



Office of Missouri State Auditor
Nicole Galloway, CPA

FOLLOW-UP REPORT ON AUDIT FINDINGS

**Forty-First Judicial Circuit, City of Shelbina
Municipal Division**

Report No. 2017-137
November 2017

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Forty-First Judicial Circuit
City of Shelbina Municipal Division
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NICOLE GALLOWAY, CPA
Missouri State Auditor

Presiding Judge
Forty-First Judicial Circuit
and
Municipal Judge
and
Honorable Mayor
and
Members of the Board of Aldermen
Shelbina, Missouri

We have conducted follow-up work on audit report findings contained in Report No. 2017-002, *Forty-First Judicial Circuit, City of Shelbina Municipal Division* (rated as Poor), issued in January 2017, 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.

As part of the AFTER work conducted, we reviewed documentation provided by the municipal division and city officials and held discussions with officials to verify the status of implementation for the recommendations. Documentation provided by officials included bank statements, monthly reports, receipt and disbursement records, case files, and various other financial records. This report is a summary of the results of this follow-up work, which was substantially completed during October 2017.

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

Nicole R. Galloway, CPA
State Auditor

Forty-First Judicial Circuit

City of Shelbina Municipal Division

Follow-Up Report on Audit Findings - Status of Findings

1. Receipt, Transmittal, and Deposit Records

Municipal division records were not maintained in an accurate, complete, and organized manner. From June 25, 2014, through May 22, 2015, \$1,284 was received into the case management system; however, we could not determine if it was turned over to the city or deposited into the bond bank account.

Based on discrepancies identified by the Municipal Judge and the results of an internal investigation performed by the City Marshal, the Court Clerk was terminated. The Municipal Judge contacted the Attorney General's Office for assistance, who subsequently requested the State Auditor's Office perform an audit of the municipal division operations.

During review of court records, we noted inconsistencies in the method of documenting and transmitting receipts to the city. Some receipts were transmitted individually while others were transmitted in batches; an itemized listing of the receipts was not always provided to the City Treasurer; an itemized listing of the receipts was not always generated from the case management system; and some of the case management batch receipt reports included receipts that had previously been turned over to the City Treasurer. In addition, we noted instances where the case management system showed monies received when that had not occurred. There were also unidentified monies transmitted to the City Treasurer, and unidentified monies on hand and in the bond bank account.

Recommendation

The City of Shelbina Municipal Division ensure records are maintained to identify receipts and all receipts are turned over to the city or deposited into the court's bond account with appropriate supporting documentation.

Status

In Progress

The municipal division now transmits monies received to the City Treasurer daily. The turnover includes an income report from the case management system showing receipt numbers and amounts paid. At the time of our follow-up work, no bond monies had been collected since the new Court Clerk was hired effective September 18, 2017. However, the new Court Clerk indicated she will receipt bonds in the case management system and ensure bonds are deposited daily with supporting documentation.

2. Accounting Controls and Procedures

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

2.1 Oversight

Neither the Municipal Judge nor city personnel performed adequate supervisory or independent reviews of accounting functions and records. Proper segregation of duties within the municipal division was not possible because the Court Clerk was the only municipal division employee.



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Recommendation

The City of Shelbina Municipal Division ensure documented independent or supervisory reviews of municipal division accounting records are periodically performed.

Status

In Progress

The municipal division now transmits court monies and a system generated income report to the City Treasurer daily. This report allows the City Treasurer to ensure all receipts were transmitted. At the time of our follow-up work, no bond monies had been collected since the new Court Clerk was hired in September 2017. When bond monies are received, the Municipal Judge stated he plans to review the bond bank account monthly.

The municipal division now generates a report of tickets issued that will allow the city to monitor the status of tickets issued. The City Clerk plans to request the case management system vendor to include the amount paid on the report of tickets issued and have the Court Clerk include this report with the monthly reports turned in to the city. The City Clerk plans to compare the report of tickets issued to the monthly income report to ensure all cases paid were included in the monies transmitted to the city.

2.2 Receipting, recording, transmitting, and depositing procedures

The municipal division did not have adequate receipting, recording, transmitting, and depositing procedures in place. The Court Clerk did not have a procedure to ensure all manual receipts were recorded in the case management system. The case management system generates receipt slips but the system does not assign numbers to them. The electronic receipt did not have a field to indicate the method of payment, although the Court Clerk sometimes indicated the method of payment in the comment section. As a result, she could not reconcile the composition of receipt slips to the composition of deposits. In addition, the Court Clerk did not account for the numerical sequence of manual receipt slips issued, restrictively endorse all money orders and checks, or transmit or deposit all monies intact and timely.

Recommendation

The City of Shelbina Municipal Division ensure a receipt slip is issued timely for all monies received by the municipal division and ensure manual receipts are timely entered into the case management system. In addition, account for the numerical sequence of receipts, ensure checks and money orders are endorsed immediately, deposit or transmit receipts intact and timely, and reconcile the composition of deposits and transmittals to the method of payment on the receipt slips. Additionally, ensure the case management system has controls in place to automatically populate the receipt date with the current date and not allow the user to change the date.



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Status

In Progress

The municipal division now issues electronic receipt slips immediately upon receiving a payment, and no longer issues manual receipt slips. At the time of our follow-up work, the Court Clerk had not begun accounting for the numerical sequence of the receipt slips and was not endorsing checks and money orders immediately. However, after discussing these issues with her, she indicated she will begin accounting for the receipt slips and making endorsements timely. We reviewed monies collected for the week ended October 8, 2017, and noted the receipts were transmitted intact and timely to the City Treasurer. The Court Clerk reconciles the composition in the system to the monies transmitted. Although the case management system now automatically populates the receipt date with the current date, the date can be manually changed. The City Clerk indicated he will request the system vendor to lock this function.

2.3 Bond disbursement controls

The Municipal Judge signed municipal division bond account checks in advance.

Recommendation

The City of Shelbina Municipal Division discontinue allowing check signers to sign checks in advance.

Status

Implemented

The Municipal Judge indicated the municipal division bond account checks are no longer signed in advance and our review of blank checks showed none with a signature.

2.4 Bank reconciliations

The Court Clerk did not follow up on unidentified items on the list of liabilities for the bond account, leaving \$1,300 not identified with the associated cases.

In addition, the Court Clerk did not work with the City Treasurer to prepare a bank reconciliation or a list of liabilities for the credit card payment account. We identified liabilities in the municipal division credit card account totaling \$7,657 at June 30, 2016, using the credit card and case management systems. The reconciled bank account balance at June 30, 2016, was \$4,047, indicating a \$3,610 shortage in the account. However, we determined that a payment of \$3,863 was disbursed to the city twice, initially on April 20, 2015, and again on July 17, 2015. This additional disbursement accounts for the shortage and should be reimbursed to the municipal division by the city, leaving a remaining unidentified excess balance of \$253.

Recommendation

The City of Shelbina Municipal Division ensure bank reconciliations are performed, prepare a monthly list of liabilities, reconcile liabilities to the bank balances, and investigate and resolve any differences timely. In addition, the



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municipal division should request reimbursement of the \$3,863 incorrectly paid the city.

Status

Partially Implemented

The City Treasurer now performs a bank reconciliation for the credit card payment account. The Court Clerk is preparing a list of liabilities for the credit card account balance. The city reimbursed the municipal division \$3,863 on August 12, 2016. Some differences still exist between the credit card account reconciled balance and identified liabilities.

The Court Clerk is not performing bank reconciliations for the bond account and has not investigated the differences identified in the bond account. The Court Clerk indicated she plans to perform bank reconciliations for the bond account once she is able to resolve the discrepancies with the credit card payment account. The Court Clerk said the bond account is a lower priority for her because there has not been any current activity in the account since she was hired in September 2017.

2.5 Review of open bonds

The municipal division had not established procedures to review the status of open bonds held, ensure monies were disbursed timely, and ensure amounts listed as liabilities were accurate. As of June 30, 2016, the city had outstanding bond liabilities totaling \$19,554 on at least 30 cases.

Recommendation

The City of Shelbina Municipal Division routinely review the list of open bonds and disburse or dispose of monies as appropriate.

Status

In Progress

The municipal division and Municipal Judge have disbursed or disposed of bond monies totaling approximately \$12,000, and they are currently evaluating how to handle approximately \$8,000 of other open bonds. The Municipal Judge has limited when bonds are allowed and the municipal division has not collected any new bonds since the Court Clerk was hired in September 2017. A routine review has not been needed since no new bonds have been issued.

2.6 Disbursement of fees

City officials did not disburse amounts collected for the Crime Victims Compensation Fund (CVC), Peace Officer Standards and Training Commission (POST), and Sheriff Retirement Fund monthly. The municipal division collected CVC, POST, and Sheriff Retirement surcharges of \$7.50, \$1, and \$3 on each case filed, respectively, and periodically transmitted this money to the city for deposit; however, the city did not distribute these fees timely.



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Recommendation The City of Shelbina Municipal Division work with the city to ensure court fees are disbursed within 30 days of receipt.

Status **Implemented**

The city now disburses monies monthly. We noted the September 2017 fees were disbursed on October 9, 2017.

2.7 Accrued costs The municipal division had not established a formal administrative plan for the collection of court debt and did not adequately monitor accrued costs, including fines and court costs, incarceration costs, and court-ordered restitution.

Recommendation The City of Shelbina Municipal Division establish procedures to monitor accrued costs.

Status **Implemented**

The municipal division established a procedure to monitor and collect accrued costs. The Court Clerk continues court cases with accrued costs within the case management system to a date specified by the Municipal Judge. The system places these cases on the docket for the specified date to remind the Municipal Judge to review the cases and ensure payment was received. To ensure no cases with accrued costs are omitted from the docket, the City Clerk obtained in October 2017, a report of tickets issued to identify if a ticket has no disposition or if payment has not been collected. The City Clerk will obtain and review this report monthly.

3. Municipal Division Procedures Municipal division procedures needed improvement.

3.1 Monthly reports The Court Clerk did not submit monthly reports of municipal division activity to the state and city.

Recommendation The City of Shelbina Municipal Division report municipal division activity and collections to the state and city monthly.

Status **In Progress**

The municipal division reports division activity and collections to the city monthly, but has not submitted the reports due to the Office of State Courts Administrator (OSCA). The case management system generates the OSCA reports, but the current Court Clerk did not know she had to submit the reports to OSCA. The Court Clerk plans to contact the OSCA to determine when the last report had been submitted to the state and begin making submissions.



3.2 Municipal division records

Municipal division case records were not maintained in an accurate, complete, and organized manner. Case information did not always agree between manual and electronic records. We noted manual docket sheets were not completed and signed, the original charge did not agree between manual and electronic records, fines and costs assessed did not agree between manual and electronic records, and case activity (e.g., court continuances and/or warrant activity) did not agree between manual and electronic records. In addition, the Court Clerk could not locate some manual case files requested during the audit.

Recommendation

The City of Shelbina Municipal Division ensure the proper disposition of cases is documented in manual and electronic records and sufficient documentation is maintained to support all case actions.

Status

Implemented

The municipal division's new case management system automatically assesses fines and court costs in accordance with the standard violation bureau (VB) schedule and creates docket sheets for each case. The Municipal Judge reviews and approves a printed copy of the docket sheet for the manual case file. We haphazardly selected 5 closed cases from the September 2017 docket and noted the municipal division records are organized, complete, and agree with the case management system. For cases filed with the court prior to September 18, 2017, the Court Clerk is organizing the cases for review.

3.3 Case dispositions

The Municipal Judge did not always approve the final disposition of cases brought before the court or the fines handled through the VB. Additionally, the Municipal Judge's approval of amended or dismissed tickets was not always documented.

Our review noted some case files did not contain a completed manual case docket sheet signed by the Municipal Judge. In addition, the Court Clerk did not print the final docket that documented the case activity recorded in the system for the Municipal Judge's review and approval. Also, some amended tickets had not been approved by the Municipal Judge.

Recommendation

The City of Shelbina Municipal Division ensure the Municipal Judge signs all court dockets and reviews and approves all amended and dismissed tickets.

Status

Implemented

The Municipal Judge now reviews and approves all cases. We haphazardly selected 5 closed cases from the September 2017 docket and noted the Municipal Judge reviewed and approved every action, including cases that were amended, dismissed, or paid at the VB.



3.4 Ticket accountability

The police department and the municipal division did not work together to ensure the numerical sequence and ultimate disposition of all tickets issued were accounted for properly.

Recommendation

The City of Shelbina Municipal Division work with the police department to ensure the numerical sequence and ultimate disposition of all tickets, including voided tickets, are accounted for properly.

Status

In Progress

The police department has implemented a fully integrated electronic ticketing system that transmits all ticket data directly to the municipal division's case management system. Once the electronic ticket has been issued, it will automatically show up in that system. The Court Clerk had the case management system vendor create a report on October 17, 2017, showing ticket numbers and ultimate disposition of the tickets. The Court Clerk plans to run this report monthly to account for the tickets.

3.5 Fines and court costs

The municipal division did not always assess fines and court costs in accordance with the approved VB schedule or require a court appearance for violations not on the VB schedule. In addition, the Court Clerk did not ensure there was documentation to explain reasons for assessing other than standard fines and court costs.

Recommendation

The City of Shelbina Municipal Division develop procedures to ensure fines and court costs assessed and collected through the VB agree to the standard fines and court costs unless there is documented approval by the Prosecuting Attorney or the Municipal Judge; and ensure violations not allowed to be handled through the VB are heard in court and are properly posted to the case management system.

Status

Implemented

The municipal division worked with the police department to ensure only the current VB schedule is now handed out. In addition, the new case management system automatically assesses fines and court costs in accordance with the standard VB schedule. We haphazardly selected 5 closed cases from the September 2017 docket and noted the fines and court costs were assessed in accordance with the standard VB schedule or, for those cases not handled through the VB, the case was heard in court and properly posted to the case management system.

4. Electronic Data Security

The municipal division had not established adequate password controls to reduce the risk of unauthorized access to computers and data. The Court Clerk and city personnel authorized to access the case management system were not required to periodically change their passwords and passwords were not



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required to contain a minimum number of characters. In addition, the division did not have security controls in place to lock computers after a specified number of incorrect logon attempts.

Recommendation

The Shelbina Municipal Division require employees to periodically change their passwords and ensure passwords contain a minimum number of characters to prevent unauthorized access to municipal division computers and data. In addition, require each computer to have security controls in place to lock it after a specified number of incorrect logon attempts.

Status

Implemented

The municipal division case management system now requires passwords to be changed every 90 days and requires a complex password with a minimum number of characters. In addition, the system now locks after 3 incorrect logon attempts.

5. Excess Revenues

The municipal division did not have procedures in place to identify minor traffic violation tickets and the associated fines and court costs collected. This information is needed so that city officials can accurately calculate whether the city owes excess revenues to the Missouri Department of Revenue (DOR). City officials did not perform any calculations to determine if amounts were due to the DOR.

Recommendation

The Shelbina Municipal Division work with the city to prepare and ensure the accuracy of annual excess revenue calculations and include appropriate general operating revenues and court revenues in the calculations. In addition, the Board of Aldermen should calculate excess revenues for fiscal year 2015 and past years, maintain documentation to support the calculations, make payment to the DOR, if appropriate, for any excess revenues identified, and establish a procedure going forward.

Status

Partially Implemented

The municipal division provides the city a monthly report from the case management system that includes the amounts of fines and court costs that are subject to the excess revenue calculation. The city has prepared the excess revenue calculation for fiscal year ended June 30, 2016; but has not submitted the required addendum form, which shows the calculation, along with its financial report to the State Auditor's Office. In addition, the city officials have not performed the calculations for fiscal year 2015 and past years to determine if the city received excess revenues in any of those years.