



Susan Montee, JD, CPA
Missouri State Auditor

Twenty-Second Judicial Circuit

City of St. Louis Municipal Division

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Missouri State Auditor

YELLOW SHEET

Findings in the audit of the Twenty-Second Judicial Circuit, City of St. Louis Municipal Division

Bond Liabilities

The municipal division's bond liabilities list is not accurate and does not agree to the reconciled balance of the bond account. Differences between the monthly bond liabilities list and the reconciled balance of the bond account are not adequately investigated and corrected. At June 30, 2010, the reconciled bank balance of the bond account was \$1,437,912 and exceeded the bond liabilities list by \$15,523. Municipal division personnel indicated most bonds from 2005 and earlier have been investigated and disposed; however, the bonds were not removed from the bond liabilities list. In addition, the division does not adequately follow up on bonds held for an extended period of time or refund bonds on a timely basis. On June 30, 2010, 4,222 bonds totaling \$936,563 had been held by the municipal division in excess of one year, including 449 bonds received from 1987 to 1999.

Receipt Controls

The municipal division does not account for the numerical sequence of receipt slips issued. Without accounting for the numerical sequence of receipt numbers issued, the court cannot ensure all monies are properly recorded and deposited.

Reporting Compliance

The municipal division does not file a monthly report with the city of all cases heard in court. State law 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.

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Twenty-Second Judicial Circuit

City of St. Louis Municipal Division

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SUSAN MONTEE, JD, CPA
Missouri State Auditor

Presiding Judge
Twenty-Second Judicial Circuit
and
Municipal Judges
St. Louis, Missouri

We have audited certain operations of the City of St. Louis Municipal Division of the Twenty-Second Judicial Circuit. 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 such as receipts.
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.

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. 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 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. 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 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 St. Louis Municipal Division of the Twenty-Second Judicial Circuit.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CGFM, CIA
Audit Manager:	Debra S. Lewis, CPA
In-Charge Auditor:	Chris Vetter, CPA
Audit Staff:	M. M. Williams

Twenty-Second Judicial Circuit

City of St. Louis Municipal Division

Management Advisory Report - State Auditor's Findings

1. Bond Liabilities

The municipal division's bond liabilities list is not accurate and does not agree to the reconciled balance of the bond account. In addition, the division does not adequately follow up on bonds held for an extended period of time or refund bonds on a timely basis. At June 30, 2010, the reconciled bank balance of the bond account was \$1,437,912 and exceeded the liabilities list by \$15,523.

Differences between the monthly bond liabilities list and the reconciled balance of the bond account are not adequately investigated and corrected. As a result, all liabilities may not be identified and errors corrected. In addition, municipal division personnel indicated most bonds from 2005 and earlier have been investigated and disposed; however, the bonds were not removed from the bond liabilities list. Municipal division personnel stated there has been a difference since at least 2006, when current employees began employment, and the difference is mainly due to a glitch in the computer system. The municipal division is able to reconcile bond activity to the bank account each month. During the year ended June 30, 2010, the unidentified difference ranged from \$3,481 to \$15,899. A review of the division's correspondence files indicated the costs of paying the computer programmer to investigate any glitches in the system are preventing the correction of this issue.

The municipal division previously had an employee that worked to ensure the accuracy of the liabilities list and correct errors; however, investigations of bonds and differences ended when the employee assigned to the project left the municipal division in December 2008. On June 30, 2010, 4,222 bonds totaling \$936,563, had been held by the municipal division in excess of one year, including 449 bonds received from 1987 to 1999. In addition, 2 of 15 cases reviewed from the June 30, 2010, liabilities list have been closed for at least a month, but refund checks were not generated. Municipal division personnel indicated they did not have legitimate addresses for the defendants; however, attempts to contact defendants were not documented. As a result, the City of St. Louis and many individuals may not be receiving monies due to them.

The municipal division should resume investigation of bond liabilities to ensure the list is accurate, to determine the reasons for the differences between bond liabilities and monies on hand, and to properly distribute bonds to the appropriate parties. Complete and accurate lists of liabilities should be reconciled to the cash balances to ensure records are in balance and sufficient funds are available for the payment of all liabilities.

Recommendation

The City of St. Louis Municipal Division investigate differences between bond liabilities lists and reconciled balances and make any necessary corrections. In addition, the Municipal Division should resume the



investigation of bonds outstanding, attempt to contact parties due a bond refund, and dispose of bonds in accordance with state law.

Auditee's Response

The Court Administrator provided the following written response:

This difference of approximately \$15,000 was inherited by the present Court Administrator and her present management staff. The Finance Manager instituted a bond activities report to assist in reconciling the bank account with the bond activity by month. The Court Administrator expended funds to hire a provisional judge to review and clear outstanding bonds through December, 2008 at which time this person was promoted to an Associate Judge for the Circuit.

Lack of funding for additional man-hours and for the production of a clean report - for Bonds Outstanding Only, from ReJIS [Regional Justice Information Systems], has been a major hindrance.

In our negotiations with ReJIS for a new IMDS Plus contract, we are insisting on a package which shall include not only case management but a more financial driven program. We shall then be able to resume the investigation of bonds outstanding and dispose of bonds in accordance with the law.

2. Receipt Controls

The municipal division does not account for the numerical sequence of receipt slips issued. Without accounting for the numerical sequence of receipt numbers issued, the court cannot ensure all monies are properly recorded and deposited. Court receipts totaled approximately \$9,051,000 for the year ended June 30, 2010.

The municipal division's computer system assigns a sequential receipt number and generates a receipt slip each time a payment is entered. A receipt report is generated daily and reconciled to that day's deposits; however, this report does not detail each receipt number, including voided receipt numbers. Municipal division personnel indicated they could not generate a report by receipt number without making changes to the computer program. To ensure all monies received are properly recorded and deposited, the municipal division should account for the numerical sequence of receipt slips issued.

Recommendation

The City of St. Louis Municipal Division establish procedures to account for the numerical sequence of receipt slips issued and review voided transactions.



Auditee's Response

The Court Administrator provided the following written response:

The State Auditors found no mishandling of funds. The numeric sequence of each receipt issued is reviewed by the accountants and traces each ReJIS generated receipt to the bank account.

We agree with the Auditor's findings that there was not an all-inclusive report in place to account for the numerical sequence of receipt slips issued and review of voided transactions. The Finance Department implemented a manual procedure to track and account for all receipt numbers issued, immediately after the exit interview. By August 30, 2010 a sample daily report of all receipt numbers issued through IMDS Plus was produced, by our systems' operators, ReJIS.

This report shall remain in place to ensure all voided receipts are maintained and all necessary information properly documented when a receipt is voided until a more complete and detailed, daily report is designed and implemented with the new IMDS Plus contract.

3. Reporting Compliance

The municipal division does not file a monthly report with the city of all cases heard in court. 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. This list should indicate information such as the defendant's name, fines imposed, the amount of court costs, and whether there was an application for a trial de novo (an application for a new trial before another judge).

Recommendation

The City of St. Louis Municipal Division prepare and file a monthly report with the city of cases heard.

Auditee's Response

The Court Administrator provided the following written response:

Although the City is made aware of the Court's information through monthly updates to City View reporting; we agree with the Auditor's finding that the City of St. Louis Municipal Court does not prepare a monthly report to file with the City of St. Louis; a like report of which is sent to the Office of State Courts Administrator. In consultation with the Office of the City Counselor, it has been determined that a report; fully encompassing the requirements of Section 470.080, RSMo, shall be generated monthly and filed with the attorney/clerk of the governing body, the St. Louis City Board of Aldermen, effective August, 2010.

Twenty-Second Judicial Circuit

City of St. Louis Municipal Division

Organization and Statistical Information

The Twenty-Second Judicial Circuit is composed of the City of St. Louis. The Honorable David L. Dowd 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 had 33 employees. Key personnel were as follows:

Title	Name
Municipal Judge, Division I	Marvin Teer
Municipal Judge, Division II, Administrative Judge	Margaret J. Walsh
Municipal Judge, Division III	James Wahl
Municipal Judge, Division IV	Joseph Murphy
Provisional Judge	Mary Entrup
Provisional Judge	Roberta Hitt
Provisional Judge	Newton McCoy
Provisional Judge	Richard Torack
Court Administrator	Catherine Ruggeri-Rea
Accounting Supervisor	Parimal (Paul) Mehta
Administrative Assistant	Yvette Mayham

Financial and Caseload Information

	Year Ended June 30, 2010
Receipts	\$9,050,976
Number of cases filed	192,652