



Office of Missouri State Auditor
Nicole Galloway, CPA

FOLLOW-UP REPORT ON AUDIT FINDINGS

**Twenty-Ninth Judicial Circuit
City of Carl Junction Municipal Division**

Report No. 2016-061

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Twenty-Ninth Judicial Circuit
City of Carl Junction Municipal Division
Follow-Up Report on Audit Findings - Table of Contents

State Auditor's Letter

2

Status of Findings

1.	Missing Funds and Other Questionable Transactions	3
2.	Accounting Controls and Procedures	3
3.	Electronic Data Security	6
4.	Municipal Division Procedures	7



NICOLE GALLOWAY, CPA Missouri State Auditor

Presiding Judge
Twenty-Ninth Judicial Circuit
and
Municipal Judge
and
Honorable Mayor
and
Members of the Board of Alderman
City of Carl Junction, Missouri

We have conducted follow-up work on audit report findings contained in Report No. 2015-126, *Twenty-Ninth Judicial Circuit, City of Carl Junction Municipal Division* (rated as Poor), issued in December 2015, 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 municipal division 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 has no specific plans to implement the recommendation.

Our methodology included working with the municipal division, 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 documentation provided by court and city officials and held discussions with officials to verify the status of implementation for the recommendations. Documentation provided by the officials included bank statements, monthly reports, receipt and disbursement records, and various other financial records. This report is a summary of the results of this follow-up work, which was substantially completed by July 2016.

A handwritten signature in black ink that reads "Nicole R. Galloway".

Nicole R. Galloway, CPA
State Auditor

Twenty-Ninth Judicial Circuit

City of Carl Junction Municipal Division

Follow-Up Report on Audit Findings - Status of Findings

1. **Missing Funds and Other Questionable Transactions**

Monies totaling at least \$65,373 were missing from municipal court receipts, and an additional \$31,141 was likely missing.

Based on discrepancies identified by the Municipal Judge and the results of an internal investigation performed by the city, city officials contacted the Missouri State Highway Patrol for assistance and requested the State Auditor's Office (SAO) perform an audit of municipal division operations. Our audit determined the following:

The former court clerk issued manual receipt slips for some monies, but did not record these monies in the computerized system or deposit them. Numerous cash bonds were not recorded in the computerized system or deposited. Some monies received were recorded in the computerized system, but not deposited. The former Court Clerk did not handle fines and court costs for some cases consistent with the orders the Municipal Judge recorded on the case docket sheets and entered nolle pros (not prosecuted) in the computerized system for some cases without authorization from the Prosecuting Attorney. We also noted numerous additional discrepancies in the case files reviewed, including additional documentation of receipt of monies not recorded in the computerized system or deposited.

Recommendation

The City of Carl Junction Municipal Division 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

In Progress

The City of Carl Junction Municipal Division is working with law enforcement regarding criminal prosecution of the former Court Clerk. The former Court Clerk was charged with felony theft in January 2016. The case remains ongoing as of August 2016.

2. **Accounting Controls and Procedures**

We noted significant weaknesses with accounting controls and procedures.

2.1 **Segregation of duties and supervisory review**

The municipal division had not adequately segregated the duties of receiving and recording receipts, depositing monies, and updating court records, and had not established adequate supervisory reviews to detect errors and irregularities. The former Court Clerk was not always recording manual receipt slips and bonds in the computerized system, made numerous unauthorized entries into the system, and did not always handle fines and court costs consistent with the Municipal Judge's orders recorded on the case docket.

Recommendation

Ensure independent reviews are performed of accounting records and electronic case records. In addition, the Municipal Division should compare



Twenty-Ninth Judicial Circuit
City of Carl Junction Municipal Division
Follow-up Report on Audit Findings - Status of Findings

manual case files to the electronic case files and make corrections necessary to ensure case information is accurate.

Status

In Progress

The City Clerk is now responsible for performing an independent review of the accounting records and electronic case records.

City personnel are responsible for collecting municipal division receipts and entering them into the division's computerized system. The City Clerk reviews all deposits prepared to ensure the deposits match the amounts received and the composition of the receipts agrees to the composition of the deposits.

The City Clerk performs various monthly procedures, including reviewing a detailed report of all court receipts, ensuring all manual receipt slips are entered into the municipal division's computerized system, ensuring the amount held in the bond account agrees to the bank account balance, and reviewing the cash bonds received to ensure they are properly deposited.

In addition, the Court Clerk enters case information into the municipal division's computerized system throughout the month. The City Clerk compares the information in the physical case files to the electronic case records on a test basis monthly. However, this review is not documented and a listing of the cases reviewed is not maintained. The City Clerk indicated she will begin documenting her review in August 2016.

2.2 Manual receipt slips

The municipal division had not established proper controls or procedures for manual receipt slips, as follows:

- Two generic manual receipt slip books were used concurrently to record monies received, instead of recording receipts directly into the computerized system.
- Manual receipt slips were not always recorded in the computerized system timely and subsequently the related monies were not deposited timely.
- There was no independent review to ensure manual receipt slips issued were properly recorded in the computerized system and the related monies were subsequently deposited.

Recommendation

Ensure one manual receipt slip book is used at a time, the use of manual receipt slips is limited, manual receipt slips are retained and recorded timely in the computerized system, and monies are deposited timely. In addition, the numerical sequence of manual receipt slips should be accounted for



Twenty-Ninth Judicial Circuit
City of Carl Junction Municipal Division
Follow-up Report on Audit Findings - Status of Findings

properly, and related receipt amounts should be reconciled to the computerized system by someone independent of the receipting process.

Status

Implemented

One manual receipt book is now used, and it is only used in limited situations. The new procedure is to record payments received directly into the computerized system, which generates a receipt. We reviewed the 6 manual receipts written in April 2016. All 6 were entered into the computerized system timely. In addition, we traced the monies collected for 3 of these manual receipt slips to the related deposits on the April 2016 bank statement and found no problems. An independent person performs a documented review to account for the numerical sequence of manual receipt slips and ensures they are properly entered into the computerized system. We verified this independent review had been documented during our review of April 2016 records.

2.3 Bond procedures

We identified various problems with handling of bonds.

- The municipal division did not issue a receipt slip or provide any other formal acknowledgement to the police department for receipt of cash bond transmittals, nor did an independent person reconcile municipal division bond receipts in the computerized system with the police department bond ledger or prenumbered bond forms to ensure all bonds were accounted for properly.
- Bonds were not always recorded in the computerized system timely or deposited timely.
- Some bond refunds were made in cash, instead of recording and depositing the bonds and issuing refund checks.

Recommendation

Work with the police department to establish procedures to account for the numerical sequence of bond forms. In addition, all bond receipts should be recorded and deposited timely and intact, and refunds made by check.

Status

Implemented

The City Clerk and the police department have implemented procedures to account for the numerical sequence of bond forms. A cash bond transmittal form is completed for each bond and signed by a police department employee and a city employee. These transmittals are then reviewed by the city employee who is primarily responsible for collecting court receipts to ensure the information has been correctly entered into the municipal division's computerized system. In addition, a police department employee emails a city employee a listing of bonds received the previous month as a final check to ensure all bonds have been accounted for properly. We



Twenty-Ninth Judicial Circuit
City of Carl Junction Municipal Division
Follow-up Report on Audit Findings - Status of Findings

reviewed all cash bond transmittal forms received in April 2016, verified the bonds had been properly entered into the municipal division's computerized system, and traced them to the bank statement to ensure the related monies was deposited timely. In addition, the City Clerk stated all bond refunds are now made by check.

2.4 Unpaid fines and costs

The municipal division did not have procedures in place for reviewing and collecting monies due on tickets. The City Clerk prepared a list of open court cases as of September 2014, with the outstanding balance totaling approximately \$286,000.

Recommendation

Develop adequate procedures to account for and follow up on delinquent amounts.

Status

In Progress

The Court Clerk indicated the amount due to the court is now reviewed monthly. However, the court has not reviewed the information presented in audit report appendixes, which were used to determine the amount of additional missing monies, to ensure the outstanding balances reflected in the computerized system are correct. A review of this information could result in changes to the amount due to the court. The City Clerk stated she will work with the Court Clerk to determine how best to perform this review. We reviewed a listing of open cases as of April 2016 that showed an outstanding balance due to the court of approximately \$251,000.

2.5 Voided receipt transactions

Voided receipt transactions in the computerized system were not properly documented and the municipal division had not established procedures for review and approval of such transactions by persons independent of the receipting process.

Recommendation

Require an independent review and approval of void transactions, and document reasons for voiding transactions.

Status

Implemented

The City Clerk indicated clerks now maintain documentation supporting voided transactions, including the reason for voiding them, with the daily cashier session reports. The City Clerk is responsible for reviewing these transactions on a regular basis and initialing her approval. We reviewed the voided transaction report for April 2016 and found proper documentation supporting each transaction. In addition, the City Clerk documented her review and approval of these transactions.

3. Electronic Data Security

Municipal division procedures related to electronic data security needed improvement.



Twenty-Ninth Judicial Circuit
City of Carl Junction Municipal Division
Follow-up Report on Audit Findings - Status of Findings

The municipal division had not established adequate password controls to reduce the risk of unauthorized access to computers and electronic data. The former Court Clerk and the Office Clerk (city employee who also worked for the municipal division) used the same user identification and password when entering receipts into the computerized system. In addition, employees were not required to change passwords periodically to help ensure they remained known only to the assigned user.

Recommendation

The City of Carl Junction Municipal Division require user identifications and passwords, which are confidential and periodically changed to prevent unauthorized access to municipal division computers and data, for all employees.

Status

In Progress

Each employee with computer access now has a unique, confidential password. In addition, when employees are terminated, their access is disabled timely. However, the computerized system does not have the capability to require employees to change passwords periodically. The City Clerk stated she will email all employees every 3 months to remind them to change their passwords.

4. Municipal Division Procedures

Municipal division procedures related to reports of cases heard and excess revenue reporting needed improvement.

4.1 Report of cases heard

The municipal division did not file a monthly report of cases heard with the city.

Recommendation

Ensure a monthly report of cases heard in the municipal division is prepared and filed with the city in accordance with state law and the Supreme Court Operating Rule.

Status

Implemented

According to the City Clerk, beginning in November 2015, a monthly report of cases heard is provided to the city. We reviewed the April 2016 report and noted it was properly filed with the city.

4.2 Excess revenue reporting

The city had not filed its annual financial statement, including an accounting of the percent of annual general operating revenue from fines and court costs, with the SAO for the year ended April 30, 2014, as required.

Recommendation

Work with the city to ensure annual financial statements, including the required accounting and calculation of possible excess revenues, are filed timely with the SAO.



Twenty-Ninth Judicial Circuit
City of Carl Junction Municipal Division
Follow-up Report on Audit Findings - Status of Findings

Status

Implemented

The city filed its fiscal year ended April 30, 2014, annual financial statement with the SAO in April 2016, which was after the release of our audit report. The 2014 filing did not include an accounting of the percent of annual general operating revenue from fines and court costs. However, the city filed its fiscal year ended April 30, 2015, financial statement with the SAO in November 2015, and included an accounting of the percent. The City Clerk stated that in the future the city will file any required information timely with the SAO.