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FOLLOW-UP REPORT ON AUDIT FINDINGS

Thirteenth Judicial Circuit Callaway County

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Thirteenth Judicial Circuit, Callaway County

Follow-Up Report on Audit Findings

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THOMAS A. SCHWEICH

Missouri State Auditor

Presiding Judge and Court en Banc
and
Circuit Clerk of the
Thirteenth Judicial Circuit
Callaway County, Missouri

We have conducted follow-up work on audit report findings contained in Report No. 2013-110, *Thirteenth Judicial Circuit, Callaway County*, issued in October 2013, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the court about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
 - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
 - In Progress: Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
 - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
 - Not Implemented: Auditee has not implemented the recommendation and indicates that it will not do so.

Our methodology included working with the court, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we reviewed supporting documentation provided by the Circuit Clerk and met with relevant court officials. Documentation included a report from the Circuit Clerk on the status of the recommendations, new court financial procedures, monthly independent reviews of transactions, daily and monthly financial reports from October 2013 through January 2014, and manual receipt slip books. This report is a summary of the results of this follow-up work, which was substantially completed during February 2014.

Thomas A. Schweich
State Auditor

Thirteenth Judicial Circuit, Callaway County

Follow-Up Report on Prior Audit Findings

Status of Findings

1. Missing Funds and Other Questionable Transactions

In September 2012 the Office of State Courts Administrator (OSCA) performed a routine accounting review of the circuit court and identified 60 questionable transactions between January 1, 2012, and September 13, 2012, totaling \$8,845 for which monies could be missing. Based on these discrepancies, the Presiding Judge contacted the State Auditor's office to request an audit of court operations.

In addition to the amounts identified by OSCA, our audit determined from January 2011 through December 2011, receipts totaling at least \$355 were received but not deposited, and additional funds totaling at least \$2,447 were likely missing, based on voided cash receipts, unsupported non-monetary transactions, and improper reduction or non-assessment of fines and court costs in the computerized system. Further, some manual receipt slips were removed from the receipt slip books and could not be located, indicating possible additional missing funds during 2012 and 2011.

The Clerk Supervisor primarily responsible for the cases with identified problems was placed on administrative leave on September 14, 2012, and was subsequently terminated on October 6, 2012. The OSCA information was turned over to the Callaway County Sheriff's office and a Special Prosecutor after the OSCA review was completed.

Recommendation

The Court en Banc and the Circuit Clerk continue to work with law enforcement officials regarding criminal prosecution related to the missing funds and other questionable transactions, including restitution of missing funds.

Status

Implemented

The Circuit Clerk indicated a case has been filed by the Special Prosecutor and a Judge has been assigned to the case. Three Class C Felony charges for forgery were filed against the former Clerk Supervisor on November 1, 2013. The case remains ongoing.

2. Accounting Controls and Procedures

Significant weaknesses were identified with accounting controls and procedures. As a result, some receipts were not accounted for properly.

2.1 Segregation of duties and supervisory review

The Circuit Clerk had not adequately segregated the duties of receiving and recording receipts, preparing deposits, and disbursing funds and had not established supervisory reviews to detect errors.

Neither the Circuit Clerk nor clerk personnel independent of the cash custody and record-keeping functions provided adequate supervision or review of the work performed by various clerks to ensure transactions were appropriate.



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Because of inadequate supervision over receipts, questionable transactions were not identified and monies were missing. Additionally, checks from the bank account could be issued by any court clerk, required only one signature, and were not reviewed by a person independent of the disbursement function.

Recommendation

The Circuit Clerk segregate accounting duties to the extent possible and implement appropriate reviews and monitoring procedures. In addition, the Circuit Clerk should require dual signatures on all checks.

Status

Implemented

The Circuit Clerk has implemented additional accounting controls and procedures to segregate duties and increase supervisory reviews. A Clerk Supervisor, with no receipting capability, is now responsible for reviewing accounting records on a monthly basis, including lists of liabilities, outstanding checks, deposits, manual receipt slips, voided receipts, and non-monetary transactions. The Circuit Clerk is also responsible for periodic reviews of voided receipts, non-monetary transactions, and manual receipt slips. Checks now can only be signed by the Circuit Clerk or the Clerk Supervisor. In addition, the Circuit Clerk established a positive pay system with the bank to reduce the risk of check fraud. As of our February follow-up meeting, monthly reviews of October 2013 through January 2014 accounting records had been documented.

2.2 Non-monetary transactions

Non-monetary transactions, voids, and adjustments in the Justice Information System (JIS), the Missouri courts automated case management system, were not properly documented and the Circuit Clerk had not established procedures for review and approval of such transactions by persons independent of the receipting process. Additionally, the Circuit Clerk's office did not maintain documentation for numerous non-monetary transactions, voids, and adjustments that occurred during the audit period. Some of these transactions were possibly used to conceal missing monies.

Recommendation

The Circuit Clerk require an independent review and approval of non-monetary transactions, voids, and adjustments made in the JIS, and retain adequate documentation to support these transactions.

Status

In Progress

Clerks must now include documentation supporting all non-monetary transactions, voids, and adjustments with daily cashier session reports. The Clerk Supervisor is responsible for reviewing voids, adjustments, and select non-monetary transactions on a monthly basis. As of our February follow-up meeting, monthly reviews of October 2013 through January 2014 accounting records, including voids, adjustments, and select non-monetary



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transactions, had been documented. The Circuit Clerk indicated a quarterly report of all non-monetary transactions will be generated and reviewed on a test basis.

2.3 Manual receipt slips

The Circuit Clerk had not established proper controls or procedures for manual receipt slips. Manual receipt slips issued were not recorded timely in the JIS, reviewed by a supervisor, or reconciled to the JIS, and the related monies were not deposited timely. In addition, the method of payment was not always indicated and these receipt slips were not accounted for properly.

Recommendation

The Circuit Clerk continue to ensure manual receipt slips are prenumbered and their use is limited. The Circuit Clerk should also ensure manual receipt slips are recorded timely in the JIS and deposited timely. In addition, the method of payment should be indicated for all manual receipts and the numerical sequence should be accounted for properly. Further, manual receipts should be reviewed and reconciled to the JIS and to the related deposits by someone independent of the receipting process.

Status

Implemented

Use of manual receipt slips is now limited to when the JIS is unavailable or with written permission from the Presiding Judge, in accordance with the September 2013 revisions to Supreme Court Operating Rule 4.53. According to court procedures, on a monthly basis the Clerk Supervisor reviews all manual receipt slips issued, accounts for the numerical sequence, and ensures all manual receipt slips have been recorded timely in the JIS and deposited timely. This review includes ensuring a JIS receipt number is recorded on all manual receipt slips. We reviewed the prenumbered manual receipt slip book for 2013 and noted JIS receipt numbers, method of payment, and the monthly supervisory reviews were documented. In addition, the number of manual receipt slips issued during 2013 decreased significantly. The Circuit Clerk took action to further reduce the use of manual receipt slips when she became aware of the proposed revisions to the Supreme Court Operating Rule. The court has not issued any manual receipt slips since August 2013.

2.4 Receipting and deposit procedures

The Circuit Clerk had not established procedures to log or restrictively endorse mail receipts immediately upon receipt or issue receipt slips immediately for these monies. In addition, garnishment receipts were not always maintained in a secure location and deposits of garnishment receipts were not made intact or on a timely basis.

Recommendation

The Circuit Clerk require an initial record of monies received by mail be prepared and reconciled to the JIS, restrictively endorse checks and money orders immediately upon receipt, and require receipt slips be issued for all monies on a timely basis. In addition, the Circuit Clerk should maintain



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garnishment monies collected in a secure location and deposit these receipts timely and intact.

Status

Partially Implemented

The Circuit Clerk implemented procedures to restrictively endorse all checks and money orders immediately upon receipt and to store monies collected in the locked safe. Garnishment monies collected are now receipted and deposited at least once a week. The Circuit Clerk indicated she is implementing new procedures to ensure garnishment monies collected will be receipted and deposited at least twice a week. However, she also indicated staffing limitations will not allow the court to receipt and deposit garnishment monies intact with other receipts. In addition, due to time constraints, the Circuit Clerk indicated it would not be feasible for court personnel to prepare an initial record of monies received by mail and she does not plan to implement such a record.

2.5 Accrued costs

The Circuit Clerk did not periodically review accrued costs owed totaling \$1,014,529 as of December 31, 2012, to the court (fines and court costs, incarceration costs, and court-ordered restitution). The court did not follow its formal administrative plan for collection of court debt, including establishing payment plans and reviewing outstanding balances to write off amounts deemed uncollectible. In addition, the court had not consistently enforced collection of the time payment fee.

Recommendation

The Circuit Clerk follow established policy and ensure collection of accrued costs and fees in accordance with court operating rules.

Status

In Progress

Effective August 28, 2013, the Thirteenth Judicial Circuit, Boone and Callaway counties, adopted a revised formal administrative plan for collection of court debt to improve debt collection and ensure compliance with Supreme Court Operating Rule 21. A report is run weekly to identify and assess the time payment fee to all cases not paid within 30 days of disposition. In addition, the Circuit Clerk is working with the Court en Banc to review accrued costs owed, write off amounts deemed uncollectible, establish payment plans, and participate in tax intercept and debt collection programs.

2.6 Open items

Prior to February 2013 the court did not adequately review monthly lists of liabilities to ensure bonds were disbursed in a timely manner.

Recommendation

The Circuit Clerk continue recent efforts to review the status of liabilities to determine the appropriate disposition of funds.



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Implemented

The Clerk Supervisor continues to be responsible for reviewing the lists of liabilities on a monthly basis to ensure the appropriate disposition of bonds and other funds. We observed the documented monthly review of the January 2014 list of liabilities, which indicated any dispositions and other actions taken as a result of the review.

2.7 Case entry and disposition

Court personnel did not always properly record the initial entry and final disposition of each case in the JIS. Some cases had been suspended and had been inactive for periods ranging from 8 to 14 months because court personnel canceled a future court date and did not reschedule a new court date. Personnel caused other case errors by entering incorrect case numbers in the JIS. In addition, we identified several cases in which court costs totaling \$374 were not assessed prior to disposition.

Recommendation

The Circuit Clerk implement procedures to ensure the initial entry and disposition of cases and associated costs are properly recorded in the JIS. Various case reports should be reviewed on a monthly basis to detect erroneously entered and suspended cases and to ensure proper treatment of disposed cases.

Status

In Progress

The Clerk Supervisor is responsible for reviewing fee adjustments, cases disposed, and cases with no scheduled court dates on a monthly basis. Monthly Case Age reports showing old outstanding cases are printed and reviewed to ensure all cases on the report have a scheduled court date or have reasons for not having a court date scheduled. Because the reviews of the fee adjustments and disposed cases are done within the JIS, it is difficult to document these reviews. We observed a screen print of the query run for fee adjustments during the month of January 2014 and the review of one case from that query. The Circuit Clerk indicated she has requested the OSCA to develop reports to facilitate reviews performed. We confirmed with the OSCA that a report of fee adjustments was developed within the last 6 months and was shared with the Circuit Clerk. The OSCA personnel indicated they are currently working on a report of cases disposed with no costs or fees.