



**Thomas A. Schweich**  
Missouri State Auditor

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# Seventeenth Judicial Circuit

## City of Peculiar Municipal Division

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February 2012  
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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of the Seventeenth Judicial Circuit, City of Peculiar Municipal Division

Accounting Controls and Procedures	Significant weaknesses in the municipal division's accounting controls and procedures make it difficult to ensure all monies are accounted for properly. The prior Court Clerk did not deposit receipts timely and intact, and audit staff discovered the amount deposited between October 1, 2009, and June 30, 2010, was \$1,919 less than the amount recorded as received. Accounting duties were not adequately segregated, which allowed discrepancies to go undetected. Prior to August 2010, receipt slips were not always issued, and audit staff were unable to determine whether five cash payments, totaling \$1,302, were deposited. The municipal division lacked procedures to ensure information entered into the system for tickets was approved by the City Prosecutor. The municipal division does not maintain a list of liabilities to reconcile to the book balance, and a \$615 difference could not be identified.
Bond Controls and Procedures	The bond ledger is not reconciled to the bank account. This makes it difficult to ensure errors are detected in a timely manner. Also, the bond ledger is not complete and accurate. At April 20, 2011, the bank balance exceeded the ledger amount for open bonds by \$2,081. Audit staff identified \$427 in errors to the bond ledger, but the remaining \$1,654 could not be reconciled.

In the areas audited, the overall performance of this entity was **Fair**.\*

American Recovery and Reinvestment Act (Federal Stimulus)	The Seventeenth Judicial Circuit, City of Peculiar Municipal Division, did not receive any federal stimulus monies during the audited time period.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# Seventeenth Judicial Circuit

## City of Peculiar Municipal Division

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# THOMAS A. SCHWEICH

## Missouri State Auditor

Presiding Judge  
Seventeenth Judicial Circuit  
and  
Municipal Judge  
Peculiar, Missouri

We have audited certain operations of the City of Peculiar Municipal Division of the Seventeenth Judicial Circuit in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended September 30, 2010. The objectives of our audit were to:

1. Evaluate the municipal division's internal controls over significant financial functions.
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. We also 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.

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.

For the areas audited, we identified (1) deficiencies in internal controls, and (2) no significant noncompliance with legal provisions. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Peculiar Municipal Division of the Seventeenth Judicial Circuit.

A petition audit of the City of Peculiar, fulfilling our obligations under Section 29.230, RSMo, is still in process, and any additional findings and recommendations will be included in the subsequent report.



Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor: Harry J. Otto, CPA  
Director of Audits: Alice M. Fast, CPA, CGFM, CIA  
Audit Manager: Todd M. Schuler, CPA  
In-Charge Auditor: Lori Bryant

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# Seventeenth Judicial Circuit

## City of Peculiar Municipal Division

### Management Advisory Report - State Auditor's Findings

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#### **1. Accounting Controls and Procedures**

Significant weaknesses were identified with accounting controls and procedures of the municipal division. As a result, there is no assurance all municipal division receipts are accounted for properly.

Fines and costs are collected, recorded, and deposited into a city controlled bank account by the Court Clerk. Bonds are deposited into a separate city bond account. The municipal division uses a computer accounting system for processing payments. However, manual receipt slips are issued for cash bonds collected by the police department and for some fine and cost receipts. The former Court Clerk was terminated in June 2010, and the City Clerk acted as Court Clerk for approximately 2 months until the current Court Clerk was hired in August 2010.

##### **1.1 Differences between recorded receipts and deposits**

Receipts were not deposited intact on a timely basis by the former Court Clerk, and the composition of receipt slips issued and recorded in the computer accounting system was not compared to the composition of deposits prior to August 2010. Because of this, we were unable to determine which specific receipts were included in the cash amount on deposit slips and could not determine if all cash payments recorded on manual receipt slips, but not on the computer accounting system, were deposited. A comparison of the composition of receipts to deposits for the period October 1, 2009 to June 30, 2010, revealed receipts exceeded deposits in total by \$1,919. During this period, cash deposited was \$4,548 less than recorded on accounting records and checks/money orders deposited exceeded the amount recorded on accounting records by \$2,629. We reviewed the composition of receipts and deposits for May and June 2010 in detail and found differences in cash for 12 of the 24 deposits during those 2 months. We identified one cash payment for \$624 (receipt number 529362) in May 2010, which was receipted manually but was not posted to the computer accounting system and was not deposited. In addition, we identified numerous instances where receipts were not deposited intact on a timely basis.

While the method of payment (cash, check, money order, or credit card) was indicated on receipt slips issued through the computer accounting system, it was not always accurate prior to August 2010. For example, in October 2009, we identified six payments noted as cash on the computer accounting system which were actually checks or money orders. In addition, there were four computer receipt slips issued for different amounts than the checks included in the deposit detail.

To adequately account for collections and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact on a timely basis; the method of payment should be indicated accurately on the receipt slip or record; and the composition of monies received, daily computer accounting system reports, manual receipt slips, and deposit slips should be reconciled.



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Procedures have been changed since August 2010, and we did not identify these issues with the current Court Clerk's accounting records.

## 1.2 Segregation of duties

The former Court Clerk performed all duties related to the collection of fines, costs, and bonds. Neither the Municipal Judge nor other city officials independent of the cash custody and record keeping functions provided adequate supervision or review of the work performed by the former Court Clerk. This lack of oversight allowed the differences between receipts and deposits identified in section 1.1 to go undetected. Soon after the current Court Clerk started in August 2010, she began providing the city with copies of daily computer accounting system reports, along with copies of the related deposit slips, in addition to the end of month report of total net revenue collected. Beginning in March 2011, she is providing the Municipal Judge the daily computer accounting system reports to review. However, the Municipal Judge's review is not documented.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating duties to the extent possible. If segregation of duties is not possible, a documented independent review of the work performed by the Court Clerk should be performed.

## 1.3 Receipt controls

Prior to August 2010, receipt slips were not issued for some monies received and procedures were not in place to ensure manual receipt slips issued were recorded in the computer accounting system. A review of the detail for all deposits to the fine and cost account in May and June 2010, revealed a \$120 check and a \$100 money order which were not receipted in either the computer accounting system or the manual receipt records.

In addition, the corresponding computer receipt number is not recorded on the manual receipt slips after the information has been posted to the system. Our review of the 41 manual receipt slips issued to individuals from October 2009 to June 2010, revealed 13 receipts which were either not posted to the computer accounting system or only a portion of the receipt was posted to the computer (see section 1.5). We were able to trace 8 of the 13 receipts to a deposit in the fines and costs account. However, due to the deposit procedures discussed in section 1.1, we were unable to determine if the other five receipts, totaling \$1,302 in cash, were deposited in the fines and costs account.

To ensure all receipts are accounted for properly, receipts slips should be issued for all monies received and if manual receipt slips are needed, a procedure should be established to account for the manual receipt slips and verify receipts are recorded in the computer accounting system.



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## 1.4 Status of tickets

Procedures were not in place to ensure information entered in the system for tickets was approved by the City Prosecutor, such as amended charges, changes in fines and costs, and dismissals. During our review of the 13 receipts discussed in section 1.3, we identified several instances in which the information in the computer accounting system did not agree with the information in the defendant case file signed by the City Prosecutor.

- A \$250 cash payment was received in October 2009. The records indicated the former Court Clerk changed the status of the ticket to nolle pros (dismissed) in the computer accounting system in August 2009. We found no evidence this was approved by the City Prosecutor, and in fact, we found the ticket was amended by the City Prosecutor to defective equipment in October 2009, and fines and costs were set at \$250.
- We noted a ticket was amended by the City Prosecutor to defective equipment in October 2009 and fines and costs were set at \$200; however, fines and costs per the computer accounting system were \$120.
- We found two instances in which monies were collected on failure to appear charges, one in October 2009 and the other in May 2010; however, no such charges were added to the computer accounting system.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, a procedure should be established to verify changes in ticket status, approved by the City Prosecutor, are properly recorded in the computer accounting system.

## 1.5 Liabilities

While bank reconciliations are performed for the fines and costs account, monthly lists of liabilities are not prepared and reconciled to the book balance. The account had a bank balance of \$28,339 as of April 30, 2011; however, we determined liabilities totaled \$27,724, which consisted mainly of fees owed to the city and state from the previous month. We also identified several errors that had occurred in previous months that had not been corrected. The \$615 difference could not be identified.

Comparisons of the reconciled bank account balance to liabilities are necessary to ensure bank activity and accounting records are in agreement, and to detect and correct errors timely. An attempt should be made to identify the excess cash balance which currently exists in the fines and costs account. Any amounts which remain unidentified should be disposed of in accordance with state law.



## Recommendations

The City of Peculiar Municipal Division:

- 1.1 Deposit all receipts intact on a timely basis and reconcile the composition of monies received and posted to the computer accounting system to the composition of deposits. In addition, the municipal division should take necessary action regarding the unaccounted for differences identified and determine the appropriate course of action.
- 1.2 Continue to ensure independent reviews of accounting records are performed and documented.
- 1.3 Issue receipt slips for all monies received and develop procedures to ensure all manual receipt slips are accurately posted to the computer accounting system.
- 1.4 Work with the City Prosecutor to develop procedures to ensure all changes in ticket status are properly posted to the computer accounting system.
- 1.5 Identify month-end liabilities and reconcile liabilities to the balances in the municipal division bank accounts. Any unidentified differences should be investigated and disposed of in accordance with state law.

## Auditee's Response

*The Municipal Judge provided the following written responses:*

- 1.1 *The Municipal Court acknowledges that the recommendations are in order and has taken steps to implement and improve procedures so that such issues do not arise in the future. Unaccounted for differences are being reviewed and will be appropriately resolved.*
- 1.2 *The recommendation is acknowledged and increased review of accounting records has been implemented.*
- 1.3 *Procedures have been developed and implemented to insure that manual receipts are posted to the computer in a timely and complete manner as recommended.*
- 1.4 *The recommendation has been discussed with the City Prosecutor and to insure compliance therewith, the provision of a disposition report of all tickets being disposed of is now distributed to all necessary and appropriate personnel.*
- 1.5 *The recommendation is acknowledged and reconciliation is now implemented on a month end basis. A significant portion of the balance has been identified and appropriately distributed.*



## 2. Bond Controls and Procedures

Although the current Court Clerk has started preparing a bond ledger, it is not reconciled to the bank account. In addition, the bond ledger was not accurate and did not include bonds potentially held from older cases. The current Court Clerk is in the process of reviewing older cases for any bonds on hand. We reviewed activity for February 2011 through April 2011 in detail, to determine if the activity recorded in the bond ledger was accurate. While the reconciled bank balance at April 20, 2011 was \$6,699, open bonds recorded in the ledger were only \$4,618. We identified errors of \$427 on the bond ledger, but \$1,654 in the account could not be identified.

Liabilities should be identified at each month-end and reconciled to the bank account balance to ensure accounting records are in balance and monies held in trust are sufficient to meet the payment of all liabilities. Such reconciliations would allow for prompt detection of errors. Unidentified differences should be investigated immediately and appropriate action taken. Additionally, to properly monitor liabilities and ensure monies are appropriately disbursed, procedures should be established to routinely investigate bonds and partial payments remaining on the liabilities list over a specified period of time.

### Recommendation

The City of Peculiar Municipal Division reconcile the bond ledger to the bank balance on a monthly basis. The Court Clerk should work with the City Clerk to investigate and resolve the outstanding balance in the bond account. For those bonds for which the owner cannot be located or failed to appear for court, the unclaimed bonds should be disposed of in accordance with state law.

### Auditee's Response

*The Municipal Judge provided the following written response:*

*The Municipal Court acknowledges the recommendations and procedures have been developed and implemented to insure future compliance. The balance identified has been resolved and reconciliations are now made on a month end basis.*

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# Seventeenth Judicial Circuit

## City of Peculiar Municipal Division

### Organization and Statistical Information

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The City of Peculiar Municipal Division is in the Seventeenth Judicial Circuit, which consists of Cass and Johnson Counties. The Honorable Jacqueline Cook 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 September 30, 2010, the municipal division employees were as follows:

Title	Name
Municipal Judge	Bryan Round
Court Clerk	Laura Campbell

#### Financial and Caseload Information

	Year Ended September 30, 2010
Receipts	\$285,403
Number of cases filed	2,399

#### American Recovery and Reinvestment Act 2009 (Federal Stimulus)

The Seventeenth Judicial Circuit, City of Peculiar Municipal Division, did not receive any federal stimulus monies during the year ended September 30, 2010.