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Missouri State Auditor

Twenty-Third Judicial Circuit

City of Arnold Municipal Division

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Office of
Missouri State Auditor
Susan Montee, CPA

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An audit was conducted by our office of the Twenty-Third Judicial Circuit, city of Arnold Municipal Division.

Bonds received by the court are not recorded immediately upon receipt or deposited on a timely basis. Checks and money orders are not restrictively endorsed immediately upon receipt and there were several old outstanding checks that had not been resolved.

Listings of open items (liabilities) are not reconciled with the balances of the Bond Account. At December 31, 2007, the balance of the Bond Account was \$77,739, while the open items listing prepared by the Finance Director totaled \$64,165, indicating a potential overage in the account of \$13,574, which the new Finance Director could not explain.

Cash custody and recordkeeping duties have not been adequately segregated in the Court Clerk's office. In addition, the majority of the court information, including recording receipts and disbursements, are maintained on both computerized and manual records, which increases the workload of the Court Clerk. To further complicate the matter, no comparison is done between the computer and manual records.

Neither the police department nor the Court Clerk accounts for the numerical sequence and ultimate disposition of traffic tickets issued.

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YELLOW SHEET

TWENTY-THIRD JUDICIAL CIRCUIT
CITY OF ARNOLD
MUNICIPAL DIVISION

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge
Twenty-Third Judicial Circuit
and
Municipal Judge
Arnold, Missouri

We have audited certain operations of the city of Arnold Municipal Division of the Twenty-Third Judicial Circuit. The scope of our audit included, but was not necessarily limited to, the two years ended August 31, 2007. The objectives of our audit were to:

1. Determine if the municipal division has adequate internal controls over significant financial functions such as receipts.
2. Determine if the municipal division has complied 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 tested certain of those controls to obtain evidence regarding the effectiveness of their design and 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 History, 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 Arnold Municipal Division of the Twenty-Third Judicial Circuit.



Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Debra S. Lewis, CPA
In-Charge Auditor:	Steven Re', CPA
Audit Staff:	Albert Borde-Koufie

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

TWENTY-THIRD JUDICIAL CIRCUIT
CITY OF ARNOLD
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Bond Controls and Procedures
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Bonds received by the court are not recorded immediately upon receipt. In addition, deposits are not always made on a timely basis, and checks and money orders are not restrictively endorsed immediately upon receipt. Bond open items are not reconciled to the bond bank account balance, and there were several old outstanding checks that had not been resolved.

A. Checks and money orders received by the court for bonds are not recorded when received. These receipts are eventually turned over to the finance department to prepare the deposit, record them on an electronic spreadsheet, and then transmit the bonds to the city clerk for deposit.

- Bonds retrieved from the police department and received in the mail by the court from other political subdivisions are not receipted or recorded by the Court Clerk upon receipt. The Court Clerk simply places the bond envelopes, that include the bond form and check or money order, in a drawer in her office.
- The Finance Clerk periodically retrieves the bond monies from the drawer in the Court Clerk's office. The Finance Clerk records the bonds on an electronic spreadsheet and prepares the deposit. The Finance Clerk does not issue a receipt slip to the Court Clerk for the transmittal of these monies. The Finance Clerk gives the deposit slip and the bond monies to the City Clerk for deposit and returns the bond forms to the Court Clerk for further processing.
- When the City Clerk receives the bond deposit from the Finance Clerk, a receipt slip is not issued confirming the amount and composition of the monies transmitted.
- The Court Clerk posts the bond forms to the court computer system (REJIS). No reconciliation is done between amounts posted to the computer and amounts deposited or recorded on the bond spreadsheet.

To ensure all collections are properly handled and recorded, bond receipts should be recorded and entered into REJIS immediately upon receipt by the Court Clerk. A bond posting transaction report should be printed and reconciled to monies on hand. This report should be provided to the Finance Clerk with the bond monies for comparison to the monies transmitted or received for deposit. In addition,

receipt slips should be issued or reports signed to clearly indicate the transmittal of the monies between various personnel.

- B. Bond monies received are not deposited on a timely basis. For example, two deposits on September 7, 2007, totaling \$7,650, included monies received between August 15 and August 29, 2007. In addition, checks and money orders are not restrictively endorsed immediately upon receipt. The Finance Clerk endorses the checks and money orders when the deposit is prepared.

Checks and money orders should be restrictively endorsed immediately upon receipt and deposits should be made intact on a timely basis. Deposits should be more frequent if significant amounts of cash are collected.

- C. Listings of open items (liabilities) are not reconciled with the balances of the Bond Account. At December 31, 2007, the balance of the Bond Account was \$77,739, while the open items listing prepared by the Finance Director totaled \$64,165, indicating a potential overage in the account of \$13,574. The new Finance Director could not explain this difference, but indicated that this reconciliation had not been prepared by the former director.

Monthly listings of open items should be prepared and reconciled to cash balances to ensure accounting records are in balance and sufficient funds are available for the payment of liabilities. Preparation of monthly reconciliations would allow changes in the unidentified difference to be investigated and any errors corrected on a timely basis. The Court Clerk should work with the Finance Director to investigate and resolve the current overage in the account.

The REJIS system can be utilized for bonds. The system has the capability to issue bond receipts, apply, forfeit, and refund bonds, and provide an open items bond listing that can be reconciled to the Bond Account balance. However; the Court Clerk does not currently fully utilize the system.

- D. At December 31, 2007, the Bond Account had 16 outstanding checks totaling \$2,079 that were over a year old, and the old bond account had 62 outstanding checks totaling \$5,988 that were over a year old. Old outstanding checks create additional and unnecessary record keeping responsibilities. Procedures should be adopted to routinely follow up on outstanding checks and reissue them if the payees can be located. If the payees cannot be located, these undistributed monies should be disposed of in accordance with state law.

WE RECOMMEND the city of Arnold Municipal Division:

- A. Record bond monies immediately upon receipt. Procedures should be established to ensure amounts posted to REJIS agree to amounts deposited. In addition, receipt slips should be issued when monies are transmitted between city offices.

- B. Deposit all monies on a timely basis (preferably daily) and restrictively endorse checks and money orders immediately upon receipt.
- C. Prepare and reconcile a monthly detailed listing of open items. The Court Clerk should work with the Finance Director to investigate and correct any identified differences.
- D. Ensure procedures to routinely follow up and reissue old outstanding checks are adopted. If the payees cannot be located, these monies should be disposed of in accordance with state law.

AUDITEE'S RESPONSE

The City Administrator, Finance Director, Court Clerk, and Municipal Judge indicated:

- A. *Bond monies will be recorded immediately upon receipt and posted to REJIS with the added internal controls recommended.*
- B. *Deposits will be made daily; all checks will be endorsed upon receipt and reconciled to REJIS daily.*
- C. *Open items will be reconciled to REJIS monthly and reviewed for differences.*
- D. *Procedures for the reissuance/disposition of old outstanding checks will be implemented.*

2.	Court Controls and Procedures
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Cash custody and recordkeeping duties have not been adequately segregated. The court is also not fully utilizing the REJIS system and is duplicating some records.

- A. Cash custody and recordkeeping duties have not been adequately segregated in the Court Clerk's office. The Court Clerk collects monies, records transactions, and prepares the transmittal report. The Assistant City Clerk prepares the deposit and agrees the amount received to the total on the transmittal report. However, a person independent of the receiving process does not compare the receipt slips issued to the transmittal report to ensure its accuracy and that all monies received are transmitted. In addition, the Court Clerk posts the receipts to the REJIS computer system which maintains the court docket and computerized case files. No receipt report is generated from this system or reconciled to amounts transmitted for deposit.

Internal controls would be improved by having someone independent of the receipting, recording, and transmittal preparation processes review the records to ensure accuracy.

- B. The Court Clerk maintains the majority of the court information records on both computerized and manual records. These duplicate records include recording receipts and disbursements. In addition, no comparison is done between the computer and manual records. For example, the Court Clerk records all fines and costs received in the court's one-write ledger and posts these same collections to the computer system. The one-write ledger is used to make deposits and monthly disbursements. The computer system is used to generate a monthly report to send to the Office of State Court Administrator (OSCA). The Court Clerk does not print receipt or disbursement reports from the computer system to compare to the one-write ledger or disbursements, nor is the OSCA report reconciled to any of the manual records.

The computer system could be used to generate the receipt slips and record receipts, thus eliminating the need for the one-write ledger. Also, the Finance Clerk maintains a separate spreadsheet for the recording and disposition of bond receipts, which could also be done with the computer system.

Maintaining accounting records both manually and on the computer increases the workload of the Court Clerk. To ensure all receipts are properly posted to the computer system, a comparison of the computer records to actual monies should be done.

WE RECOMMEND the city of Arnold Municipal Division:

- A. Ensure procedures to account for and verify monies to receipt slips are adopted. In addition, receipt slips and transmittals should be compared to the deposits and reconciled to computer records.
- B. Review all current computerized and manual accounting records and procedures and determine if any duplicate records and functions can be discontinued.

AUDITEE'S RESPONSE

The City Administrator, Finance Director, Court Clerk, and Municipal Judge indicated:

- A. *Procedures to account for and verify court transactions have been implemented.*
- B. *We have reviewed our computer and manual accounting procedures and a more efficient protocol will be implemented by the end of the year.*

3. Ticket Controls and Procedures
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Neither the police department nor the Court Clerk accounts for the numerical sequence and ultimate disposition of traffic tickets issued. The police department maintains a log of ticket books assigned to officers and posts tickets issued to their computer system.

The Court Clerk posts the tickets received from the police department to REJIS. However, no report is generated and reviewed to account for the numerical sequence and the ultimate disposition for each ticket issued. A review of one officer's tickets revealed three missing tickets. The police chief indicated that he had no explanation for the missing tickets.

Without a proper accounting for the numerical sequence and ultimate disposition of tickets issued, the court and the police department cannot be assured all tickets issued were properly submitted for processing. A record should be maintained accounting for the ultimate disposition of each ticket issued to ensure all tickets have been accounted for properly.

WE RECOMMEND the city of Arnold Municipal Division work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all tickets issued.

AUDITEE'S RESPONSE

The City Administrator, Finance Director, Court Clerk, and Municipal Judge indicated this issue will be resolved by summer 2008 through the use of a handheld computerized ticketing device that automatically assigns ticket numbers.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

TWENTY-THIRD JUDICIAL CIRCUIT
CITY OF ARNOLD
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Arnold Municipal Division is within the Twenty-Third Judicial Circuit, which consists of Jefferson County. The Honorable Edward Williams 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.

Operating Costs

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

Personnel

At August 31, 2007, the municipal division employees were as follows:

Municipal Judge	S. Todd Hamby
Court Clerk	Kristin Thiele *
Deputy Court Clerk	Jennifer Roth
Finance Clerk	Joan Boyles

* Nancy Rimmer served as Court Clerk prior to January 2007.

Financial and Caseload Information

	<u>Year Ended August 31,</u>	
	<u>2007</u>	<u>2006</u>
Receipts	\$ 1,177,581	1,060,849
Number of cases filed	18,424	13,634