



Susan Montee, CPA
Missouri State Auditor

December 2007

Thirteenth Judicial Circuit

**City of Auxvasse, Missouri
Municipal Division**



Office of
Missouri State Auditor
Susan Montee, CPA

December 2007

An audit was conducted by our office of the Thirteenth Judicial Circuit, city of Auxvasse, Missouri Municipal Division.

The city of Auxvasse Municipal Division is within the Thirteenth Judicial Circuit, which consists of Boone and Callaway counties. The Honorable Gene Hamilton serves as Presiding Judge.

The former City Clerk/Court Clerk commingled court monies with city funds. Receipts totaling at least \$1,500 were recorded in the city's water, sewer, and trash billing system for January 2006 but were not recorded on the city's cash receipt ledger and deposited. In addition, some monies were deposited to the wrong account and other monies were not properly recorded and deposited. The amount of cash included with some court deposits was less than the recorded cash collections on the court's receipt records. Some city receipts were not recorded, but were deposited and apparently substituted for recorded court receipts. The former City Clerk/Court Clerk was terminated in September 2006. Commingling city and court funds, not depositing intact and timely, the lack of an independent review of the City Clerk/Court Clerk's work, and other internal control weaknesses allowed some misappropriations to occur and not be detected.

Duties are not adequately segregated. Also, a ledger or listing of bonds received and disbursed is not maintained, and a listing of open items is not prepared periodically and reconciled to the book balance. A control ledger showing the total amounts owed by defendants is not maintained.

The schedule of fines and court costs to be collected did not include all applicable offenses and included incorrect information for seat belt violations. In addition, some Crime Victim's Compensation and Peace Officer Standards and Training Commission fees are not turned over to the state monthly. Finally, Judicial Education Fund monies are not accounted for properly.

The Municipal Division and the Police Department do not adequately account for the numerical sequence and ultimate disposition of traffic tickets. Without a proper accounting for the numerical sequence and ultimate disposition of traffic tickets, the Municipal Division and the Police Department cannot be assured that all tickets assigned and issued are properly submitted to the division for processing.

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YELLOW SHEET

THIRTEENTH JUDICIAL CIRCUIT
CITY OF AUXVASSE, MISSOURI
MUNICIPAL DIVISION

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-11
<u>Number</u>	<u>Description</u>
1.	Missing Funds.....5
2.	Accounting Controls and Procedures.....6
3.	Fines, Court Costs, and Fees.....9
4.	Ticket Accountability.....10
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION.....	12-13

STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Presiding Judge
Thirteenth Judicial Circuit
and
Municipal Judge
Auxvasse, Missouri

We have audited certain operations of the city of Auxvasse Municipal Division of the Thirteenth Judicial Circuit. The scope of this audit included, but was not necessarily limited to, the two years ended December 31, 2006. The objectives of this audit were to:

1. Review internal controls over significant financial functions.
2. Review compliance with certain legal provisions.
3. Review certain receipts.
4. Investigate irregularities noted regarding cash receipts and deposits.

Our methodology to accomplish these objectives included reviewing written policies, financial records, and other pertinent documents; interviewing various personnel of the municipal division, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. We also performed tests of certain controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to 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 significant instances of noncompliance with the 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.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by November 2007.

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 the audit of the division.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Auxvasse Municipal Division of the Thirteenth Judicial Circuit.



Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

THIRTEENTH JUDICIAL CIRCUIT
CITY OF AUXVASSE, MISSOURI
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Missing Funds
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Receipts totaling at least \$1,500 were recorded in the city's water, sewer, and trash billing system for January 2006 but were not recorded on the city's cash receipt ledger and deposited. In addition, some monies were deposited to the wrong account and other monies were not properly recorded and deposited.

The former City Clerk/Court Clerk commingled court monies with city funds. Because the division's receipts were commingled with city funds and several discrepancies were discovered between the division's receipt records and the monies deposited, we reviewed other city accounts to determine if court receipts were properly deposited. During our review, we noted the following concerns:

- Court monies were commingled with city funds and deposited together; as a result, receipts were not deposited intact. The city maintains several accounts including the General Fund account and the Combined Waterworks and Sewage System account. Court receipts should have been deposited to the General Fund account. However, because collections related to court transactions and other city operations were commingled, court monies were frequently deposited into the Combined Waterworks and Sewage System account. Therefore, in an attempt to account for all court collections, we reviewed additional deposits of city funds to the various accounts.
- The amount of cash included with some court deposits was less than the recorded cash collections on the court's receipt records. This was apparently the result of some other city related collections being included in the actual deposit and some recorded court cash collections not being deposited as indicated. The ultimate disposition of this cash that was not deposited could not be determined.
- Some city receipts were not recorded, but were deposited and apparently substituted for recorded court receipts. For example, the October 26, 2005 deposit slip indicated \$1,742 in court receipts and \$124 for trash collection. However, information received from the bank indicated the deposit actually included \$513 of water, sewer, and trash collections, a check for \$600 from the sale of a dump truck that was not recorded in the city's receipt records, and \$753 of court receipts. Only \$558 of the undeposited court receipts of \$989 (\$1,742 less \$753) was found to have been included in later deposits.
- Court receipts were recorded in the "one-write" receipting system and the total per the "one-write" record agreed to the total noted on the deposit slip. However,

information received from the bank regarding the October 26, 2005 deposit indicated checks and money orders totaling \$431 recorded as received by the court were not included in this or any later deposits that we reviewed.

- Some receipts were recorded to the city's water, sewer, and trash billing system, but were not deposited. For example, the billing system indicated that at least \$1,500 was paid for January 2006 water, sewer, and trash billings but it appears these monies were not recorded on the city's receipt ledger and were not included in the amounts deposited. We did not audit or review all city functions and collections; as a result, the extent that city collections may have been recorded but not deposited was not determined.

The former City Clerk/Court Clerk was terminated in September 2006. During September 2006, the city hired a part-time City Clerk and a part-time Deputy City Clerk/Court Clerk.

Commingling city and court funds, not depositing intact and timely, the lack of an independent review of the City Clerk/Court Clerk's work, and other internal control weaknesses allowed these misappropriations to occur and not be detected. After the former City Clerk/Court Clerk was terminated, court monies are no longer commingled with city monies and deposits are made more timely. However, other controls and procedures are still in need of improvement, as discussed in the remainder of this Management Advisory Report.

WE RECOMMEND the city of Auxvasse further investigate the financial records of the city to determine the extent of missing funds and work with law enforcement officials in an attempt to recover these missing funds and to pursue criminal prosecution if necessary. In addition, the city should ensure employees continue to follow the improved practices that have been established.

AUDITEE'S RESPONSE

The City Supervisor provided the following response:

The City Council will meet to discuss this matter. The city will investigate a few more months with city personnel. They will then determine to what extent further investigation and prosecution is needed.

2.

Accounting Controls and Procedures

Controls over the recording of various city revenues are poor and have allowed some apparent misappropriations to go undetected. Duties are not adequately segregated. A ledger or listing of bonds received and disbursed is not maintained, and a listing of open items is not prepared periodically and reconciled to the book balance. A control ledger showing the total amounts owed by defendants is not maintained.

- A. The duties of receiving and depositing monies were not adequately segregated from the recording of transactions. The former Court Clerk performed all the duties related to the collection, depositing, and recording of fines and court costs received. Neither the Municipal Judge nor other personnel independent of the cash custody and record-keeping functions provided any supervision or review of the work performed by the Court Clerk. After the prior Court Clerk was terminated, the city hired two part-time employees. Currently, one employee collects receipts, records receipts on the manual receipt ledger, and prepares and makes the deposits, while the other employee enters the receipts into the financial computer system records. While this allows more segregation of duties than before, the collecting, depositing, and some recording functions are still performed by the same person with no independent review.

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 the duties of receiving and depositing court monies from recording receipts. If proper segregation of duties cannot be achieved, at a minimum, there should be supervisory review of the reconciliations between receipts and deposits by an independent person.

- B. Bond monies received by the court are deposited into the city's general account. Separate records of the bonds deposited, disbursed, and held in the general account were not maintained prior to May 2007. The records initiated in May 2007 only included bonds received from October 2006 to May 2007. The listing does not include a running balance that can be reconciled to the city's accounting records. In addition, bonds disbursed were not removed from the listing, making it appear more bond money was being held than was actually in the account.

A bond ledger indicating the related case, date and amount received, and date of disbursement is necessary to ensure proper accountability over bonds. In addition, the bond ledger should be reconciled to the bonds held in trust to ensure all transactions involving bonds have been properly handled.

- C. A comprehensive control ledger showing the total amounts owed by defendants to the municipal division is not maintained. Defendants are allowed to pay fines and court costs over a period of time. Prior to May 2007, no system was in place to track the amounts owed the court. After May 2007, two separate ledgers have been maintained. These two ledgers show the amounts due, payments made, and the balance for each defendant who owes money to the municipal division. Payments received are recorded on a payment sheet maintained in each individual case file. In addition, a separate payment sheet is maintained in a master file that includes copies of payment sheets for all monies owed to the court. These two separate ledgers could lead to confusion or payments being posted incorrectly and do not allow the court to maintain a running balance of amounts owed.

A comprehensive control ledger showing the total amounts owed by defendants may help to ease the administrative burden of maintaining two separate ledgers and would allow the municipal division to properly monitor the amounts due and ensure deferred payments are processed correctly.

WE RECOMMEND the city of Auxvasse Municipal Division:

- A. Adequately segregate the duties of receiving and depositing monies from that of recording and disbursing monies. If a proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent comparison of receipt slips issued to the amount and composition of bank deposits, and an independent review of bank statements and month-end reconciliations. Any unusual items or discrepancies noted should be investigated promptly.
- B. Maintain a bond ledger to account for bond receipts, forfeitures, refunds, and balances. In addition, the division should prepare and maintain monthly listings of open items to document the reconciliation of these listings to monies held in trust.
- C. Maintain a comprehensive control ledger of the amount owed by defendants to properly monitor the total amount due and ensure deferred payments are processed correctly.

AUDITEE’S RESPONSE

The Municipal Judge, the City Supervisor, and the Court Clerk provided the following responses:

- A. *The City Supervisor will perform a documented review of the amount and composition of deposits and will deposit the monies.*
- B. *The Court Clerk has implemented this recommendation.*
- C. *Payments will be recorded on the comprehensive control ledger and documented in each case file for the judge’s information.*

3.

Fines, Court Costs, and Fees

The schedule of fines and court costs to be collected did not include all applicable offenses and included incorrect information for seat belt violations. In addition, some Crime Victim’s Compensation (CVC) and Peace Officer Standards and Training Commission (POSTC) fees are not turned over to the state monthly. Finally, Judicial Education Fund monies are not accounted for properly.

- A. The posted schedule for the violation bureau (VB) indicates court costs and a \$15 fine will be assessed for each seat belt violation. Section 307.178.5, RSMo, states a fine not to exceed \$10 may be imposed and no court costs shall be imposed on any person for a seat belt law violation.
- B. The posted schedule of fines and court costs to be collected at the VB does not include all applicable offenses which can be paid at the VB. The division's fee schedule did not contain a fine for violating the ordinance of animal running at large. The court should take appropriate action to ensure all applicable offenses to be paid at the VB are included on the schedule.

Section 479.050, RSMo, states that a VB may be established by the Municipal Judge. Supreme Court Rule No. 37.49 requires the Municipal Judge to establish the VB by court order, to designate a VB Clerk, and to establish by schedule the amount of fines and costs to be imposed for each offense. In addition, the schedule of fines and costs is required to be prominently posted at the VB.

- C. CVC and POSTC fees are assessed and collected by the division for violations of municipal ordinances in accordance with state law; however, some of these fees are not properly remitted to the state. The fees collected on bonds that are ordered to be distributed are not remitted to the state. Section 595.045, RSMo, requires 95 percent of the CVC fees to be paid monthly to the state. POSTC fees, established by Section 488.5336, RSMo, should also be disbursed to the state monthly.
- D. The division collects an additional \$1 per case for the Judicial Education Fund. Section 479.260.1, RSMo, allows judicial education fees to be assessed in lieu of other court costs and deposited into a fund to be used for judicial education and training of the Municipal Judge, Court Administrator, or Court Clerk. Judicial education fees collected by the court are deposited into city funds and not accounted for separately. Without a proper accounting of the judicial education fees collected, it cannot be determined whether the monies have been expended only for the purposes allowed by state law.

WE RECOMMEND the city of Auxvasse Municipal Division:

- A. Assess fines and court costs in accordance with state law.
- B. Ensure the VB schedule includes the amount of fines and court costs for every offense which can be paid at the VB.
- C. Ensure CVC and POSTC fees are remitted to the state when bonds are distributed.
- D. Assess and account for judicial education fees in accordance with state law.

AUDITEE'S RESPONSE

The Municipal Judge, the City Supervisor, and the Court Clerk provided the following responses:

- A. *The VB schedule will be corrected to \$10 and no court costs.*
- B. *We will review the schedule to ensure all applicable offenses to be paid at the VB are included.*
- C. *The city is now in compliance.*
- D. *The city will collect a \$1 judicial education fee and account for it as required.*

4. Ticket Accountability

The Municipal Division and the Police Department do not adequately account for the numerical sequence and ultimate disposition of traffic tickets. The Police Department tracks the ticket numbers assigned to each officer, but no one accounts for the tickets once they are issued, voided, or destroyed. Police officers return their tickets to the Chief of Police for review. Tickets issued are entered into the ticket tracker computer program and turned over to the Municipal Division or state court. However, voided tickets are not entered into this program. Although tickets are entered into the ticket tracker program, the Police Chief indicated there is no easy way to account for the numerical sequence of tickets issued using this program. In addition, the final disposition of tickets was not submitted to the Police Department so it could be documented in the ticket tracker program.

Without a proper accounting for the numerical sequence and ultimate disposition of traffic tickets, the Municipal Division and the Police Department cannot be assured that all tickets assigned and issued are properly submitted to the division for processing. A log listing each ticket number, the date issued, and the violator's name would ensure all

tickets issued are submitted to the division for processing, properly voided, or not prosecuted. A record of the ultimate disposition of each ticket should also be maintained to ensure all tickets have been accounted for properly.

WE RECOMMEND the city of Auxvasse Municipal Division work with the Police Department to implement the necessary procedures and records to account for the numerical sequence of all tickets issued and their ultimate disposition.

AUDITEE'S RESPONSE

The Municipal Judge, the City Supervisor, and the Court Clerk indicated that the Court Clerk and the Police Chief will coordinate to ensure tickets are accounted for.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

THIRTEENTH JUDICIAL CIRCUIT
CITY OF AUXVASSE, MISSOURI
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Auxvasse Municipal Division is within the Thirteenth Judicial Circuit, which consists of Boone and Callaway counties. The Honorable Gene Hamilton 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

Municipal Judge	Robert Fenlon
Deputy City Clerk/Court Clerk	Kristin Edwards*
City Clerk	Missy Hooks*

* Kristin Edwards and Missy Hooks were hired in September 2006 to replace Lisa Brandenburg. Missy Hooks resigned in December 2007.

Financial and Caseload Information

	<u>Year Ended December 31,</u>	
	<u>2006</u>	<u>2005</u>
Receipts	\$9,576	13,014
Number of cases filed	119	143