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FOLLOW-UP REPORT ON AUDIT FINDINGS

First Judicial Circuit

Clark County

December 2014
Report No. 2014-124



<http://auditor.mo.gov>

First Judicial Circuit, Clark County

Follow-Up Report on Audit Findings Table of Contents

State Auditor's Letter	2
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Status of Findings*

1.	Missing Monies and Other Questionable Transactions	3
2.	Accounting Controls and Procedures	3
3.2	Circuit Court Procedures - Change fund and petty cash fund.....	7
3.3	Circuit Court Procedures - Bond monies	8
3.4	Circuit Court Procedures - Passwords and computer inactivity	8
3.5	Circuit Court Procedures - Passport fees	9
4.	Law Library Fund Controls and Procedures.....	9
5.	Drug Court Deposits	9

*Includes selected findings



THOMAS A. SCHWEICH

Missouri State Auditor

Presiding Judge and Court en Banc
and
Circuit Clerk of the
First Judicial Circuit
Clark County, Missouri

We have conducted follow-up work on certain audit report findings contained in Report No. 2014-051, *First Judicial Circuit, Clark County*, issued in July 2014, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the court about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
 - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
 - In Progress: Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
 - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
 - Not Implemented: Auditee has not implemented the recommendation and indicates that it will not do so.

Our methodology included working with the court, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we reviewed the written status of selected findings and recommendations and supporting documentation submitted by court officials, and held meetings with several court officials. Documentation provided by the court included bank statements, Judicial Information System (JIS) reports, and various other financial and court records. This report is a summary of the results of this follow-up work, which was substantially completed during October 2014.

A handwritten signature in black ink that reads "Thomas A. Schweich".

Thomas A. Schweich
State Auditor

First Judicial Circuit, Clark County

Follow-Up Report on Audit Findings

Status of Findings

1. Missing Monies and Other Questionable Transactions

From January 2012 through July 2013, monies were determined to be missing from circuit court receipts. Additional missing monies were discovered dating back to 2001. Misappropriated court funds and missing monies totaled at least \$12,181.

Our audit determined receipts totaling at least \$3,743 were received but not deposited. Additional receipts totaling at least \$750 could also have been missing or uncollected, based on payments likely received for filing fees paid when pro se divorce cases were filed. Also, 32 manual receipt slips were removed from the receipt slip books and could not be located, indicating additional funds could also be missing. Revenue totaling at least \$7,688 may never be collected due to unsupported fee adjustments, failure to assess fines and court costs, changes made to case collection status, and failure to enter a case balance into the JIS. Mary Jones, the former Circuit Clerk, was charged with 2 counts of felony stealing on June 6, 2014.

Accounting duties in the circuit court were not adequately segregated. The former Circuit Clerk and all deputy court clerks receipted monies and made entries in the JIS, including fee adjustments, voiding transactions, and docket entries. There were no supervisory or independent reviews performed. In addition, the former Circuit Clerk prepared and signed all deposit slips and made all deposits, was the only person authorized to sign checks, and performed month-end close out procedures and reconciliations. The former Circuit Clerk was primarily responsible for the cases in which problems were identified, and her signature was noted on the majority of manual receipt slips discussed.

Recommendation

The Court en Banc and the Prosecuting Attorney continue to work with law enforcement officials regarding criminal prosecution related to the missing funds, including restitution of missing funds.

Status

Implemented

A pre-trial hearing was held on September 8, 2014, to determine if sufficient evidence was found to proceed with the case. Sufficient evidence was presented and the case was bound over to Division I of the Circuit Court. A deputy court clerk indicated a trial date for the case will be set in 2015.

2. Accounting Controls and Procedures

We identified significant weaknesses with accounting controls and procedures. As a result, several receipts were not accounted for properly.

2.1 Segregation of duties and oversight

The circuit court had not adequately segregated the duties of receiving and recording receipts, preparing deposits, and disbursing funds, and had not established adequate supervisory or independent review procedures.

The former Circuit Clerk accepted receipts from the public, accumulated receipts accepted by the deputy court clerks, and processed all deposits. In



First Judicial Circuit, Clark County
Follow-up Report on Audit Findings
Status of Findings

addition, she was responsible for all disbursements, month-end reporting, and reconciliations prior to her resignation on July 25, 2013. No independent reviews of the former Circuit Clerk's work were performed.

After the Circuit Clerk's resignation, the circuit court did not adequately segregate accounting duties. All 3 deputy court clerks still had access in the JIS to process receipts, record transactions, void transactions and make fee adjustments, and prepare month-end disbursements. Also, 2 of the 3 clerks had "cash boss" permission rights allowing them to prepare deposits and process month-end reports. In addition, the deputy recorder of deeds, who previously performed some circuit court duties, had "cash boss" permission rights in the JIS. The court implemented a procedural change requiring one of the deputy court clerks to reconcile each cashier session to the monies collected and the Circuit Clerk to prepare deposits and compare the total to the deputy court clerk's total.

Recommendation

The Court en Banc and Circuit Clerk segregate accounting duties to the extent possible, limit user access rights within the JIS to only those necessary for the user to perform job duties, and implement appropriate reviews and monitoring procedures.

Status

Partially Implemented

The Circuit Clerk stated they are not able to implement the recommendation of segregating duties due to only having 3 deputy clerks working in the office. The Circuit Clerk also does not intend to limit user access rights within the JIS, instead preferring that all clerks have broad access rights in the event the clerks are asked to do tasks they may not normally perform. However, some reviewing and monitoring procedures have been implemented. One deputy court clerk reviews and reconciles the other deputy court clerk's daily cashier sessions and signs and dates the report documenting the review. In addition, the Circuit Clerk reconciles the composition of receipts to each of the deputy court clerk's daily cashier session reports and documents her review when she is preparing the deposit.

2.2 Manual receipt slips

The Circuit Clerk's office had not established proper controls or procedures for manual receipt slips. Based on the court's typical use of manual receipt slips, it appeared that multiple receipt slip books were missing.

Multiple manual receipt slip books were used concurrently and numerous manual receipt slips were missing, issued out of order, or not used. Case numbers were not always documented on the manual receipt slips. In addition, manual receipt slips issued by the court were not recorded timely or reconciled to the JIS, deposited timely, or reviewed by a supervisor or someone independent of the receipting process. Also, the former Circuit Clerk used manual receipt slips to record transactions unrelated to the operations of the circuit court.



First Judicial Circuit, Clark County
Follow-up Report on Audit Findings
Status of Findings

Recommendation

The Court en Banc and Circuit Clerk ensure one manual receipt slip book is used at a time and the use of manual receipt slips is limited as required by court rule. The Circuit Clerk should also ensure manual receipt slips are recorded timely in the JIS and the monies deposited timely. In addition, the Circuit Clerk should ensure manual receipt slips are only used for circuit court transactions, the numerical sequence accounted for properly, and the case number documented on the receipt slip. Further, the Circuit Clerk should ensure manual receipt slips are reviewed and reconciled to the JIS and to the related deposits by someone independent of the receipting process.

Status

Implemented

The Circuit Clerk's office is no longer issuing manual receipt slips as a result of the Office of State Court Administrator's (OSCA) Court Operating Rule 4.53.2, effective January 1, 2014, which restricts the use of manual receipt slips to only when the automated system is unavailable or as authorized by order of the presiding judge. Clerks do not accept payments if the system is not available.

2.3 Receipting and depositing procedures

Procedures related to receipting and depositing receipts needed improvement. We identified the following issues:

- Payments received in the mail were not recorded on a mail log, issued a receipt slip, or restrictively endorsed immediately upon receipt.
- None of the 11 checks included in our July 29, 2013, cash count totaling \$1,454 were restrictively endorsed.
- Six cashier sessions in the JIS totaling \$8,384 were left open from December 14, 2012, through December 24, 2012, and the monies related to these sessions were not deposited until December 28, 2012.
- The composition of receipts as recorded in the JIS did not agree to the composition of the December 11, 2012, deposit.
- Electronic payments made by credit/debit card and debt collection payments were not posted to the JIS until the end of the month. The court receives notification daily when electronic payments occur.

Recommendation

The Court en Banc and Circuit Clerk require an initial record of monies received by mail be prepared and reconciled to the JIS, restrictively endorse checks and money orders immediately upon receipt, and require receipt slips be issued for all monies on a timely basis. In addition, the Circuit Clerk should maintain monies collected in a secure location and deposit receipts timely.



First Judicial Circuit, Clark County
Follow-up Report on Audit Findings
Status of Findings

Status

Partially Implemented

The Circuit Clerk indicated office personnel do not prepare a record of checks received by mail due to time constraints and number of employees in the office. There are no plans to utilize a mail log. The Circuit Clerk indicated payments received in the mail are receipted into the computer on a daily basis. While deposits are now made at least weekly, as we noted during a review of the court's September 2014 and October 2014 bank statements, this frequency may still not be often enough considering the receipt totals collected each week. However, all payments made directly at the Circuit Clerk's office are issued a computer generated receipt slip when received. We observed a deputy court clerk performing this task. Checks and money orders are endorsed when received. In addition, all of the deputy court clerks maintain monies receipted at their unlocked desks until deposit, but the entrance into the office area is locked when all personnel are away from the office.

2.4 Non-monetary transactions, adjustments, and voids

Non-monetary and voided transactions and adjustments in the JIS were not properly documented or reviewed and approved by persons independent of the receipting process. In addition, the Circuit Clerk's office did not maintain documentation for numerous non-monetary and voided transactions and adjustments, that occurred during the audit period. Several transactions were possibly made to conceal missing monies.

Recommendation

The Court en Banc and Circuit Clerk require an independent review and approval of all non-monetary transactions, adjustments, and voids made in the JIS, and retain adequate documentation to support these transactions.

Status

Not Implemented

The Circuit Clerk indicated there is no independent documented review of non-monetary and voided transactions and adjustments. The Circuit Clerk indicated she or an independent deputy court clerk will review and orally approve all non-monetary and voided transactions and adjustments.

2.5 Accrued costs

The Circuit Clerk's office had not established a formal administrative plan for the collection of court debt and payment plans, and did not always assess time payment fees as required by Court Operating Rule 21. In addition, the Circuit Clerk's office had not taken steps to perform additional collection efforts or write off balances owed.

Recommendation

The Court en Banc and Circuit Clerk develop a formal administrative plan for debt collection and payment plans to ensure compliance with court operating rules. In addition, the Circuit Clerk should perform periodic reviews of cases with outstanding amounts due.



First Judicial Circuit, Clark County
Follow-up Report on Audit Findings
Status of Findings

Status

Not Implemented

No formal administrative plan has been developed for debt collection and payment plans as of October 21, 2014 and court personnel gave no indication a plan would be developed. The Circuit Clerk indicated it will be difficult to review the receivables report periodically due to time constraints and periodic reviews have not been implemented. However, the receivables report has been reviewed at least once since the release of the audit report and the Associate Circuit Judge issued several court orders to write off approximately \$125,000 of old outstanding receivables. We reviewed one order approving approximately \$82,000 in bad debt be written off.

2.6 Liabilities

The court did not properly monitor liabilities. Liabilities reports were not generated in the JIS for review to ensure monies were disbursed timely and reconciled bank balances were sufficient to cover liabilities.

Recommendation

The Court en Banc and Circuit Clerk generate monthly liabilities reports from the JIS and establish procedures to review the status of liabilities to determine the appropriate disposition of funds held on closed or inactive cases.

Status

Implemented

A deputy court clerk is currently generating a monthly listing of liabilities when preparing the bank reconciliation and reviewing it to determine if monies in closed or inactive cases should be disbursed. A review of the court's liabilities as of October 21, 2014, indicated there were no disposed cases with undistributed bond monies. The deputy court clerk has been performing her review since July 2014.

3.2 Circuit Court
Procedures - Change
fund and petty cash
fund

We noted several weaknesses concerning the change fund and the petty cash fund.

- The change fund and the petty cash fund were not reconciled at the end of each day or located in a safe, secure location.
- The change fund was not maintained at a constant amount. Also, a deputy court clerk indicated an additional \$150 received for an unidentified case was missing from the change box.
- The petty cash fund was not maintained on an imprest basis.
- According to the 3 current deputy court clerks and the deputy recorder of deeds, the former Circuit Clerk would periodically retrieve monies from the Ex Officio Recorder of Deeds' office miscellaneous cash monies to replenish the court's petty cash fund.



First Judicial Circuit, Clark County
Follow-up Report on Audit Findings
Status of Findings

Recommendation

The Court en Banc and Circuit Clerk maintain the change fund and the petty cash fund at a constant/imprest basis and periodically reconcile the ending balance. In addition, the Circuit Clerk should ensure monies are maintained in a secure location and the petty cash fund is replenished through disbursements made by the County Treasurer.

Status

Implemented

The Circuit Clerk no longer has a petty cash fund and the change fund is reconciled daily and is maintained at \$200. The change fund is located in a file cabinet in the Circuit Clerk's office. The entrance into the office area is locked when all personnel are away from the office.

**3.3 Circuit Court
Procedures - Bond
monies**

According to court personnel, the court would not accept bond monies from the Sheriff's office until a case number was assigned. However, the JIS allowed bonds to be receipted in the system before a case number was assigned. In addition, the former Circuit Clerk did not issue receipt slips documenting the receipt of bond monies received from the Sheriff's office.

Recommendation

The Court en Banc and Circuit Clerk accept and record bond monies into the JIS and issue corresponding receipt slips when bond monies are received from the Sheriff's office.

Status

Implemented

The Circuit Clerk indicated all bond monies are receipted when received from the Sheriff's office. The September 2014 liabilities listing included 3 bonds from the Clark County Sheriff that had been receipted but not yet assigned a case number, indicating the Circuit Clerk has implemented this recommendation.

**3.4 Circuit Court
Procedures - Passwords
and computer inactivity**

Court employees did not log off their computers when unattended, passwords were not kept confidential, and a security control was not in place to shut down computers after a certain period of inactivity. In addition, the user account of a former court employee who resigned in April 2013 was not disabled until October 2013.

Recommendation

The Court en Banc and Circuit Clerk ensure employees log off their computers when unattended and passwords remain confidential and are changed periodically. In addition, the Circuit Clerk should establish a security control requiring computers to shut down after a certain period of inactivity and delete all user accounts for inactive employees.

Status

Implemented

The Circuit Clerk has coordinated computer system changes with the OSCA requiring employees change their passwords quarterly and users to be



First Judicial Circuit, Clark County
Follow-up Report on Audit Findings
Status of Findings

logged off after 5 minutes of inactivity. In addition, the user accounts for all inactive employees have been deleted in the JIS.

3.5 Circuit Court
Procedures - Passport
fees

The circuit court did not prepare an annual report of passport fees charged and expenditures of those fees, as required by state law.

Recommendation

The Court en Banc and Circuit Clerk ensure passport fees and expenditures are reported in accordance with state law.

Status

In Progress

The Circuit Clerk has not prepared the 2014 annual report, but indicated she will prepare the report at the end of December.

4. Law Library Fund
Controls and
Procedures

The court had not adequately segregated accounting duties and an independent review was not performed related to the Law Library bank account and financial activities. In addition, bank reconciliations were not prepared.

Recommendation

The Court en Banc and Circuit Clerk ensure accounting duties are adequately segregated or independent reviews are performed periodically. In addition, bank reconciliations should be prepared monthly and periodically reviewed.

Status

Implemented

The Associate Circuit Judge now approves all expenses prior to payment and initials and dates the monthly bank reconciliation documenting his review.

5. Drug Court Deposits

Receipts were not always deposited timely.

Recommendation

The Court en Banc and the Drug Court Supervisor ensure deposits are made timely.

Status

Implemented

A review of the JIS general ledger indicated Drug Court monies are now receipted in the JIS when received and included in the court's deposits. With the court now making at least weekly deposits, the Drug Court monies are now deposited more timely.