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Missouri State Auditor

Twenty-Third Judicial Circuit

City of DeSoto Municipal Division

March 2008
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Office of
Missouri State Auditor
Susan Montee, CPA

March 2008

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

Bonds are not retrieved from the Police Department or deposited on a timely basis. The Court Clerk does not issue receipt slips for bonds received from other political subdivisions nor are bonds received from the Police Department adequately verified. In addition, bonds posted to the computer system are not reconciled to amounts deposited. Also, bond open-item listings are not reconciled to the bond bank account balance, and there are several old outstanding checks that have not been resolved. Finally, 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 DESOTO
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
DeSoto, Missouri

We have audited certain operations of the city of DeSoto Municipal Division of the Twenty-Third Judicial Circuit. The scope of our audit included, but was not necessarily limited to, the two years ended October 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 DeSoto Municipal Division of the Twenty-Third Judicial Circuit.



Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

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

1. Controls and Procedures

Bonds are not retrieved from the Police Department or deposited on a timely basis. The Court Clerk does not issue receipt slips for bonds received from other political subdivisions nor are bonds posted to the computer system reconciled to amounts deposited. In addition, bond open-item listings are not reconciled to the bond bank account balance, and there were several old outstanding checks that had not been resolved.

A. Receipting and depositing procedures for bond receipts are in need of improvement.

- 1) Cash, checks, and money orders received by the Police Department for bonds are not retrieved by the Court Clerk on a timely basis. The Court Clerk retrieves the bond receipts from the Police Department once a week, usually each Monday. As a result, bond monies are not deposited on a timely basis.
- 2) The Court Clerk does not issue a receipt slip or maintain a log of bonds received from other political subdivisions. Also, bonds retrieved from the Police Department are not adequately verified. In addition, a report of bonds posted to the court's computer system is not generated or reconciled to bonds deposited.

Bonds from other political subdivisions are received and deposited by the Court Clerk; however, a receipt slip is not issued nor is a log maintained. The Police Department issues prenumbered receipt slips for bond monies collected. The Court Clerk retrieves bonds from the Police Department and issues a receipt slip for the total bonds retrieved; however, a copy of the receipt slip is not given to the Police Department. In addition, the Court Clerk does not compare the bond monies retrieved to the receipt slips issued by the Police Department to ensure all of the bonds have been accounted for properly.

The Court Clerk posts all bond receipts to the court's computer system, but does not generate a report of bonds posted to compare to amounts deposited.

To reduce the risk of loss, theft, or misuse of funds, and to provide assurance that all receipts are accounted for properly, bond receipts should be retrieved and deposited on a timely basis (preferably daily), receipt slips should be issued or a log maintained for all bonds received, bond receipts should be verified against applicable, available records, and a report of bonds posted to the court's computer system should be generated and agreed to amounts deposited.

- B. Listings of open items (liabilities) are not reconciled with the balance of the Bond Account. At October 31, 2007, the balance of the Bond Account was \$16,038, while the open items listing prepared by the Court Clerk totaled \$15,354, indicating a potential overage in the account of \$684.

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 to be corrected on a timely basis. The Court Clerk should work with the Finance Clerk to investigate and resolve the current overage in the account.

- C. At October 31, 2007, the Bond Account had 2 and the Fines and Cost account had 5 outstanding checks totaling \$64 and \$196, respectively (written prior to 2002) that were at least five years 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 also noted that 3 additional checks, totaling \$674, were listed as outstanding that had actually been voided and reissued but had not been removed from the Bond Account bank reconciliation. As a result, the Bond Account appears to have an overage compared to the bond open items listing (see part B above).

- D. As October 31, 2007, the Bond Account bank reconciliation had one reconciling item noted as "miscellaneous errors" totaling \$2,313. This reconciling item has been carried on the account since 2005. The Finance Clerk indicated this was an accumulation of bad check fees. Carrying old reconciling items forward each month creates additional, unnecessary record keeping responsibilities. Procedures should be established to routinely follow up on and resolve all reconciling items on the bank reconciliation.

WE RECOMMEND the city of DeSoto Municipal Division:

- A. Retrieve bond monies from the Police Department and deposit bond monies on a timely basis, preferably daily. Bonds retrieved from the Police Department should be compared to receipt slips issued by the department. Bond monies received in the mail should be receipted or recorded in a log at the time of receipt.

Deposits should be compared to the recorded transactions in the computer to properly account for all bonds.

- B. Prepare and reconcile a monthly detailed listing of open items. The Court Clerk should work with the Finance Clerk to investigate and correct any identified differences.
- C. 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. Voided checks should be reissued if necessary and removed from the outstanding check listing.
- D. Ensure procedures to routinely follow up and resolve reconciling items on the bank reconciliation are adopted.

AUDITEE'S RESPONSE

The Municipal Judge, Court Clerk, City Administrator, City Clerk/Assistant City Administrator, and the Finance Clerk indicated:

- A.1. *The Court Clerk is now picking up the bonds from the Police Department every day. The bond money is then entered and deposited every day.*
- 2. *The Court is now mailing a receipt to other political subdivisions when a bond is received.*

The Court is looking into getting pre-numbered bonds and receipts that match. Forms will be generated for the police officer to fill out and for the Court Clerk to initial when the bond is received, which will verify that all the money is accounted for. These forms have been ordered and this procedure will be implemented as soon as we receive the forms.

Once all bonds are posted, a report is now printed. This verifies that the deposit and postings match.

- B. *Currently, the report on outstanding bonds in the Court System is off by \$110.54 from the balance of the General Ledger and the bank statement. The General Ledger and the bank statement match, showing \$110.54 more than the Court System. The Court Clerk and Finance Clerk are going to get together on March 17, 2008, and work on this as time allows them. They are going to match the General Ledger entries to the Court entries. We are confident that they will find the difference.*

Now, at the end of the month, the Court's report of open bonds and the bank amount is reconciled. Any discrepancies are reviewed and resolved at that time.

- C. *The Court's voided checks have now been voided in the General Ledger and no longer show on our outstanding check register. The Court Clerk and Finance Clerk are going to back track the old outstanding checks and void them. The amount of those checks will be sent to unclaimed properties. This will also be started on March 17, 2008, and worked on as time allows.*
- D. *The "miscellaneous errors" that were on the bank reconciliation have been resolved. A check was written to the City for the amount outstanding.*

2. 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 post tickets issued to their computer system. The Court Clerk posts the tickets received from the police department to the court's computer system. However, no report is generated and reviewed to account for the numerical sequence and the ultimate disposition for each ticket issued.

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 DeSoto Municipal Division work with the police department to ensure the numerical sequence and ultimate disposition of all tickets issued are accounted for properly.

AUDITEE'S RESPONSE

The Municipal Judge, Court Clerk, City Administrator, City Clerk/Assistant City Administrator, and the Finance Clerk indicated the Court Clerk spoke to the Records Clerk about the ticket book procedures and the Records Clerk is going to start having the officers keep a log of every ticket that they write. At the end of the month, the Records Clerk will run a report to make sure all of the tickets have been entered into the computer system.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

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

The city of DeSoto 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 October 31, 2007, the municipal division employees were as follows:

Municipal Judge	Brian Hammon *
Court Clerk	Natasha Mouser
City Clerk/Asst. City Administrator	Arlene Burt

* Forest Wegge served as Municipal Judge prior to January 2007.

Brandi Agee, Assistant Court Clerk began employment on November 5, 2007. This is a new position.

Financial and Caseload Information

	<u>Year Ended October 31,</u>	
	<u>2007</u>	<u>2006</u>
Receipts	\$ 216,254	232,368
Number of cases filed	1,707	1,801