



Thomas A. Schweich  
Missouri State Auditor

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## JUDICIARY

# Missouri Court of Appeals

## Southern District

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# CITIZENS SUMMARY

## Findings in the audit of the Missouri Court of Appeals, Southern District

Payroll and Personnel Policies and Procedures	There is no supervisory review of payroll duties, most employees are not required to complete timesheets, and leave records are not adequately documented. This makes it difficult to identify errors and ensure all transactions are legitimate. We discovered one employee was overpaid by more than \$2,000 in a 15-month period, and another employee's leave balance was short 8 days. The court chooses not to use the state's human resources system (SAM II-HR) for tracking time and leave.
Receipts and Deposits	During the 3 years ended June 30, 2010, the court collected approximately \$17,500 in filing and copy fees, but these monies are not promptly recorded or reconciled to deposits, and manual receipt slips are not reconciled to the Justice Information System. This makes it difficult to document all monies collected are deposited.
Law Library	The court spent over \$450,000 on law library publications and subscriptions during the 3 years ended June 30, 2010, but there is no evidence physical inventories are performed. The library is maintained for the benefit of court personnel and the community, and steps should be taken to preserve its assets.
Additional Comments	We evaluated the court's internal controls over significant management and financial functions, including receipt and disbursement procedures. We also evaluated the court's compliance with certain legal provisions, including rules governing filing fees and procurement of goods and services. For the areas audited, no significant deficiencies, other than those noted above, were identified.

In the areas audited, the overall performance of this entity was **Good**.\*

American Recovery and Reinvestment Act of 2009 (Federal Stimulus)	During the year ended June 30, 2010, the court spent \$76,309 of ARRA monies, appropriated from the Federal Budget Stabilization - Medicaid Reimbursement Fund, to fund general operations.
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\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# Missouri Court of Appeals

## Southern District

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# THOMAS A. SCHWEICH

## Missouri State Auditor

Chief Judge and Court en banc  
Missouri Court of Appeals, Southern District  
Springfield, Missouri

We have audited certain operations of the Missouri Court of Appeals, Southern District, in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2010, 2009, and 2008. The objectives of our audit were to:

1. Evaluate the court's internal controls over significant management and financial functions.
2. Evaluate the court's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the court, 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 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 contract or 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.

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 Organization and Statistical Information is presented for informational purposes. This information was obtained from the court's management and was not subjected to the procedures applied in our audit of the court.

For the areas audited, we identified (1) deficiencies in internal controls, (2) no significant noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures for the areas audited. The accompanying Management Advisory Report presents our findings arising from our audit of the Missouri Court of Appeals, Southern District.



Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Kim Spraggs, CPA
In-Charge Auditor:	Ted Fugitt, CPA

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# Missouri Court of Appeals

## Southern District

### Management Advisory Report - State Auditor's Findings

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#### **1. Payroll and Personnel Policies and Procedures**

Several concerns related to the Missouri Court of Appeals, Southern District's (court) payroll and personnel policies and procedures were identified.

The court has two groups of employees. Court support staff, which includes the fiscal officer, librarian, computer information specialist, marshal, court clerks, staff counsel, and research attorney, work for the court overall and report to the Court Clerk. In addition, each judge has one law clerk and one judicial administrative assistant; and two additional law clerks rotate between the judges. All court employees (except the marshal) work full-time and are provided a salary and the same benefits as other state employees, with the exception of annual leave and sick leave for law clerks. Payroll expenditures total approximately \$2 million each year, representing approximately 87 percent of the court's total expenditures.

##### 1.1 Payroll controls

There is no supervisory review of the payroll duties performed by the fiscal officer. The fiscal officer enters payroll information, including salary and employee information, into the Statewide Advantage for Missouri - Human Resources/Payroll (SAM II-HR) System with no supervisory approval or review. Our review of salaries paid to six court employees noted an instance where an employee was overpaid a total of \$2,324 from July 2009 to September 2010, when we brought the error to the court's attention. The overpayment occurred because the former fiscal officer entered incorrect salary information for the employee, who was granted a salary increase effective July 1, 2009, providing the employee a higher increase than authorized. The error was not detected because there is no supervisory review of the fiscal officer's SAM II-HR System entries or monthly payroll reports.

To ensure payroll transactions are proper and errors are detected and corrected timely, the court should require supervisory review of payroll records.

##### 1.2 Timesheets

Timesheets are not prepared by court employees, except for some judicial administrative assistants. Our review of procedures and records maintained for two of the seven judicial administrative assistants noted one did not prepare timesheets, and the timesheets prepared by the other judicial assistant listed only holidays and leave taken and were not signed by the employee or the supervising judge.

To ensure payroll costs are adequately documented, records detailing hours worked or leave taken should be prepared by all employees, approved by their supervisor, and filed with the fiscal office.



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### 1.3 Leave records and policies

Records of leave earned, used, and accumulated are not always accurate, in compliance with the court leave policy, or centrally maintained. In addition, the court has not established a leave policy for law clerks.

The court has no centralized record of leave earned and taken by employees. Although state employee annual leave and sick leave can be tracked in the SAM II-HR System, the court has opted to maintain manual leave records instead. Each judge is responsible for maintaining leave records for his or her employees and the Court Clerk is responsible for maintaining leave records for all other court employees. Our review of leave records for five employees during the 3 years ended June 30, 2010, noted inconsistencies, calculation errors, and noncompliance with the court leave policy.

Our review of leave records maintained by two judges for their judicial administrative assistants noted the leave records for one assistant contained calculation errors, and the annual leave balance consistently exceeded the 36-day maximum provided by the leave policy. The assistant's annual leave balance at September 30, 2010, was 67.5 days.

Our review of leave records maintained by the Court Clerk for three employees noted several instances where calculation errors were made and leave balances were incorrectly calculated. For example, the monthly annual leave accrual for one employee was not increased in May 2007 from 1.25 to 1.5 days, when the employee reached 10 years of state employment, as provided by the leave policy. In January 2010, the Court Clerk identified the error and revised the employee's monthly accrual rate, but did not adjust the employee's annual leave balance for the additional 8 days previously earned but not recorded.

Leave records for all court employees should be maintained centrally and monitored to provide assurance the balances are accurate and in compliance with the leave policy, and employees are treated equitably. Centralized leave records also provide support for the amount of accumulated leave to be paid to an employee upon termination. The court should consider using the SAM II-HR System time and leave tracking capabilities to help address many of the conditions noted above.

#### Law clerks' leave

The court has not established a leave policy for law clerks. Law clerks do not accrue annual leave or sick leave, but are given time off at the discretion of the judge for whom they work. Both judges interviewed regarding leave practices for their law clerks indicated they have not established standard amounts of time off they provide their law clerks, and they do not maintain records of leave provided. During our audit fieldwork, one law clerk was on paid maternity leave; however, there was no record of the amount of time off the clerk was allowed.



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Court personnel could provide no explanation or justification of the current practices for handling time off for law clerks. The Court Clerk indicated this arrangement was established many years ago when law clerks were temporary employees and worked for the court for approximately a year. However, she indicated law clerks now work for the court for longer terms. A written leave policy for law clerks is necessary to provide assurance these employees are treated equitably and to prevent misunderstandings.

## Recommendations

The Court Clerk:

- 1.1 Perform a supervisory review of the payroll duties performed by the fiscal officer and work with the Court en banc to develop a plan for obtaining repayment of the salary overpayment.
- 1.2 And the Court en banc require a record of hours worked or leave taken be prepared and signed by all employees, approved by their supervisor, and filed with the fiscal office.
- 1.3 And the Court en banc maintain complete, accurate, and centralized leave records for all employees, and periodically monitor those records for compliance with the court leave policy. In addition, the court should consider using the SAM II-HR System time and leave tracking capabilities, and establishing a leave policy for law clerks.

## Auditee's Response

- 1.1 *We already have started on the first part of this, and the Court en banc is considering how best to handle the second part.*
- 1.2
- &1.3 *The report does not find any noncompliance with our legal obligations as to 1.2 or 1.3, which also is our belief. To our knowledge, our law clerk practices in these respects are consistent with Missouri's other appellate courts, including those of our Supreme Court when it was last audited.*

## 2. Receipts and Deposits

The court should improve policies and procedures related to receipts. The court receives filing fees (\$70 per case) and monies for copies of various court records and documents. Court receipts totaled approximately \$17,500 during the 3 years ended June 30, 2010. Of this amount, approximately 84 percent was filing fees and 16 percent was copy fees.

Receipt slips are not issued for some monies received by the court. Deputy clerks receive filing and copy fees in the mail or in person, and issue manual receipt slips when requested by the payer. The librarian records copy monies received in the law library in a manual receipt log and issues manual receipt slips upon request. The following concerns were noted during our review of the court's receipting and depositing procedures:



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- Filing fee receipts are not always entered in the Justice Information System (JIS) in a timely manner. A cash count performed on May 20, 2010, identified two receipts, received 8 and 12 business days earlier, had not been posted to JIS.
- Manual receipt slips issued for filing fees are not reconciled to the JIS. The corresponding JIS receipt number is not recorded on the manual receipt slips after the information has been entered in the JIS and there is no independent review to ensure all applicable manual receipt slips are properly posted to the JIS.
- Filing fee receipts posted to the JIS are not reconciled to deposits. Although the fiscal officer runs a cashier's report at the end of each month, there was no documentation that receipts were reconciled to deposits. In addition, procedures have not been established to reconcile manual copy receipts to deposits.
- Court receipts are not always deposited on a timely basis. Deposits are only made 2 to 3 times per month.
- Checks are not restrictively endorsed when received. Endorsements are applied when the deposit is prepared by the fiscal officer.

To adequately safeguard and account for all receipts, procedures should be established to ensure monies are recorded immediately upon receipt on either manual receipt slips or entries to the JIS, manual receipt slips are recorded timely, receipts are reconciled to deposits, deposits are made in a timely manner, and checks are restrictively endorsed immediately upon receipt.

## Recommendation

The Court Clerk establish procedures to ensure monies are recorded immediately upon receipt on either manual receipt slips or entries to the JIS, manual receipt slips are recorded timely, receipts are reconciled to deposits, deposits are made in a timely manner, and checks are restrictively endorsed immediately upon receipt.

## Auditee's Response

*We already have begun doing so.*

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## 3. Law Library

Court personnel could provide no documentation to support physical inventories of law library materials were performed. The Law Library, which includes legal publications kept in the library, in each of the judges' offices, and the law clerks' reading room, is maintained for use by court personnel and the community. Expenditures for law library publications and subscriptions, which represent approximately 50 percent of all court expenditures excluding payroll, totaled approximately \$456,000 during the 3 years ended June 30, 2010.

Although the court librarian, who was hired in January 2010, indicated she believes the previous librarian conducted semi-annual physical inventories, she could provide no documentation these inventories had been performed.



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Physical inventories of law library materials, and reconciliation of those inventories to the inventory records, are necessary to ensure inventory records are accurate, identify unrecorded additions and dispositions, detect and deter theft of assets, and identify obsolete materials.

**Recommendation**

The Court Clerk ensure periodic physical inventories of law library materials are performed, reconciled to inventory records, and documented.

**Auditee's Response**

*We are reviewing our inventory process.*

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# Missouri Court of Appeals Southern District Organization and Statistical Information

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The Missouri Court of Appeals, Southern District, was created under an act of the General Assembly in 1909, and is governed by Article V, Missouri Constitution, and Chapter 477, RSMo. The court has appellate jurisdiction over 44 counties in Southern Missouri, except for those cases within the exclusive jurisdiction of the Supreme Court. The court has its offices in Springfield, Missouri and also maintains a courtroom and chambers in the Butler County Courthouse in Poplar Bluff, Missouri. The court holds oral arguments in January, March, June, and September in Springfield; and in April and October in Poplar Bluff. The judges sit in two divisions, each with three or four judges, that rotate on an annual basis.

## Judges and Court Personnel

The court is composed of seven judges whose salaries are set by statute. Judges are selected under the Missouri Plan, which includes selection by the Appellate Judicial Commission, appointment by the Governor, and retention by voters. Judges must be at least 30 years old, residents of their district, United States citizens for at least 15 years, and Missouri voters for 9 years before their selection. Judges serve 12-year terms. The judges elect a chief judge to serve a 2-year term. At June 30, 2010, the judges of the Missouri Court of Appeals, Southern District, were as follows:

Name and Title	Term Expires
Daniel E. Scott, Chief Judge	December 31, 2020
Robert S. Barney	December 31, 2022
Nancy Steffen Rahmeyer	December 31, 2014
Jeffrey Wayne Bates	December 31, 2018
Gary Lynch	December 31, 2020
Don Burrell, Jr.	December 31, 2022
William W. Francis, Jr.	December 31, 2012 (1)

(1) Voters will determine in the November 2012 general election whether to retain Judge Francis for a term expiring December 31, 2024.

Sandra L. Skinner has served as Court Clerk since May 1989. The clerk of the court supervises the internal administrative functions of the court and reports directly to the chief judge. In addition to the judges and the Court Clerk, the court employed 22 full-time employees and 1 part-time employee at June 30, 2010.

The court spent American Recovery and Reinvestment Act of 2009 monies of \$76,309 during the year ended June 30, 2010. These monies were appropriated to the court from the Federal Budget Stabilization - Medicaid Reimbursement Fund (see Appendix B) and were used to fund general operations of the court.

Appendix A

Missouri Court of Appeals  
Southern District  
Comparative Statement of Receipts

	Year Ended June 30,		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>GENERAL REVENUE FUND</b>			
Court fees	\$ 3,209	3,267	3,842
Copy fees	893	1,145	738
Total General Revenue Fund	<u>\$ 4,102</u>	<u>4,412</u>	<u>4,580</u>
<b>BASIC CIVIL LEGAL SERVICES FUND</b>			
Court fees	<u>\$ 1,260</u>	<u>1,651</u>	<u>1,500</u>

Appendix B

Missouri Court of Appeals  
 Southern District  
 Comparative Statement of Appropriations and Expenditures

	Year Ended June 30,								
	2010			2009			2008		
	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances	Appropriation Authority	Expenditures	Lapsed Balances
<b>GENERAL REVENUE FUND</b>									
Personal Service - Judges' Salaries	\$ 883,450	814,237	69,213	897,450	896,359	1,091	835,488	835,487	1
Personal Service	1,081,821	1,042,169	39,652	1,143,496	1,112,325	31,171	1,082,161	1,082,161	0
Expense and Equipment	272,715	272,715	0	273,349	273,349	0	331,702	331,702	0
Total General Revenue Fund	<u>2,237,986</u>	<u>2,129,121</u>	<u>108,865</u>	<u>2,314,295</u>	<u>2,282,033</u>	<u>32,262</u>	<u>2,249,351</u>	<u>2,249,350</u>	<u>1</u>
<b>FEDERAL BUDGET STABILIZATION -          MEDICAID REIMBURSEMENT FUND</b>									
Personal Service	57,175	57,175	0	0	0	0	0	0	0
Expense and Equipment	19,134	19,134	0	0	0	0	0	0	0
Total Federal Budget Stabilization - Medicaid Reimbursement Fund	<u>76,309</u>	<u>76,309</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total All Funds	<u>\$ 2,314,295</u>	<u>2,205,430</u>	<u>108,865</u>	<u>2,314,295</u>	<u>2,282,033</u>	<u>32,262</u>	<u>2,249,351</u>	<u>2,249,350</u>	<u>1</u>

The lapsed balances include the following withholdings made at the Governor's request:

	Year Ended June 30,		
	2010	2009	2008
General Revenue Fund			
Personal Service	\$ <u>54,357</u>	<u>18,091</u>	<u>0</u>

Appendix C

Missouri Court of Appeals

Southern District

Comparative Statement of Expenditures (From Appropriations)

	Year Ended June 30,				
	2010	2009	2008	2007	2006
Personal service	\$ 1,913,580	2,008,684	1,917,648	1,821,369	1,813,825
Travel, in-state	22,743	23,413	24,841	22,340	15,882
Travel, out-of-state	628	6,932	4,899	9,328	1,644
Supplies	154,869	176,759	190,158	210,307	199,704
Professional development	10,149	8,544	12,859	10,758	9,803
Communication services and supplies	59,358	46,066	43,584	34,281	15,481
Professional services	1,452	2,091	7,679	5,662	4,582
Maintenance and repair services	4,311	2,026	3,464	3,542	7,569
Computer equipment	11,901	618	1,771	2,282	916
Office equipment	17,673	5,012	31,135	29,033	32,254
Real property rentals and leases	8,458	1,800	10,199	1,800	4,980
Miscellaneous expenses	308	88	1,113	0	20
Total Expenditures	\$ <u>2,205,430</u>	<u>2,282,033</u>	<u>2,249,350</u>	<u>2,150,702</u>	<u>2,106,660</u>