performed of municipal division records is not sufficient. In addition, the Court Clerk and Municipal Judge are not bonded.

2.1 Segregation of Duties

The Court Clerk is responsible for receiving and recording monies, preparing deposits and checks, and reconciling the municipal division's two bank accounts. While the Municipal Judge documents his review of bank reconciliations, he does not document his review of the composition of receipt slips to the composition of deposits, and a review of liabilities to the reconciled bank balances is not performed.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the cash custody and accounting duties. However, if proper segregation of duties cannot be achieved due to limited staff, the Municipal Judge should expand his supervisory reviews to include procedures such as a periodic comparison of the composition of receipt slips to the composition of deposits, and liabilities to the reconciled bank balances.

2.2 Bond Coverage

The Court Clerk and Municipal Judge are not bonded. Proper bonding of persons with access to monies would better protect the municipal division from risk of loss.



Recommendations

The City of Pleasant Hope Municipal Division:

- 2.1 Segregate accounting duties to the extent possible. If proper segregation is not possible, the Municipal Judge should ensure effective supervisory reviews are performed and documented.
- 2.2 Request the city to obtain adequate bond coverage for the Court Clerk and Municipal Judge.

Auditee's Response

The Municipal Judge and Court Clerk provided the following written responses:

- 2.1 *The court's operating order requires the Court Clerk to request the city develop a documented independent comparison of receipt slips issued to composition of deposits, and an independent review of bank statements and month-end reconciliation. In light of the order and due to the inability to further segregate duties, the Municipal Judge provides on a monthly basis the independent reviews of the bank account reconciliation and the receipt form to the deposits. In addition, the Municipal Judge is the only person authorized to sign checks on court accounts. The Court Clerk performs all other accounting functions including collection and disbursement. Also, all case dispositions are reconciled to the City Attorney's record for his review at least annually and a monthly municipal court activity report is submitted to the Circuit Judge. Finally, the court agrees and accepts the recommendation to expand supervisory reviews as above-mentioned including review of the liabilities represented by the bond balances at least quarterly.*
- 2.2 *The court's operating order requires the Court Clerk to request the city maintain fidelity bonds covering the Court Clerk and other personnel who handle court collection. At the court's origination, the city was requested to provide coverage on the Court Clerk. Subsequently, the city failed to inform the court that such coverage had not been renewed. The court agrees and accepts the recommendation and will submit a request to the city to provide bonding of the Court Clerk and Municipal Judge.*

3. Liabilities and Receivables

Procedures related to identifying and monitoring liabilities and accounts receivable records need improvement.

3.1 Liabilities

Month-end liabilities are not reconciled to the municipal division's bank account balances. The municipal division's bond account had a reconciled bank balance of \$1,005 as of December 31, 2008. While a list of liabilities is maintained on the municipal division's computer system, it is not compared



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and reconciled to the bond bank account balance. At our request, the Court Clerk printed a list of liabilities as of December 31, 2008, which totaled \$1,545. A review of the list showed that a \$150 bond which was applied to fines and costs in November 2007 was incorrectly included, and \$12 of start up funds deposited into the municipal division's account by the city was incorrectly excluded. After considering these errors, the identified liabilities as of December 31, 2008, were \$1,407, and exceeded the bond account balance by \$402.

Liabilities related to the municipal division's fines and court costs bank account are not identified by the Court Clerk. The account had a reconciled bank balance of \$500 as of December 31, 2008. During our review of the bank account, we identified \$354 of liabilities as of December 31, 2008, resulting in an unidentified balance of \$146.

Liabilities should be identified at each month-end and reconciled to cash balances to ensure accounting records are in balance and sufficient funds are available for the payment of all liabilities. Such reconciliations would allow for prompt detection of errors. Unidentified differences should be investigated immediately and appropriate action taken.

3.2 Accounts receivable

Accounts receivable are not reviewed periodically and inaccuracies in the records are not identified by the municipal division. An accounts receivable list is maintained on the municipal division's computer system; however, the Court Clerk does not routinely review the report for accuracy and ensure proper follow up on accounts receivable amounts.

The December 31, 2008, accounts receivable list included five cases totaling \$785. Our review determined costs totaling \$333 related to three of the five cases had already been collected or had been dismissed prior to December 31, 2008, and were incorrectly reported as still due.

Failure to adequately monitor accrued costs may result in lost revenue. A complete and accurate list of accrued costs would allow the Court Clerk and Municipal Judge to more easily review the amounts owed to the municipal division and take the appropriate steps to ensure all amounts owed are collected on a timely basis.

Recommendations

The City of Pleasant Hope Municipal Division:

- 3.1 Identify month-end liabilities and reconcile liabilities to the balances in the municipal division bank accounts. Any unidentified differences should be investigated and resolved.
- 3.2 Establish procedures to routinely review the accounts receivable list for accuracy and ensure proper follow up on amounts due.



Auditee's Response

The Municipal Judge and Court Clerk provided the following written response:

As previously mentioned in 2.1., the Municipal Judge will expand supervisory reviews of liabilities and will also include accounts receivable to at least quarterly. The Municipal Judge will continue to provide on a monthly basis the independent reviews of the bank account reconciliation and the receipt form to the deposits. The Court Clerk's failure to periodically review the electronic file of liabilities and receivables was in part due to the court's ACMS software developing a minor error during subsequent transfers of data and change of hardware after the flood of city hall. The State of Missouri no longer provides technical support for the software, therefore, the court must look to the private sector for technicians. The Court Clerk has corresponded with a technician that may be able to resolve the problem. In the interim, problems are resolved on a case-by-case basis and are readily determinable. For example, a receipt that should have been deposited in the bond account (and reflected as a liability) was found to have been inadvertently deposited in general funds.

4. Reporting and Procedures

The municipal division does not properly report to the city each month. The Court Clerk did not always execute court orders timely and sometimes took actions without documented approval. In addition, computer back up and data transfer procedures need improvement.

4.1 Report of cases heard

A monthly list of all cases heard is not prepared and filed with the city. Without such a report, the city cannot effectively monitor the municipal division's activity and ensure monies are properly remitted. Section 479.080.3, RSMo, requires the Court Clerk to prepare a monthly list of all cases heard in the municipal division court, including the names of the defendants and fines and court costs imposed, to be verified by the Court Clerk or Municipal Judge and filed with the city.

4.2 Municipal Judge orders

The issuance of warrants and application of bond monies to fines and costs was not always performed in a timely manner. A review of cases identified several instances where the Court Clerk did not execute court orders timely or took actions without documented approval by the Municipal Judge. Examples include the following:

- The Municipal Judge approved a court order to issue a warrant for a defendant on May 16, 2007, for failure to appear; however, the Court Clerk did not issue the warrant until November 19, 2008.
- The Municipal Judge ordered a defendant's bond monies to be applied to fines and costs due on January 22, 2009; however, the Court Clerk did not apply the bond monies until April 27, 2009 (after our request for information related to the bond).



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In addition, in some other cases reviewed, it appears the Court Clerk issued warrants and applied bond monies to fines and costs without obtaining an order from the Municipal Judge.

To ensure cases and monies collected are processed timely and properly handled, the Court Clerk should perform court orders in a timely manner, and all municipal division actions taken by the Court Clerk should be supported by Municipal Judge orders.

4.3 Computer back-ups and data transfer procedures

Computer back-up and municipal division data transfer procedures need improvement. The municipal division's computer crashed at the end of October 2007. The city had backed up all information and it was transferred to another computer, which was only used during November 2007. Upon receiving a new computer in December 2007, the Court Clerk only transferred the backup information from October 2007, to the new computer. Because the Court Clerk did not ensure the most current municipal division information was transferred, municipal division activity for the month of November 2007 was lost and was not recorded on the new computer system. As a result, various municipal division records are not complete and accurate. For example, printed reports indicate the municipal division issued 21 receipt slips totaling \$2,592 during November 2007; however, with the exception of activity related to three of these receipt slips (which were added back to the system at a later date) this receipt information is not included in the computer system records. Also, problems relating to municipal division liabilities and accounts receivable records (see MAR finding number 3) are due in part to the omission of November 2007 activity from the computer system.

A periodic back-up of information maintained on the municipal division's computer system has not been performed by the Court Clerk since October 2007.

Computerized records are at risk of loss due to equipment failure or other electronic disaster. A backup record should be periodically prepared to provide a means of recreating destroyed information. Backup records should be stored offsite to provide increased assurance any lost data can be recreated. In addition, the municipal division should consult with the computer programmer regarding the lost November 2007 data and ensure all data is properly transferred to a new computer system should similar computer problems occur in the future.

Recommendations

The City of Pleasant Hope Municipal Division:

- 4.1 Ensure a monthly list of cases heard in the municipal division is prepared and filed with the city in accordance with state law.



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- 4.2 Ensure court orders are performed in a timely manner and actions of the municipal division are supported by Municipal Judge orders.
- 4.3 Periodically prepare backup records and store them at an offsite location. In addition, the municipal division should consult with the programmer regarding the lost information and ensure all data is transferred to a new computer system should loss of computerized records occur in the future.

Auditee's Response

The Municipal Judge and Court Clerk provided the following written responses:

- 4.1 *The court's operating order requires that the Court Clerk shall submit to the City Clerk the dockets of all cases heard with disposition. If requested by the city, the Court Clerk may substitute submission of such with a report for the previous month activities showing the income and state disbursements and the number of cases handled by the court. The city made such a request, but due to clerical error, the number of cases was omitted on the income and state disbursements letter. It should be noted however, that docket sheets were presented monthly to the City Attorney, Chief of Police, and the newspaper. Further, a monthly municipal court activity report is submitted to the Circuit Judge. The court agrees and accepts the recommendation requiring dissemination of cases and dispositions to include the City Clerk by submission of an additional document.*
- 4.2 *The court's operating order requires the Court Clerk to use best efforts to effectuate all orders by the Municipal Judge and duties of the court. Some duties have State mandated time limitations while others are left to the discretion of the court, and while still others are simply good practice standards. Further, efforts may be delayed from time to time due to the fact that the Court Clerk is part-time and is available only after normal business hours (a result of the small size of the court and the necessity to keep administrative costs down). For example, warrants ordered by the Municipal Judge are to be issued in a timely manner. Any deviation would be due to clerical error or some extraordinary circumstances which is readily determinable (i.e. the defendant's case file was misfiled and later discovered or the warrant was ordered when the Court Clerk was on vacation and issued upon return). Regarding instances that it appears that the Court Clerk issued warrants or applied bond monies to fines and costs without obtaining an order from the Municipal Judge, these are simply events where the Municipal Judge gave verbal order by phone and the Court Clerk failed to document on the case file that the order was by telephone. Finally,*



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the court agrees and accepts the recommendation to make best efforts to minimize clerical error and document all verbal judicial orders.

- 4.3 *The court's operating procedure requires the Court Clerk to protect and maintain court records. This includes all paper files as well as electronic files. As was mentioned in 3.1., the court's ACMS software has developed a minor error due to subsequent transfers of data and change of hardware due to the flood of city hall. The hard copy of court documents has not been compromised but there is a loss of some electronic data from November of 2007 which can easily be recreated. Also, the system is unable to back-up on disc or floppy. The State of Missouri no longer provides technical support for the software, therefore, the court must look to the private sector for technicians. The court agrees and accepts the recommendation requiring electronic data protection and will seek resolution of the software problem.*

5. Ticket Accountability

Neither the city police department nor the municipal division accounts for the numerical sequence and ultimate disposition of traffic tickets issued. Without a proper accounting for the numerical sequence and ultimate disposition of tickets issued, the municipal division and the city police department cannot be assured all tickets issued were properly submitted for processing.

Recommendation

The City of Pleasant Hope Municipal Division work with the city police department to ensure the numerical sequence and ultimate disposition of all tickets issued is accounted for properly.

Auditee's Response

The Municipal Judge and Court Clerk provided the following written response:

The court operating order requires that all forms used by the court shall be numbered sequentially and accounted for, including tickets. Further, the Court Clerk is to work jointly with the Police Department to perform such. All case dispositions are reconciled to the City Attorney's record at least annually. Also, a docket is provided to the City Attorney and Chief of Police monthly and used to record disposition for use by the city. Finally, the court agrees and accepts the recommendation to require the Chief of Police to provide tracking of all citation numbers for reconciliation with court records as required by its operating order.

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Organization and Statistical Information

The City of Pleasant Hope Municipal Division is in the Thirtieth Judicial Circuit, which consists of Benton, Dallas, Hickory, Polk, and Webster Counties. The Honorable John W. Sims 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.

The operating costs and court salaries of the municipal division are paid by the municipality.

Personnel

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

Title	Name
Municipal Judge	Randolph (Randy) Blosch
Court Clerk	Bobbie Morgan

Financial and Caseload Information

	Year Ended December 31, 2008
Receipts	\$21,735
Number of cases filed	193