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Missouri State Auditor

Thirty-Fourth Judicial Circuit

City of Howardville Municipal Division

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Thomas A. Schweich
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Thirty-Fourth Judicial Circuit, City of Howardville Municipal Division

Accounting Controls and Procedures

The audit identified significant weaknesses with the municipal division's accounting controls and procedures, making it difficult to ensure that all receipts are deposited and accounted for properly. Accounting duties are not segregated. The Court Clerk performs all accounting duties without adequate supervision or review, and accountability over receipts is inadequate.

Receipts are not recorded on a cash control ledger, receipt slips are not always issued in numerical order, method of payment is not always noted, and procedures for voiding receipt slips need improvement. The municipal division's practices do not meet the requirements of the Missouri Municipal Clerk Manual, and there is no assurance all monies received are properly deposited.

Receipts are not deposited timely and intact, and checks and money orders are not restrictively endorsed until the deposit is prepared. The municipal division collected \$267.50 that does not appear to have been deposited.

For 68 percent (44 out of 65) of the violations we reviewed, fines and court costs collected did not agree with the amounts authorized by the violations bureau schedule, mainly because no court costs were collected in the majority of these cases. The final disposition of some cases was not documented on the dockets as required by state law, and the Municipal Judge does not always sign the court dockets after case dispositions are recorded.

Partial payments received and balances due are not accounted for or followed-up on properly. The municipal division is collecting a Law Enforcement Training fee; however, the city has not passed an ordinance authorizing this fee. Fines and court costs are not disbursed to the city at least monthly, as required by state law. As of February 28, 2011, the municipal division bank account contained \$18,700, most of which should be disbursed to the city.

The municipal division does not perform monthly bank account reconciliations and does not identify or reconcile month-end liabilities. The bank signature card for the municipal division bank account only listed the former City Clerk who resigned in 2010. Bank signature cards need to be updated in a timely manner.

Records and Reports	Some municipal division records for periods prior to October 2009, could not be located, including case files, dockets, and most financial records. Moreover, 45 percent (17 out of 38) of the traffic tickets dated after October 2009 selected for review could not be located. The lack of records makes it impossible to confirm whether traffic tickets and court cases were processed and accounted for properly. Missouri Supreme Court Operating Rule 8.04.6 requires municipal divisions to retain all case file records, which is essential for establishing accountability and demonstrating compliance with state law. The municipal division has not always filed accurate and timely monthly summary reports of cases heard in court, including fines and court costs collected, as required by state law.
Ticket Accountability	Neither the police department nor the municipal division adequately accounts for the numerical sequence of traffic tickets issued. Our review of the 200 tickets assigned to the police department during the audit period revealed 42 could not be located. Because tickets are not adequately tracked by number and ultimate disposition, the municipal division cannot be sure all tickets assigned and issued are properly submitted or voided.
Court Clerk Trainer	The Board of Aldermen authorized an individual to help train a temporary court clerk and perform certain duties, such as preparing deposit slips and requesting the city disburse Law Enforcement Training fees to the state. This individual was allowed access to municipal division assets and court records without the knowledge and authority of the Municipal Judge and without being bonded. To reduce the risk of loss or misuse of funds, all persons with access to court assets should be bonded, and to protect confidential court records, individuals should not be given access to court records without authorization from the Municipal Judge.

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

American Recovery and Reinvestment Act 2009 (Federal Stimulus)	The Thirty-Fourth Judicial Circuit, City of Howardville Municipal Division, did not receive any federal stimulus monies during the audited time period.
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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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Thirty-Fourth Judicial Circuit

City of Howardville Municipal Division

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Presiding Judge
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We have audited certain operations of the City of Howardville Municipal Division of the Thirty-Fourth Judicial Circuit in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2010. The objectives of our audit were to:

1. Evaluate the municipal division's internal controls over significant financial functions.
2. Evaluate the municipal division's compliance 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. The municipal division could not locate or provide us any financial or other records related to transactions conducted prior to October 2009. In addition, some court cases filed and citations issued by the City of Howardville Police Department subsequent to October 2009 could not be located by the municipal division. Because of this limitation on the scope of our audit, we could not audit those transactions or information related to the 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 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.

Except as discussed in the second paragraph, 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 municipal division's management and was not subjected to the procedures applied in our audit of the division.

For the areas audited, we identified (1) deficiencies in internal controls and (2) noncompliance with legal provisions. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Howardville Municipal Division of the Thirty-Fourth Judicial Circuit.

A petition audit of the City of Howardville, fulfilling our obligations under Section 29.230, RSMo, is still in process, and any additional findings and recommendations will be included in the subsequent report.



Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CGFM, CIA
Audit Manager:	Mark Ruether, CPA
In-Charge Auditor:	Heather R. Stiles, MBA, CPA

Thirty-Fourth Judicial Circuit

City of Howardville Municipal Division

Management Advisory Report - State Auditor's Findings

1. Accounting Controls and Procedures

Significant weaknesses were identified with accounting controls and procedures of the municipal division. As a result, there is little assurance all municipal division receipts were deposited and accounted for properly.

1.1 Segregation of duties

Accounting duties are not segregated. The Court Clerk performs all accounting duties, including receiving, recording, depositing, disbursing, and reconciling court receipts. Neither the Municipal Judge nor other city personnel provide adequate supervision or review of the work performed by the Court Clerk.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating duties to the extent possible. If proper segregation of duties is not possible, there should be documented independent reviews of the municipal division records.

1.2 Receipt procedures

Accountability over municipal division receipts is inadequate.

- Receipts are not recorded on a cash control ledger, and receipt slips were not always issued in numerical sequence. As a result, the municipal division does not account for the numerical sequence of receipt slips.
- The method of payment (i.e., cash, check, or money order) and case number or ticket number were not always recorded on the receipt slips issued.
- Procedures to void receipt slips need improvement. In one instance, four receipt slips were issued to the same defendant within 3 days for the same amount for the same court case. While the defendant confirmed to us that he only paid the court once, only two of the receipt slips were physically voided. Additionally, the original copies of some voided receipt slips were not retained.

Without proper receipt procedures, there is little assurance all receipts are accounted for properly and deposited intact. The Missouri Municipal Clerk Manual, Chapter Four - Financial Procedures, requires pre-numbered receipt slips for all payments received which include the date, case number, name of person making the payment, amount received, type of payment, and initials of the person receiving the payment. The manual also requires the receipt information including the receipt slip number be recorded on a cash control ledger and the individual case file to provide adequate supporting documentation and a proper audit trail. Proper accounting for the numerical



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sequence of receipt slips and retaining original copies of voided receipt slips provides better controls over receipts.

1.3 Deposit procedures

Receipts totaling \$267.50 could not be traced to deposits. In addition, receipts are not deposited timely or intact, the composition of receipts is not reconciled to the composition of bank deposits, and checks and money orders are not restrictively endorsed until the deposit is prepared.

During October 2009, \$170 of cash received could not be traced to specific deposits. These cash receipts were recorded on October 5 (\$70) and October 13 (\$100) and court personnel could not explain why these receipts could not be traced to deposits. Additionally, on March 2, 2010, a court receipt slip was issued for a money order for \$97.50; however, the deposit of this money order could not be traced into the court's bank account.

Deposits are generally made one to three times per month while receipts are generally received throughout the month. Also, in December 2010, following the resignation of the Court Clerk on December 6, 2010, no additional court receipts were deposited until a deposit was made on January 4, 2011. This deposit was for \$4,098 which included court monies received in the month of December 2010.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, all monies should be deposited intact, on a timely basis, and checks and money orders should be restrictively endorsed immediately upon receipt. Additionally, to ensure all receipts are properly recorded and deposited intact, receipt slips included in each deposit should be documented and the composition of receipt slips issued should be reconciled to the deposit. The municipal division should investigate the monies which could not be traced to deposits and take appropriate action.

1.4 Case disposition

Fines and court costs collected did not agree with the amounts authorized by the violations bureau (VB) schedule for 44 of 65 violations reviewed. For 31 of these 44 violations, only the fine amount and no court costs were collected. In addition, it is municipal division procedure to document the final disposition of all cases on the court dockets, including cases handled through the VB; however, the final disposition of some cases was not documented on the dockets, and the Municipal Judge does not always sign the court dockets after case dispositions are recorded. As a result, there is less assurance fines and court costs are properly handled and deposited.

Section 479.070, RSMo, requires the proceeding for every case commenced before the municipal division to be entered on the docket. Accurate recording of the case disposition is necessary to ensure all fines and court costs have been properly collected and deposited. In addition, procedures to ensure amounts collected through the VB agree to the schedule approved by



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the Municipal Judge are necessary to ensure the proper amount of fines and court costs are collected.

1.5 Accounts receivable

Procedures to properly account for partial payments received and balances due need improvement. Monthly court dockets did not always contain a list of cases with amounts owed to the municipal division as required by court policy. Defendants are allowed to pay fines and court costs over time after signing a payment agreement form, and the Court Clerk keeps track of these payments on the cover of each case file.

To ensure proper follow up on amounts due to the court, all cases with amounts due should be included on the monthly court dockets.

1.6 Law enforcement training fees

The city has not established an ordinance authorizing the collection of the Law Enforcement Training (LET) surcharge. The municipal division assesses and collects a \$2 surcharge for LET for each municipal ordinance violation to pay for training of law enforcement personnel employed or appointed by the city.

Section 488.5336.1, RSMo, provides that municipal divisions may collect the LET surcharge if authorized by the city government. To ensure compliance with state law, applicable court fees should be established by city ordinance.

1.7 Fines and court costs

The municipal division does not regularly disburse fines and court costs deposited in the court bank account. As of February 28, 2011, approximately \$18,700 remained in the court bank account, the majority of which represents fines and court costs not remitted to the city. Since the current municipal division bank account was opened in October 2009, only two disbursements to the city totaling \$11,022 have been made.

The lack of monthly disbursements of fines and court costs deprives the city of the use of these funds. Section 479.080, RSMo, requires the municipal division disburse fines and court costs to the city at least monthly.

1.8 Bank reconciliations

The municipal division does not prepare bank reconciliations for the division bank account or maintain a balance in the check register. In addition, month-end liabilities are not identified or reconciled to the division bank account balance.

Monthly bank reconciliations are necessary to ensure bank activity and accounting records are in agreement and to detect and correct errors in a timely manner. An accurate check register balance is necessary to facilitate reconciliation with bank account balances. In addition, liabilities should be identified at each month-end and reconciled to the bank account balance to ensure accounting records are in balance and monies held in trust are



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sufficient to meet the payment of all liabilities. Such reconciliations would allow for prompt detection of errors.

1.9 Bank signature card

The municipal division has not adequately updated the bank signature card. The signature card as of March 16, 2011, only lists the former Court Clerk who resigned in December 2010. Failure to remove a prior employee's name from bank records in a timely manner could increase the possibility of misuse of funds. To protect court assets, the signature card should be updated to include only those individuals authorized to conduct municipal division business.

Recommendations

The City of Howardville Municipal Division:

- 1.1 Ensure there are documented periodic reviews of municipal division records by the Municipal Judge or city personnel independent of the accounting functions.
- 1.2 Issue official pre-numbered receipt slips for all monies received in numerical sequence, and ensure the method of payment is accurately recorded on each receipt slip. The municipal division should maintain a cash control ledger and periodically account for the numerical sequence of receipt slips issued. Also, the original copies of voided receipts should be properly defaced and retained.
- 1.3 Deposit all monies received intact in a timely manner and ensure all checks and money orders are restrictively endorsed immediately upon receipt. The composition of receipt slips should be reconciled to the composition of deposits. In addition, the municipal division should investigate the receipts not deposited in October 2009 and March 2010 and take appropriate action.
- 1.4 Collect the proper amount of fines and court costs in accordance with the VB schedule. Additionally, the court dockets should include the proper disposition of all cases and be signed by the Municipal Judge.
- 1.5 Ensure all cases with amounts due are included on monthly court dockets.
- 1.6 Request the city Board of Aldermen establish an ordinance authorizing the collection of the Law Enforcement Training surcharge.
- 1.7 Disburse all fines and court costs due to the city monthly in accordance with state law.



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- 1.8 Maintain a current balance in the check register and prepare monthly bank reconciliations. In addition, month-end liabilities should be identified and reconciled to the bank account balance. Any differences should be investigated.
- 1.9 Update the bank signature card on a timely basis to include only those individuals currently authorized to sign checks.

Auditee's Response

The Municipal Judge provided the following written response:

A new Court Clerk has been hired and the State Auditor's recommendations have been implemented or will be implemented.

- 1.1 *The City Clerk is now performing an independent review and signing applicable court accounting records.*
- 1.2 *This has already been implemented.*
- 1.3 *Deposits are now made intact daily or when at least \$100 is received, and checks and money orders are restrictively endorsed immediately. Due to the significant turnover in court clerks, it may not be feasible to determine the cause of the discrepancies noted in October 2009 and March 2010.*
- 1.4 *This has been corrected.*
- 1.5 *A show cause docket is now prepared for each court date which lists all defendants who owe money to the court.*
- 1.6 *The Mayor has indicated the city recently passed an ordinance authorizing the collection of the LET fee.*
- 1.7 *We have recently distributed the balance of fines and court costs to the city and will make monthly disbursements to the city.*
- 1.8 *This will be implemented.*
- 1.9 *The Judge and the Mayor will be the only two individuals on the bank signature card.*

2. Records and Reports

Records prior to October 2009 have not been maintained by the municipal division, and some court case files subsequent to that time could not be located. As a result, we could not audit some municipal division transactions. In addition, monthly reports of court activity were not accurate and were not filed with the city as required by state law.



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Management Advisory Report - State Auditor's Findings

2.1 Missing records

Some records related to municipal division activities pertaining to periods prior to October 2009, could not be located, including case files, dockets, and most financial records. The municipal division was shut down in 2003 and reestablished in August 2008. City personnel indicated from August 2008 to October 2009, fines and court costs received were recorded on city receipt slips and deposited into a city bank account. While city receipt slips and deposit records prior to October 2009 were retained, the municipal division could not locate court records, such as court dockets, traffic tickets issued, and court case files, to support these amounts deposited. Additionally, there are no records of any amounts being disbursed to the state for court fees collected for Crime Victims Compensation (CVC) and Peace Officer Standards Training (POST) prior to October 2009.

In addition, case files could not be located for some traffic tickets issued subsequent to October 2009. The municipal division could not locate copies of traffic tickets or related case files for 17 of 38 (45 percent) traffic tickets selected for review. As a result, the ultimate disposition of each ticket cannot be adequately tracked nor can tickets be accounted for properly.

Because these records could not be located, neither the municipal division nor the city has reasonable assurance that all traffic tickets and other court cases were processed by the division and accounted for properly. There is also no assurance that all fines and court costs received by the city or court were recorded and accounted for properly.

Missouri Supreme Court Operating Rule 8.04.6 requires municipal divisions to retain all case file records. Retention of municipal records is essential to establish accountability of division activity and in demonstrating compliance with state law.

2.2 Monthly reports

Municipal division summary reports were not always prepared timely, were not always accurate, and were not filed with the city. Reports are required to be prepared monthly and include caseload information, warrant information, and amount collected for each type of fine or court cost. Collection amounts on these reports did not always agree to court receipt slips and deposits, and some reports were prepared and filed with the Office of State Courts Administrator (OSCA) more than 30 days after the end of the reporting period.

Section 479.080, RSMo, requires the court to prepare and file with the city a monthly list of all cases heard in court, including fines and court costs collected. Missouri Supreme Court Operating Rule 4.29 allows the municipal division to submit the monthly summary report to the city to fulfill this requirement. Accurate reports are necessary to ensure the proper amount of fines and court costs are reported to OSCA and to the city.



Recommendations

The City of Howardville Municipal Division:

- 2.1 Maintain all court records, including case files for each traffic ticket filed, in accordance with court operating rules.
- 2.2 Ensure accurate municipal division summary reports are completed and filed with the city and OSCA as required by state law and court rule.

Auditee's Response

The Municipal Judge provided the following written response:

- 2.1 *All court case files and traffic tickets are now being retained.*
- 2.2 *This has been implemented.*

3. Ticket Accountability

The police department and municipal division do not adequately account for the numerical sequence of traffic tickets issued. The municipal division maintains a log of traffic ticket books assigned to officers; however, a log or list of all tickets issued or voided by the police department is not maintained. City records indicate a total of 200 tickets were assigned to the police department during the year ended June 30, 2010, and our review noted 42 of these 200 tickets could not be located by the municipal division or the Howardville Police Department.

Without properly accounting for the numerical sequence and ultimate disposition of tickets issued, the police department and the municipal division cannot be assured all tickets issued were properly submitted for processing. A record should be maintained accounting for the ultimate disposition of each ticket assigned to police officers to ensure all tickets have been accounted for properly and to decrease the risk of loss, misuse, or theft of funds.

Recommendation

The City of Howardville 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 provided the following written response:

The city's new Police Chief is now retaining copies of all traffic tickets and submitting them to the court.



4. Court Clerk Trainer

An individual was allowed access to municipal division assets and court records without the knowledge and authority of the Municipal Judge, and without being properly bonded.

In October 2009, the Board of Aldermen authorized this individual to help train a temporary court clerk and this arrangement continued into December 2009 when another new court clerk was hired. There was no compensation involved with this arrangement.

Since October 2009, this individual has periodically performed duties such as issuing receipt slips, preparing deposit slips, preparing and submitting monthly summary reports to OSCA, and requesting the city disburse LET and CVC fees to the state. Some of these duties continued to be performed after June 2010 despite a city board decision to terminate the arrangement at that time. The Municipal Judge indicated he was never contacted by city officials regarding the training arrangement and was not aware this individual was allowed to handle court monies or access court records. Additionally, this individual was not bonded.

Failure to bond all persons with access to court assets increases the risk of loss or misuse of funds. In addition, allowing an individual access to court records without approval of the Municipal Judge could result in unauthorized access to confidential court records.

Recommendation

The Municipal Division work with the Board of Aldermen to ensure all individuals with access to court assets and records are bonded and authorized by the Municipal Judge.

Auditee's Response

The Municipal Judge provided the following written response:

I did not authorize this individual to access court assets or records. The current Court Clerk is the only person (besides myself) authorized to handle court assets and records.

Thirty-Fourth Judicial Circuit

City of Howardville Municipal Division

Organization and Statistical Information

The City of Howardville Municipal Division is in the Thirty-Fourth Judicial Circuit, which consists of New Madrid and Pemiscot Counties. The Honorable Fred Copeland 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 in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Personnel

At June 30, 2010, the municipal division employees were as follows:

Title	Name
Municipal Judge	Phillip Santie
Court Clerk (1)	Vacant

(1) Latosha Maxwell resigned as Court Clerk in June 2010. Valleria Austin started as Court Clerk in August 2010. She resigned in December 2010. As of March 2011, the court clerk position remains vacant.

Financial and Caseload Information

	Year Ended June 30, 2010
Receipts	\$14,373
Number of cases filed	167

American Recovery and Reinvestment Act of 2009 (Federal Stimulus)

The Thirty-Fourth Judicial Circuit, City of Howardville Municipal Division, did not receive any federal stimulus monies during the year ended June 30, 2010.