



Thomas A. Schweich
Missouri State Auditor

Twentieth Judicial Circuit

City of Pacific Municipal Division

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<http://auditor.mo.gov>



Thomas A. Schweich
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Twentieth Judicial Circuit, City of Pacific Municipal Division

Controls and Procedures	The municipal division needs to improve its internal controls and procedures. An independent comparison of receipt slips issued to deposits is not performed, deposits are not made timely, and the police department does not transmit bond monies to the municipal division promptly, all of which make it difficult to ensure transactions are accounted for properly and assets are protected. The municipal division does not account for the numerical sequence of receipt slips and does not follow up on outstanding checks. The municipal division does not ensure insufficient funds checks are collected and posted to the defendant's case file as amounts still owed.
Bond Liabilities	The municipal division does not adequately reconcile the bond account to the bond liabilities list. The bond account is short \$357 due to five instances over the past 8 years where a defendant was refunded too much money. Also, 41 bonds (totaling \$8,977) have been held for more than a year, and four of these date back more than 10 years.
Ticket Accountability	Neither the municipal division nor the police department account for the numerical sequence of tickets issued, so there is no assurance all tickets have been properly submitted to the municipal division for processing.

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

American Recovery and Reinvestment Act 2009 (Federal Stimulus)	The Twentieth Judicial Circuit, City of Pacific 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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Twentieth Judicial Circuit

City of Pacific Municipal Division

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THOMAS A. SCHWEICH

Missouri State Auditor

Presiding Judge
Twentieth Judicial Circuit
and
Municipal Judge
Pacific, Missouri

We have audited certain operations of the City of Pacific Municipal Division of the Twentieth 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, 2011. 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. 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.

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 Pacific Municipal Division of the Twentieth Judicial Circuit.

A petition audit of the City of Pacific, 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:

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Twentieth Judicial Circuit

City of Pacific Municipal Division

Management Advisory Report - State Auditor's Findings

1. Controls and Procedures

Improvements are needed with the municipal division's internal controls and procedures.

1.1 Segregation of duties

Although the municipal division has established some procedures to segregate duties, no one independent of the receipt process performs a comparison of receipts slips issued to amounts deposited. As a result, there is less assurance all transactions are accounted for properly and assets are adequately safeguarded. The City Administrator receives, reviews, and signs the bank statements, and the City Clerk reviews monthly bank reconciliations to ensure the reconciled balance agrees to the book balance.

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. If proper segregation of duties is not possible, an independent review of the work performed by the Court Clerk is necessary.

1.2 Deposits/transmittals

Fines and court costs collected by the municipal division are not deposited timely and bond monies collected by the police department are not transmitted to the municipal division in a timely manner. As a result, there is less assurance monies received are accounted for properly and adequately safeguarded.

Our review of deposits in February 2011, identified several instances when receipts were deposited several weeks after monies were collected. For example, receipts collected from February 4 through February 11, 2011, totaling \$2,324, were not deposited until February 25, 2011, and receipts collected from February 14 through February 17, 2011, totaling \$6,275, were not deposited until March 2, 2011. Also, only three transmittals of bonds, totaling \$10,937, were made from the police department to the municipal division in March 2011. The police department normally collects bond monies on a daily basis.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, all monies should be transmitted and deposited in a timely manner.

1.3 Numerical sequence of receipt slips

The municipal division does not account for the numerical sequence of manual receipt slips issued, and as a result, there is less assurance all monies received have been accounted for properly. In addition, the municipal division does not indicate the computer system receipt number on the manual receipt to indicate it has been posted to the system.

A receipt slip is generated when payment is posted to the municipal division's computer system; however, municipal division personnel issue manual receipt slips when the Court Clerk is unavailable, the ticket has not been received from the police department and posted to the computer



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Management Advisory Report - State Auditor's Findings

system, or a dropped charge fee is received. The manual receipt slips are posted to the computer system at a later date. Our review of manual receipt slips issued noted several receipt slip numbers and some blocks of sequential receipt slips were skipped in the sequence used. The municipal division could not locate the skipped receipt slips to determine if the receipt slips had been issued or were unused.

Without accounting for the numerical sequence of manual receipt numbers issued, the municipal division cannot ensure all monies are properly recorded and deposited. In addition, documenting the computer receipt number on the manual receipts would provide assurance all monies have been posted to the computer system.

1.4 Outstanding checks

Follow up on outstanding checks has not been performed for the bond account or the fines and court costs account. In addition, the outstanding check lists of both accounts for older checks only include a calculator tape of the amount of the checks without corresponding check numbers or dates issued. As a result, the municipal division may not be able to efficiently and effectively follow-up on outstanding checks to ensure all monies are appropriately disbursed. At March 31, 2011, 41 checks, totaling \$2,162, in the bond account and 19 checks, totaling \$875, in the fines and court cost account had been outstanding for over a year.

Follow up on outstanding checks is necessary to ensure monies are appropriately disbursed to the payee or as otherwise provided by state law. In addition, to ensure an effective and efficient follow up can be performed outstanding check lists should include all necessary information such as the amount and the corresponding check number.

1.5 Non-sufficient funds checks

The municipal division does not have adequate procedures in place to ensure non-sufficient funds (NSF) checks are collected, adjustments are made to the distribution of fines and court costs, and NSF checks are posted to the defendant's computerized case file to reflect amounts still owed. As a result, the court may be unaware of action which should be taken regarding these cases, such as issuing warrants. In addition, the fines and costs account is short by \$588, which is the total overpaid to the city and state for the NSF checks. The court has been able to cover this shortage with the \$500 startup money in the account.

The municipal division does not post the NSF checks to the computer system to indicate the defendant's check was returned and payment is still due from the defendant or adjust the checkbook balance. In addition, adjustments are not made to deduct NSF check amounts from monthly disbursements of fines and costs to the city and state. Restitution for NSF checks may not be received until several months after the receipt was initially collected and, in some instances, restitution may never be received.



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Management Advisory Report - State Auditor's Findings

The fines and court cost account book balance is overstated and has to be adjusted each month for the same NSF checks in order to reconcile the book balance to the bank balance. On the March 31, 2011, bank reconciliation, the book balance was reduced for seven NSF checks which date back to April 2009. Warrants had not been issued for some of the NSF checks noted on the reconciliations.

Without adequate procedures for the collection and recording of NSF checks, the municipal division cannot ensure amounts due from defendants are properly tracked in the computer system.

Recommendations

The City of Pacific Municipal Division:

- 1.1 Ensure a periodic independent review of the municipal division's records is performed and documented. Any unusual items or discrepancies should be investigated.
- 1.2 Ensure all municipal division receipts and bond monies are transmitted and deposited timely.
- 1.3 Establish procedures to account for the numerical sequence of manual receipt slips issued and ensure manual receipt slips are used in numerical sequence. In addition, the computer generated receipt number should be noted on the manual receipt slips.
- 1.4 Old outstanding checks should be voided and reissued to payees who can be readily located. In addition, outstanding check lists should include all necessary information including amounts, check numbers, and dates.
- 1.5 Establish a policy for the collection of NSF checks and ensure accounting records accurately document the status of cases involving bad checks.

Auditee's Response

The Municipal Judge and Court Administrators provided the following written responses:

- 1.1 *The Municipal Judge has confirmed that the Municipal City Clerk and treasurer (as Deputy Court Clerk) perform these duties as a review of the court clerk. This has now been confirmed in writing to these individuals to further document these duties. In addition, the City Administrator reviews and signs all bank statements monthly before filing.*
- 1.2 *The City agrees that the procedure needs supplementation so that all deposits are made on a more strict timely basis. The Court*



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Management Advisory Report - State Auditor's Findings

Clerk has been instructed to make such timely deposits to conform to this requirement, and the City Clerk has been instructed in writing to review this to ensure that this supplemented policy is maintained.

- 1.3 *The Municipal Division now uses computer generated receipts and fully addresses this Auditor comment.*
- 1.4 *The Court Clerk has been instructed to follow proper procedures in disposing of unclaimed funds in both the Bond Account and the Fine and Costs Account.*
- 1.5 *The Court Clerk has been instructed to make sure all NSF checks are posted, charges are issued, and/or warrants obtained to insure proper reconciliations are made.*

2. Bond Liabilities

The municipal division has not adequately followed up on reconciling items between the bond account and the bond liabilities list. In addition, the division has not properly followed up on old bonds remaining on the bond liabilities list. As a result, there is a \$357 shortage in the bond account and some monies have not been disposed of properly. At March 31, 2011, the reconciled balance of the bond account was \$24,954, while bond liabilities totaled \$25,311. The bond liabilities list shows five adjustments totaling \$357 dating back as far as April 2002 and most recently as of April 2010. The adjustments are for errors made by the municipal division in which defendants were refunded more than the remaining bond amount. In addition, as of March 31, 2011, 41 cash bonds, totaling \$8,977, have been held by the municipal division in excess of a year. Four bonds held at March 31, 2011 totaling \$750, dated back to 1999.

Procedures should be established to prevent overpayment of bond monies to defendants and identified errors should be corrected timely. To properly monitor bonds and ensure monies are appropriately disbursed as provided by state law, procedures should be established to routinely investigate bonds remaining on the liabilities list over a specified period of time. Section 479.210, RSMo, authorizes bonds to be forfeited and paid over to the city treasury if the defendant failed to appear in court. If the bond is to be refunded but the payee cannot be located, Section 447.595, RSMo, requires bonds remaining unclaimed for a year after disposition of the case be turned over to the state Unclaimed Property Section.

Recommendation

The City of Pacific Municipal Division develop procedures to prevent overpayment of bond monies and investigate and dispose of old bonds in accordance with state law. In addition, the municipal division should investigate the old bond overpayments shown as reconciling items and attempt to collect the amounts overpaid.



Auditee's Response

The Municipal Judge and Court Administrators provided the following written response:

The Municipal Division shall conduct an investigation into this Auditor Comment and establish additional or different proper procedures in handling bond funds if so warranted.

3. Ticket Accountability

The municipal division and police department do not account for the numerical sequence of tickets issued. As a result, there is no assurance all tickets have been submitted to the municipal division for processing. The police department and municipal division personnel post tickets issued to the computer system; however, neither the municipal division nor the police department ensure the numerical sequence of all tickets issued is accounted for properly.

Without a proper accounting for the numerical sequence and ultimate disposition of tickets issued, the municipal division and the police department cannot be assured all tickets issued were properly submitted for processing.

Recommendation

The City of Pacific Municipal Division work with the police department to ensure adequate records are maintained to account for the numerical sequence and ultimate disposition of all tickets issued.

Auditee's Response

The Municipal Judge and Court Administrators provided the following written response:

The Municipal Division has accountability for tickets that have been submitted for prosecution through the Pacific Municipal Court. All tickets submitted for prosecution to other Courts have accountability through the Pacific Police Department. Tickets that were not maintained in the Municipal Court, were maintained pursuant to required procedures with the Circuit Court because prosecuted instead under state law, and with the Chief of Police. Please see Model Traffic Code R.S.Mo. 300.575 (Chief of Police to maintain such tickets). In addition, the Court Clerk and Police Clerk regularly communicate regarding the status of and placement of the tickets. However, as an additional review, the Police Department has determined it will also at least annually deliver the complete list of tickets to the Court Clerk for an additional cross-check of all ticket numbers.

Twentieth Judicial Circuit

City of Pacific Municipal Division

Organization and Statistical Information

The City of Pacific Municipal Division is in the Twentieth Judicial Circuit, which consists of Franklin, Gasconade, and Osage Counties. The Honorable Gael Wood 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, 2011, the municipal division employees were as follows:

Title	Name
Municipal Judge	Ronald F. Reed, Sr.
Court Administrator	Nina Adams
Court Administrator	Mary Wideman

Financial and Caseload Information

	Year Ended June 30, 2011
Receipts	\$207,927
Number of cases filed	1,707

American Recovery and Reinvestment Act 2009 (Federal Stimulus)

The City of Pacific Municipal Division did not receive any federal stimulus monies during the year ended June 30, 2011.