



Susan Montee, CPA

Missouri State Auditor

August 2007

Thirty-First Judicial Circuit
City of Springfield, Missouri
Municipal Division



Office Of
Missouri State Auditor
Susan Montee, CPA

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The following findings were noted as a result of an audit conducted by our office of the Thirty-First Judicial Circuit, City of Springfield Municipal Division.

Receipts totaling at least \$1,356,072 were collected by the City of Springfield Municipal Court from July 1, 1997 to June 13, 2006 but were apparently misappropriated. The court's former Accounting Services Representative hired in June 1991, was responsible for depositing court monies and reporting court receipts to the city's finance department. She was terminated on July 3, 2006 after being placed on administrative leave on June 14, 2006. Little or no supervisory review and poorly implemented internal controls allowed the misappropriation to occur and not be detected. Additionally, several discrepancies that could have been an indication of problems were apparent, but were not adequately followed up on. Several of our findings are similar to findings in our prior report.

Fines, court costs, and bonds, received by court clerks at five cashier windows, were transmitted daily to the former Accounting Services Representative to count and prepare for deposit. Some of the receipts apparently transmitted to the former Accounting Services Representative were not deposited into the city's bank accounts and were misappropriated. The city's finance department began questioning the court in 2003 concerning reconciling items that remained open on the city's bank account reconciliation, and ultimately discovered the misappropriation in June 2006. There were many indications that court records were poorly maintained, as well as numerous control weaknesses that allowed this misappropriation to occur and not be detected, including:

- Supervisory oversight and segregation of duties related to the work performed by the former Accounting Services Representative was not adequate.
- Weaknesses in the court's computer system enabled the former Accounting Services Representative to selectively decide which cashier drawer receipt totals to report to the city. The misappropriated amounts apparently were not reported to the finance department as received, and neither the city nor the municipal division compared revenues reported to the city to actual municipal court receipt records.
- Follow up by the city's finance department on irregularities noted with the court's depositing methods dating back to 2004 was not adequate.
- Investigations by the city's finance department of fluctuations in municipal court credit card adjustments on the bank reconciliation of the city's main account were inadequate. The fluctuations revealed that credit card deposits in the city's account were greater than receipts reported by the court. These credit card receipts were later substituted into deposits and cash was withheld and misappropriated.

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YELLOW SHEET

- Neither the city nor court personnel were reconciling the method of payments received to the composition of the total deposit to ensure receipts were deposited intact. The lack of this comparison allowed checks and credit cards to be substituted into deposits and cash receipts to be misappropriated.
- Follow up by the city's finance department on irregularities noted on the bank reconciliation for the bond bank account was inadequate. Additionally, finance department personnel were at one time as much as nine months behind in preparing bond account bank reconciliations.
- Poor record keeping systems and the lack of controls allowed some payments to be received and not properly recorded and deposited. Cash and checks totaling over \$10,000 were found in court accounting records maintained by the former Accounting Services Representative.

Although the city and the municipal division have implemented several procedures to improve weaknesses that allowed the misappropriation to occur, improvement is still needed in several areas. Significant improvement is needed in the court's handling of receipts. Fines, court costs, and bonds received from the defendant before the related traffic ticket is received from the city prosecutor are held by the court and not deposited into the city's account until the related traffic ticket is received.

The court's depositing schedule allows a substantial amount of money to be accumulated, and controls over the daily close out procedures for each cashier drawer could be improved. The court's procedure for reversing payments requires cash to be removed from cashier drawers and makes it difficult to ensure cash has been transmitted properly.

The city's finance department does not have procedures to account for the numerical sequence of court transaction numbers, and some restitution received by the court was deposited into the city's bank account, but not paid to the victim. Neither the city nor the court has determined amounts owed to external parties resulting from restitution and fee collections that were misappropriated. Further, bond coverage amounts should be considered along with accounting controls in place.

Bank reconciliations prepared by the city's finance department for the bond account were based on incomplete information and contained numerous adjustments dating back to 2003 and 2004.

The municipal court allows any court clerk responsible for collecting fines and court costs to stamp tickets "nolle pros" and not assess fines and court costs. Additionally, improvement is needed to account for and process traffic tickets, and the follow up on unpaid parking tickets could be improved.

Responses from the Municipal Judge indicate that steps have been taken to implement many of the recommendations. The City's Finance Director responded that the court operated independently of the city, and the Court Administrator was responsible for the administrative areas of the court.

Also included in the report are recommendations related to accounts receivable records and computer system access.

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THIRTY-FIRST JUDICIAL CIRCUIT
CITY OF SPRINGFIELD, MISSOURI
MUNICIPAL DIVISION

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Don Burrell, Jr, Presiding Judge
Thirty-First Judicial Circuit
and
Todd M. Thornhill, Municipal Judge
Springfield, Missouri

We have audited certain operations of the City of Springfield Municipal Division of the Thirty-First Judicial Circuit. The scope of this audit included, but was not necessarily limited to, the year ended June 30, 2006. The objectives of this audit were to:

1. Review internal controls over significant financial functions.
2. Review compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations.
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 including outside reports; 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. 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 contract, grant agreement, or 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 April 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 Springfield Municipal Division of the Thirty-First Judicial Circuit.



Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

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EXECUTIVE SUMMARY

THIRTY-FIRST JUDICIAL CIRCUIT
CITY OF SPRINGFIELD, MISSOURI
MUNICIPAL DIVISION
EXECUTIVE SUMMARY

Receipts totaling at least \$1.3 million were collected by the City of Springfield Municipal Court from July 1, 1997 to June 13, 2006 but apparently misappropriated.

In 2003, the city's finance department began questioning court personnel concerning reconciling items that continued to remain open on the city's bank account reconciliation, and ultimately discovered the misappropriation in June 2006.

The court's Accounting Services Representative hired in June 1991, was responsible for depositing court monies and reporting court receipts to the city's finance department. She was terminated on July 3, 2006 after being placed on administrative leave on June 14, 2006.

Little or no supervisory review and poorly implemented internal controls allowed the misappropriation to occur and not be detected. Additionally, several discrepancies were apparent that could have been an indication of problems, but were not adequately followed up on. While the city and court have implemented several procedures to correct problems that may have allowed the misappropriation to occur, they should review the accompanying Management Advisory Report and take additional steps to improve controls over court collections.

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

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

THIRTY-FIRST JUDICIAL CIRCUIT
CITY OF SPRINGFIELD, MISSOURI
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Misappropriated Funds
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Receipts totaling at least \$1,356,072 were collected by the City of Springfield Municipal Court from July 1, 1997 to June 13, 2006 but were apparently misappropriated.

Fines, court costs, and bonds received by the court were processed by court clerks who accept payments at five cashier windows. Payments received were entered into a computerized receipting system and each day the court clerks would balance their drawers with a computer generated report of transactions and give the receipts to the Accounting Services Representative to count and prepare for deposit. Some of the receipts apparently transmitted to the Accounting Services Representative were not deposited into the city's bank accounts and were misappropriated.

According to documentation provided by the city, the city's finance department began questioning the court concerning reconciling items that remained open on the city's bank account reconciliation in 2003. The city's finance department ultimately discovered the misappropriation in June 2006. The city's finance department then began comparing various city accounting records to those from the municipal court and identified missing funds. Their computation materially agreed to those listed below.

The city contracted with forensic accountants to perform fraud investigation services to quantify the missing funds described above. We reviewed that investigation report and the substantiating working papers to minimize any duplication of effort. The following table obtained from the report on the fraud investigation shows by period the amount of fine and cost receipts not accounted for:

Period	Amount
January 1, 2006 to June 13, 2006	\$ 50,249
January 1, 2005 to December 31, 2005	196,273
January 1, 2004 to December 31, 2004	201,406
January 1, 2003 to December 31, 2003	177,794
January 1, 2002 to December 31, 2002	229,806
January 1, 2001 to December 31, 2001	156,359
January 1, 2000 to December 31, 2000	127,384
July 1, 1999 to December 31, 1999*	28,985
July 1, 1998 to June 30, 1999*	98,691
July 1, 1997 to June 30, 1998*	71,599
Total Loss ¹	\$ 1,338,546

¹ *Bank statements were not available for periods before January 1, 2000. Revenues the court reported to the city were not used to determine the loss.

Additionally, according to records provided by the city's finance department, a shortage of approximately \$17,526 in bond receipts also existed at June 30, 2006.

There were many indications that court records were poorly maintained, as well as numerous control weaknesses and little or no independent review that allowed this misappropriation to occur and not be detected. For example:

- Supervisory oversight and segregation of duties related to the work performed by the Accounting Services Representative was not adequate. The Accounting Services Representative was responsible for receiving monies collected by the court clerks, reporting municipal division revenues to the city's finance department, and making deposits into the city's bank accounts. (Fines and court costs are deposited into the city's main bank account which is also used for the deposit of monies collected by the various city departments. Bonds are deposited into a separate bond bank account.) While documentation provided by the city indicated that the Court Administrator was responsible for supervising the work performed by the Accounting Services Representative and a system was in place to segregate duties, these reviews and procedures were apparently not being performed.
- Because of weaknesses in the court's computer system, the Accounting Services Representative was able to selectively decide which cashier drawer receipt totals to report to the city. The misappropriated amounts apparently were not reported to the finance department as received, and neither the city nor the municipal division had procedures in place to compare the revenues reported to the finance department by the Accounting Services Representative to the actual municipal division receipt records to ensure all monies were properly accounted for. After identification of the misappropriation, the city and the municipal division added procedures to compare recorded receipts to deposits into the city's bank accounts. Although some procedures have been implemented to improve control weaknesses, additional controls are still needed. (See MAR 2)
- Adequate steps were not taken by the city's finance department to follow up on irregularities noted with the court's depositing methods. Municipal division receipts were often held up to a month before being deposited into the city's bank account, and the time lag problem was not adequately followed up on by the city's finance department. Further, some daily deposit summary reports sent to the finance department by the court would only include receipt totals for one cashier drawer for a particular day when other deposit summary reports would include receipt totals for as many as eight cashier drawers. Reporting variances dating back to 2004 were not adequately followed up on by the city's finance department.
- The city finance department's bank reconciliation identified fluctuations in credit card adjustments for the court dating back to late 2004, however the differences were not resolved timely. The fluctuations revealed that credit card receipts deposited into the city's bank account were greater than receipts reported by the court. These credit card receipts were later reported when they were substituted into deposits and cash was

withheld and misappropriated. Because of the credit card differences and other concerns, a surprise cash count was performed at the court by the city's finance department on May 6, 2005; however, documentation was not retained to support the methodology or conclusion made from that cash count. Personnel from the city's finance department indicated no discrepancies were discovered during the cash count.

- While the method of payment (cash, check, money order, or credit card) was tracked by the court's computerized receipt system neither the city nor court personnel were reconciling the method of payments received to the composition of the total deposit to ensure receipts were deposited intact. The lack of this comparison allowed checks and credit cards to be substituted into deposits and cash receipts to be misappropriated. While the city's finance department has now developed procedures to ensure composition of fines and court costs received are deposited intact; procedures are not in place to ensure bond monies received by the court are deposited intact. (See MAR 3)
- Irregularities on the bank reconciliation for the bond bank account were not adequately followed up on by the city's finance department and bank reconciliations were not performed timely. The bank reconciliations for the bond account contained numerous adjustments for bonds that were not deposited. For example, there was a \$1,000 adjustment for a bond received in October 2003 that was never deposited. The reconciling item was noted on several reconciliations starting in 2003 and still noted on the reconciliation at June 30, 2006. The clerk from the city's finance department that is responsible for reconciling the bond account indicated that she was at one time as much as nine months behind in preparing the bond account bank reconciliation. (See MAR 3)
- Poor record keeping and the lack of controls allowed some payments to be received and not properly recorded and deposited by the court. Cash and checks totaling over \$10,000 were found in various court accounting records maintained by the former Accounting Services Representative. Most of the checks were over a year old, with dates between 2005 and 1999. (See MAR 2)

By not providing adequate oversight, the city and municipal division placed court funds at risk, resulting in the misappropriation. The city and the municipal division have implemented several procedures to improve control weaknesses that apparently allowed the misappropriation to occur; however, the city should continue to ensure court funds are properly accounted for by providing adequate oversight, reviewing the court's depositing methods, monitoring credit card adjustments, reconciling method of payment to deposits, and monitoring bank account reconciliations.

WE RECOMMEND the City of Springfield and the Municipal Division continue to work with law enforcement officials regarding any criminal prosecution, and take the necessary action to recover the missing funds. Additionally, the city should continue providing adequate oversight of court receipts and deposits, by monitoring the court's depositing methods, following up on fluctuations in credit card adjustments, reconciling

the method of payments received to the composition of the total deposit to ensure receipts were deposited intact, and ensuring bank reconciliations are performed timely and adjustments are followed up on for the bond bank account.

AUDITEE'S RESPONSE

The City's Finance Director provided the following response:

The control environment is an important component in maintaining effective internal controls. Control procedures were in place at the Municipal Court but were not being followed by the Accounting Services Representative and the Municipal Court Administrator.

The Court Administrator had responsibility for the administrative areas of the Court. The job description of the Municipal Court Administrator lists among others the following essential functions:

- *Plans, organizes and directs all non-judicial activities of the Municipal Court including the preparation of dockets, collection and recording of fines.*
- *Supervises support staff and technical personnel over court functions.*
- *Supervises the preparation of fiscal activity reports for the court.*
- *Participates in policy development for the Court including planning, developing, modifying, implementing, maintaining, and interpreting court administrative procedures, policies, and systems needed for the efficient operation of the court.*
- *Investigates complaints relating to the operation of the court's functions.*
- *Supervises the development, implementation and maintenance of the management information systems for the court's records/database management and reporting functions.*
- *Communicates with judges as to administrative matters affecting the court.*
- *Serves as the administrative representative of the court to City administration and other City departments, courts, government agencies and the general public.*

For many years, the Municipal Court has operated independently from the City of Springfield in the administrative area, accounting policies and computer systems. Under Missouri law, the Judge has ultimate responsibility for the administration of the court. The Municipal Court Administrator reported to the Judge. In Springfield, the administrative responsibilities were completely delegated to the Court Administrator.

The Court has a separate management information system designed to handle their unique needs. The Court system is independent of the City's financial management system. The system was selected and implemented by the Court staff. The system runs on hardware located at the

Municipal Court located approximately ¼ mile from the City's main administrative offices. Municipal Court is the only department in the City with a computer administrator that operates outside the structure of the City's Information Systems Department. The position reports to the Municipal Court Administrator. Court staff was fully responsible for the management information system including the design of the upload of information into the City's financial management system.

The Finance Department had no clear authority to require the Municipal Court to comply with accounting procedures. The Office of the State Court Administrator has developed accounting procedures that municipal courts are required to follow. These accounting policies are developed independently of the City's policies. Additionally, the City of Springfield has maintained for many years a decentralized system of management whereby responsibility and decision-making authority was delegated to the department level. This system allows departments to operate more independently and to respond more quickly.

The reporting structure within Municipal Court was designed with a system of checks and balances in place. As noted above, the Court Administrator was responsible for supervision of the Accounting Services Representative. However, the Accounting Services Representative was allowed to work with little or no supervision and was also allowed to work outside of regular business hours with no one else present, to accommodate her personal needs. The Court Administrator had responsibility for the preparation of reports to the Office of the State Court Administrator. Municipal Court had in their possession all of the financial records, the total money collected at the Court, the records of daily deposits to the City's bank account and reports from the management information system. All of this information was available to the Court Administrator, whose duties were to oversee the work of the Accounting Services Representative.

As noted above in the Court Administrator's job description, she was to have knowledge of accounting principles, but the Accounting Services Representative was allowed to control all areas of the financial transactions. The Accounting Services Representative reconciled the clerks' drawers each day, prepared the bank deposit, uploaded the transactions to the City's financial management system, and handled open items or questions from the Finance Department regarding the bank account.

The fraud occurred and went undetected because of a weakness in the Court's computer system and a breakdown of the internal controls in the Court. Generally when data is uploaded from one computer system to another, all of the data is "swept". The upload process may be initiated manually, but the process itself is automated to ensure all transactions are captured. In the case of the upload of information from the Municipal Court system to the City's financial management system, the Accounting Services Representative was allowed to manually select the drawers that were uploaded to the City's financial management system.

Because of the independent reporting structure of the Court, the Finance Department did not have access to all of the Court's financial records. Requests for additional information were made to the Accounting Services Representative and copied to the Court Administrator.

Responses, when provided, were incomplete, untimely, or sometimes simply ignored. There was no apparent sense of urgency to address the requests of the Finance Department.

The City disagrees the Finance Department did not take adequate steps to follow up on irregularities. The Finance Department worked closely with the Court in reconciling the monies deposited into the City's bank account to the amounts reported to the Finance Department via the daily upload process from the Court's management information system. During the time period related to the loss, the monies deposited by the Court materially agreed to the amounts reported to the Finance Department. Since 2003, the date the current Finance Director and Accounting Manager assumed their respective positions, the Finance Department was in constant communication with the Accounting Services Representative and the Court Administrator regarding open items on the bank reconciliation. Employees in the Finance Department sent numerous emails, made phone calls and scheduled meetings to resolve open issues. The Finance Department staff received little cooperation from the Court staff on issues related to the bank account.

The Finance Department did not have access to the Court's accounting system prior to the discovery of the loss and was therefore unaware incomplete data was being uploaded into the City's accounting system. Accounting staff specifically asked for reports showing daily activity from the Court's computer system and were told these reports were not available. Despite these roadblocks the accounting staff discovered the fraud. The audit report issued by the State Auditor for the fiscal years ending 1998 and 1999 did not uncover the fraud. The independent auditor's reports for the entire period of the loss also did not uncover the fraud. The Finance Department's follow-up on irregularities, which the State Audit report has characterized as "inadequate", ultimately was the only control or review successful in uncovering the fraud.

The City agrees, the bank reconciliation reflected fluctuations in credit card adjustments. However, it is important to consider the numbers in perspective. During this two-year period, the Finance Department identified a total of approximately \$10,000 in credit card fluctuations. During this same period of time, credit card activity totaled almost \$900,000. The Finance Department was actively trying to resolve the fluctuations. Accounting staff in the Finance Department sent numerous emails, made phone calls and met with the Court on numerous occasions in reviewing the reconciling items noted in the report. Unfortunately, requests to provide additional documentation made by Finance were rarely met and only led to additional questions that were not answered by the Court.

The procedure regarding open items on the bank reconciliation has changed effective August 1, 2006. Departments are given 30 days to resolve open issues on the bank reconciliation. After 30 days the department director is notified of the open items. If the items are not resolved after 60 days, the Assistant City Manager is notified.

The City disagrees that procedures are not in place to ensure bond monies are deposited intact. Procedures are now in place to reconcile the method of payment from the Court's computer system to the bank deposit. This information has been reconciled from July 2006 to present and is now a regular part of the bank reconciliation performed by the Finance Department. Prior to

June 30, 2006 the Municipal Court did not provide the Finance Department with enough information to balance the composition of the bond deposit.

The City disagrees the bank reconciliation was not adequately followed up on by the City's Finance Department. The Finance Department was in regular contact with the Accounting Services Representative and the Court Administrator since 2003. Employees in the Finance Department sent numerous emails, made phone calls and scheduled meetings to resolve open issues. The Court was not responsive to the requests and inquires made by the Finance Department. Unfortunately, requests made by the Finance Department to provide additional documentation and reports, were rarely met. Finance Department staff were told the information was not available, the information was confidential, or the employee was not available to answer questions.

The bank reconciliation was performed timely with the exception of a period of time in 2004 during the implementation of a new financial management system and payroll system. The system implementation was a major project that required the dedication of all of the accounting staff. The bond account reconciliation was brought current in September 2004 and has been current since that time.

Upon the discovery of the loss, the Court's Accounting Services Representative's office was secured and the contents were taken as evidence by the Police Department. The files not needed as evidence were returned to the Finance Department in late 2006. Finance secured the records until the Court was able to inventory and assess the records.

The Municipal Judge provided the following response:

Recommendation Implemented. Municipal Division employees have cooperated with and assisted, and continue to cooperate with and assist, law enforcement officials regarding the pending criminal prosecution of former Accounting Services Representative Rhonda Bateman.

Daily balancing and deposit preparation is performed by two municipal court employees, the Account Services Representative and a deputy clerk. The assigned deputy clerk is rotated. After the amounts collected for each tray are verified against the electronic Cash Tray Reconciliation Report from the municipal court database, a Daily Remittance Register is prepared and signed by the two employees which lists the total collections by tray by composition (cash, check, credit card) and includes the cash bond receipts by composition. After the Daily Remittance Register is completed, the daily deposit is prepared and placed in a locked bag that is picked up daily by the City's armored car service, Loomis Fargo.

On a daily basis, the Court Administrator verifies the electronic Cash Tray Reconciliation Report with the Daily Remittance Register, the deposit slip to the bank, and the deposit receipt received back from the bank. Also daily, the judge receives the Daily Remittance Register to compare with an automatically generated report of "unsent trays" from the previous day to verify that the trays were "sent" through the Oracle system to the city Finance Department and to verify that each tray was in fact prepared for deposit.

The Finance Department receives a daily abstract from the municipal court's data base administrator that shows the total collections by cash register tray by composition (cash, check, credit card). The Finance Department prepares a reconciliation report, "Tray Distribution of Funds Municipal Court," that compares the municipal court database files to the bank deposits on a daily basis.

2. Accounting Controls and Procedures
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Significant improvement is needed in the municipal division's handling of court receipts. Over \$10,000 in cash and checks was found in various court accounting records maintained by the former Accounting Services Representative. In addition, the city has not developed procedures to ensure the court is reporting all of the monies received, and neither the city nor the court has determined the amount of the potential liability which exists from restitution and fee collections which were misappropriated.

- A. Fines, court costs, and bonds are occasionally received from the defendant before the related traffic ticket is received from the city prosecutor. The court holds these monies and does not deposit them into the city's bank account until the related traffic ticket is received. The court's procedure is to place these monies in the court's vault and record the payment on a computerized listing called the LOGG system, which was developed to track these type of payments. When the ticket is later received by the court, the payment is then receipted into the court's accounting system and the LOGG system is updated to show the disposition of the payment. While the court's LOGG system generates a summary report of monies being held, this report is not reconciled to the amount of cash and checks on hand to ensure all monies are properly accounted for.

During a cash count performed on September 12, 2006, the LOGG summary report indicated the court should have \$1,552, but there was only \$1,174 in cash and checks on hand. Court personnel indicated payments totaling \$298 had been applied to the balance due for the related tickets, but the disposition of these payments had not been posted to the LOGG system. Court personnel also indicated the additional \$80 had been returned to the individuals who had written the checks; however, the court did not have adequate documentation to support these checks had been returned.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, all monies should be deposited daily, and all refunds should be made by check. Additionally, the court should develop procedures to ensure the amount recorded on the LOGG system agrees to amounts held by the city for these types of payments.

A similar condition was noted in our prior report.

- B. The court's depositing schedule allows a substantial amount of money to be accumulated. For example, during a cash count performed on September 12, 2006 we counted \$36,177 (\$15,372 at the cashier windows, \$19,631 in the safe, and \$1,174 held on behalf of defendants, see A above). Some of the monies counted had been received on September 8, 2006.

At approximately noon each day, court clerks balance their drawer with a computer report of transactions and transmit the money and the report to the Accounting Services Representative and another court clerk to count and prepare for deposit. The deposit is then picked up the following day by an armored car service.

The court needs to coordinate pickup times with the armored car service to minimize the amount of cash on hand and to adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds. The court should develop procedures to ensure receipts are deposited on a more timely basis.

- C. Controls over the daily close out procedures for each cash drawer could be improved. At approximately noon each day the court clerk working at the cashier window is responsible for counting the monies in the cash drawer and reconciling the receipts on hand to a computer report of transactions. These receipts are often collected by more than one court clerk. For instance, during a cash count on September 12, 2006 we counted one cash drawer totaling \$3,121 of which \$687 had been collected by the court clerk who was working during night court, and the remaining \$2,434 was collected by the court clerk who worked during the day.

To adequately safeguard receipts and control access to funds, the court should consider improvements to daily close out procedures that would improve accountability and make each court clerk responsible for reconciling their individual collections.

- D. The court did not have adequate procedures in place to properly record and deposit all payments received. In April 2007 we counted over \$10,000 in cash and checks that the current Accounting Services Representative had discovered filed in various court accounting records maintained by the former Accounting Services Representative. Most of these checks were over a year old, with dates between 1999 and 2005. The monies represented payments for traffic tickets, restitution, overpayments on fines and court costs, and checks due to the city for duplicate payment of court related expenses. Additionally, many of the payments appeared to relate to unpaid parking tickets. (See MAR 4C)

The court and city should ensure all monies are properly recorded and deposited. Additionally, the proper disposition of all monies located in the court accounting records should be determined.

- E. The court's procedure for reversing payments needs improvement. According to court personnel, in order to refund a payment which has been recorded in the court's main accounting system, it is necessary for the court clerk to reverse the payment and transmit an equal amount of cash from the cashier drawer to the designated court clerk responsible for these monies. Then the cash is to be recorded on the court's LOGG system, and a refund check is requested from the city. This payment reversal procedure makes it difficult to ensure cash removed from cashier drawers has been properly transmitted, recorded and deposited.

Programming and procedural changes should be made to eliminate the need for the removal and movement of cash when a payment needs to be reversed and refunded. Further, adequate controls over payment reversals should be implemented.

- F. The city's finance department has not developed adequate procedures to ensure the court is reporting all of the monies received. The city's computerized accounting system relies upon the court to electronically report the receipt information from each cashier drawer; however, the city's finance department does not have procedures in place to account for the numerical sequence of the court's recorded receipts to ensure that all cashier trays have been reported to the city.

The court's computerized receipt system assigns transaction numbers to each amount recorded by the court clerks with a separate numerical sequence for each cashier drawer. These transaction numbers are not reviewed by the finance department to ensure all amounts received by the court have been reported. After the misappropriation was identified, the Municipal Judge began reviewing an exception report generated from the court's computer system showing cashier drawer totals that have not been electronically reported to the finance department. While this report provides information on drawers not yet reported to the city, no one accounts for the numerical sequence of transaction numbers to ensure all transactions are reported to the city.

Without a periodic review of transaction numbers the city has no assurance that all receipts are properly accounted for. Accounting for the numerical sequence of transaction numbers is necessary to ensure proper recording and accountability of all receipts. Numerous instances were found where the court did not report receipts from various cashier trays which resulted in the misappropriation discussed in MAR 1.

- G. We identified numerous insufficient fund checks filed in court accounting records maintained by the former Accounting Services Representative that had not been properly followed up on by the court. For example, in the 2001 court records, there were insufficient fund checks totaling over \$750. Court personnel estimate more than \$5,000 in insufficient fund checks from prior years that have not been

followed up on. The court should implement timely notification and follow-up procedures for insufficient fund checks.

- H. The court will occasionally issue manual receipt slips if their computer system is not working properly. The manual receipt slips are not prenumbered and access to the manual receipts is not controlled. To ensure all receipts are properly accounted for and posted to the computer system, prenumbered receipt slips should be issued for all monies received and access to manual receipt slips should be controlled.
- I. Restitution received by the court was not always paid to the victim. In some cases these restitution payments were received and deposited in the city's bank account; however, the subsequent payments to victims were never made. For example, the court has identified over \$1,150 received during 2006 that was deposited into the city's bank account, but not disbursed by the city to victims. Apparently disbursement information was not provided to the city by the court, and the city did not follow up with the court to determine the proper disposition of the funds being held. The court should continue to identify all restitution monies being held by the city so that it can be paid to victims or otherwise disposed of properly.
- J. Neither the city nor the court has determined the amount of potential liability which exists from restitution and fee collections from the more than \$1.3 million in receipts which were misappropriated.

The court collects restitution and other fees such as Crime Victims Compensation (CVC), Law Enforcement Training (LET), and Greene County Maintenance Fees and remits these monies to external parties such as the state, county, or victims to whom restitution was ordered by the court. On average, fees collected by the court that are due to other parties total approximately 13 percent of collections.

Additionally, after the court was contacted by a victim concerning the status of restitution owed to them, the city paid two victims restitution totaling \$3,525 which had been paid to the court but never transmitted to the city. The city has also refunded some cash bonds that were received by the court but never deposited.

The city does not have a plan to address how certain liabilities related to missing monies will be paid. The city and court should determine the amounts owed to external parties for the misappropriated court monies and should develop a plan regarding the payment of these liabilities.

- K. The court did not adequately consider bond coverage along with the accounting controls put in place to reduce the risk of loss for employees responsible for collecting monies. The maximum the court can expect to obtain from their bond coverage is \$200,000 less a \$2,500 deductible. The court should consider bond

coverage along with the controls in place for all employees with access to monies to better protect the court from risk of loss.

WE RECOMMEND the City of Springfield and the Springfield Municipal Division:

- A. Ensure all receipts are deposited daily, and all refunds are made by check. Additionally, procedures should be developed to ensure the amount recorded on the LOGG system agrees to amounts held by the city for these types of payments.
- B. Take steps to coordinate armored car pickup times to ensure receipts are deposited on a timely basis and the amount of cash on hand is minimized.
- C. Consider improvements to controls over cash drawers to make each court clerk responsible for reconciling their individual collections.
- D. Ensure all monies are properly recorded and deposited, and determine the proper disposition of all monies found in the various court records.
- E. Implement necessary programming and procedural changes to eliminate the need for the removal and movement of cash when a payment needs to be reversed and refunded. Further, adequate controls over payment reversals should be implemented.
- F. Develop procedures to ensure completeness of receipt information reported by the court and ensure the numerical sequence of receipts is accounted for properly.
- G. Implement timely notification and follow-up procedures for insufficient fund checks.
- H. Utilize prenumbered receipt slips and limit the access to manual receipt slips.
- I. Ensure all restitution monies are properly paid to victims.
- J. Determine the amounts owed to external parties for the misappropriated court monies and develop a plan regarding the payment of these liabilities.
- K. Develop procedures to consider bond coverage along with accounting controls that have been put into place for all employees responsible for handling monies.

AUDITEE'S RESPONSE

The Municipal Judge provided the following responses:

- A. *Most of this recommendation has been implemented. All deposits are deposited daily. Comparison of the LOGG receipts with amounts held by the city is reviewed daily by a*

- deputy clerk to verify that they match. A computer program to assist in the refund of fines and costs by check when a judgment is set aside is finished and in the testing stage.*
- B. *Implemented. The balancing time for cash drawers has changed. Deposit preparation and reconciliation occurs daily, as do armored car pickups. Security cameras operate 24 hours per day, 365 days per year.*
- C. *Implemented. Each deputy clerk is responsible at the conclusion of the day for balancing their respective drawers to match receipts with money by composition (cash, check, credit card). There is no more division of drawers.*
- D. *This is in the process of being implemented. These are records that were secured by the Springfield Police Department with a search warrant in July, 2006 to search and seize items in former Accounting Clerk Representative Rhonda Bateman's office and have been in the custody and control of the police department and the finance department from July 2006 until February through April of 2007. When the court received the records starting in February of 2007 through April of 2007, the records were reviewed to determine their content. When court personnel discovered this money, the auditors were notified and, as a result, this matter was included in this report. These matters were the duty of the former Accounting Services Representative. Current court personnel are working through these past records and money to determine where it should be properly recorded and applied.*
- E. *Nearly implemented. The program to assist in the refund of fines and costs by check when a judgment is set aside is finished and in the testing stage.*
- G. *This is in the process of being implemented. These are records that were secured by the Springfield Police Department with a search warrant in July, 2006 to search and seize items in former Accounting Clerk Representative Rhonda Bateman's office and have been in the custody and control of the police department and the finance department from July 2006 until February through April of 2007. When the court received the records starting in February of 2007 through April of 2007, the records were reviewed to determine what they were. When court personnel discovered these checks, the auditors were notified and, as a result, this matter was included in this report. NSF checks in the amount of \$5,628.57 have been processed by the current Accounting Services Representative from the years 2005 and 2006. Eight NSF checks have been found during auditing in May 2007. These checks total \$650.50 and are being processed based on available staffing. Continuing examination of the records might reveal additional unprocessed NSF checks and will be addressed as staffing allows. The procedure for NSF check processing is that the Finance Department sends to the court's Accounting Services Representative the bad check. The Accounting Services Representative then prepares a summons in substantially the same form as Missouri Supreme Court Suggested Form 37.L and sends it to the defendant. If the defendant does not appear in response to the summons, an arrest warrant for the defendant is issued. Appearing defendants are ordered to pay the amount owed plus a \$20.00 returned check fee authorized by city ordinance #4713.*

- H. *Implemented. The court is using, and has used since 1993, prenumbered receipt slips for electronically-generated receipts. In the very infrequent occurrence where a manual receipt is required (such as a power failure), prenumbered receipts will be used and access to these receipt slips is limited by keeping them secured in the Accounting Services Representative's office.*
- I. *This is in the process of being implemented. We have determined for 2005 and 2006 the restitution checks and cash misappropriated and are processing these monies to properly pay victims. Some victims have been paid. Further review to the extent records are available will determine any amounts from previous years.*
- J. *This is in the process of being implemented. The court costs misappropriated that would have gone to parties other than the City of Springfield has been determined. See "I" above for restitution payments.*

The City's Finance Director provided the following responses:

- F. *Each night, the Finance Department receives a file from the Court's system administrator of all the Court's cash trays. The file contains all of the Court's financial transactions, fines, court costs and bonds listed by cashier. The Finance Department reconciles the daily activity by composition, cash, check and credit card to the Court's bank deposit and the nightly upload into the City's accounting system. The approach utilized by the Finance Department currently ensures all financial transactions are accounted for in the nightly file provided by the Court's system administrator. While it is true the Finance Department does not account for the transaction number assigned by the Court's accounting system, we will do so in the future.*
- K. *The City has evaluated bond coverage citywide and has obtained additional coverage for high-risk areas.*

3. Bond Account Reconciliation Procedures
--

Improvements are needed in the monthly reconciliation procedures for the bond account. Also, the city's finance department does not reconcile the method of payment for bonds received by the court to what is deposited into the bond account.

- A. Monthly bank reconciliation procedures and records for the bond account are not adequate. The bank reconciliation, prepared by the city's finance department was based on incomplete information, and contained numerous adjustments to agree to liabilities. Concerns with the reconciliations include:
 - 1. Manual checks were not always reported to the city's finance department causing the calculation of outstanding checks to be incomplete. Outstanding check listings for bank reconciliations dating as far back as August 2005 included check numbers without corresponding amounts.

The city's finance department would indicate a question mark when the amount of the check was unknown. These checks have sometimes cleared in subsequent months; however, in other instances these check numbers have been listed as outstanding for more than a year.

For example, the outstanding check listing for the August 2005 bank reconciliation listed a sequence of 137 checks with a question mark for the amount. These checks were still listed as outstanding on the bank reconciliation prepared by the city's finance department for August 2006, one year later. While court personnel indicated these checks may have never been issued, finance department personnel said they were not always aware of manual checks issued by the court because these checks were not included on the check report the court provided to the city. Since the discovery of the misappropriation, improvements have been made in accounting for checks issued from the bond account.

2. The city's finance department does not adequately follow up on or monitor old outstanding checks. At August 31, 2006, the bond bank account had 125 outstanding checks over a year old totaling \$6,754. While the city's finance department attempted to follow up on some of the outstanding checks, adequate information was not maintained for all outstanding checks to allow for a proper follow up. For example, some of the outstanding checks were issued to the municipal court to be applied toward the defendant's fines and court costs, but the city was unaware of this because they do not track payee information. Further, the date the outstanding check was issued is also not tracked by the city.
3. There were numerous adjustments each month on reconciliations between the bond bank account balance and liabilities, with several of these adjustments dating back to 2003 and 2004. According to documentation provided by the city's finance department, attempts to follow up with the court on why these adjustments were required were unsuccessful. Had these adjustments been more thoroughly investigated the misappropriations noted in MAR 1 may have been detected sooner.

For example, ten adjustments dating back to 2003 and totaling \$11,867 were made on the August 31, 2006 bank reconciliation for amounts that were reported to the city as received by the court but which were not deposited into the bank account. These adjustments were in addition to routine deposits in transit which cleared the following month. Another category of adjustments included 22 adjustments dating back to 2003 totaling \$7,314 which represented manual checks written by the court to disburse bonds which had never been reported to the city as received or deposited. An additional adjustment dating back to 2004 included five items totaling \$1,655 for amounts deposited but there was no record from the court indicating what receipts were included in the deposit.

Inadequate records and procedures inhibit the city's ability to effectively monitor and manage the bond bank account. Without preparing accurate monthly bank reconciliations and following up on adjustments timely, there is little assurance that cash receipts and disbursements have been properly handled and recorded or that bank or book errors will be detected and corrected in a timely manner.

Further, old outstanding checks create additional and unnecessary record keeping responsibilities. An attempt should be made to locate the payees of the old outstanding checks, and the checks should be reissued if possible. If the payee cannot be located, various statutory provisions provide for the disposition of unclaimed monies. In addition, routine procedures should be established to investigate checks outstanding for a considerable time and to ensure the numerical sequence of checks is properly accounted for.

- B. The city's finance department does not reconcile the method of payment (cash, check, money order, or credit card) for bonds received by the court to what is deposited into the bond account. While the city implemented procedures in July 2006 to review composition for fines and court costs deposited, this is not performed for bond monies deposited.

To ensure all receipts are accounted for properly and deposited intact, the composition of receipts should be reconciled to the composition of the bank deposits. Had such a comparison been performed, some of the misappropriation noted in MAR 1 may have been detected more timely.

A similar condition was noted in our prior audit report.

WE RECOMMEND the City of Springfield and the Municipal Division:

- A. Prepare complete and accurate bank reconciliations monthly and investigate any differences on a timely basis. Also, attempt to resolve the old outstanding checks, and establish routine procedures to investigate checks outstanding for a considerable time.
- B. Ensure the composition of receipts is reconciled to the composition of deposits.

AUDITEE'S RESPONSE

The City's Finance Director provided the following responses:

- A. *The Court is responsible for writing and issuing checks out of the bond account. Finance did not receive complete and accurate information related to the bond account from the Court. While the Court's accounting system generated a check register, the Court often wrote manual checks that were not identified on the registers. Finance eventually obtained disbursement information related to the bond account from the cleared checks contained in the bank statements. Deposit information was incomplete and Finance*

could only rely on the information provided by the bank statements. While Finance requested adequate information from the Court's Accounting Service Representative and her supervisor, the requests were generally not met with much success. Since the discovery of the loss, complete disbursement information is available to the Finance Department. The Court no longer issues manual checks and a complete listing of system-generated checks is provided to Finance.

The Finance Department was involved on a regular basis requesting information from the Court. While it is the responsibility of the Court and the Finance Department to ensure all monies are properly recorded and deposited, it is unfortunate that not only a State audit of the Court but also the City's financial audit for past years during the time of the losses did not reveal the complicated fraud. The Finance Department and the Court have taken steps to adequately review and verify the financial transactions of the Court.

- B. While this has not been documented on the original reconciliation reports, Finance has performed this step since the discovery of the loss. The reconciliation reports have been updated to include this step.*

The Municipal Judge provided the following response:

- B. Implemented. The composition of receipts is now reconciled to the composition of deposits.*

4. Traffic Ticket Processing and Accountability
--

Improvements are needed to account for and process traffic tickets. The municipal court allows any court clerk responsible for collecting fines and court costs to stamp tickets "nolle pros" and not assess fines and court costs. In addition, the Municipal Judge does not review or document his approval of the disposition of cases handled through the VB (Violations Bureau).

- A. Court clerks, responsible for collecting fines and court costs, are allowed to nolle pros tickets for no proof of insurance violations without adequate oversight or controls. For example, a ticket for no proof of insurance can be stamped nolle pros by the court clerk if the defendant shows the clerk proof of insurance and then no fines or court costs are assessed. Further, while the court clerks are only supposed to nolle pros tickets for no proof of insurance there are no computer controls that would prohibit them from authorizing nolle pros dispositions for other violations. Also, neither the Municipal Judge or City Prosecutor review and approve tickets that have been stamped nolle pros.

To ensure nolle pros dispositions are appropriate, the Municipal Judge or the City Prosecutor should develop procedures to review nolle pros dispositions authorized by the court clerks. Further, the lack of supervisory review over this process

increases the risk of theft or misappropriation of funds and weakens accountability over the collection process.

B. Improvements are needed to account for and process traffic tickets.

1. The police department does not maintain records to account for the numerical sequence and ultimate disposition of traffic tickets issued. The police department maintains a log of ticket books assigned to officers; however, records accounting for the numerical sequence and showing the ultimate disposition for each ticket issued are not maintained. Of sixty tickets selected to review, five tickets (8 percent) could not be located by the court or the police department.

A similar condition was noted in our prior audit report.

2. Tickets are not always submitted for processing on a timely basis by the police department. For example, we noted one ticket for a speeding violation issued on September 28, 2006 that was not submitted to the City Prosecutor for processing until November 29, 2006 (the date we inquired about the disposition of this ticket). In another instance, a ticket written on May 15, 2006 was not officially voided by the police officer until December 2006 when we attempted to locate the ticket for our review. The officer indicated he had forgotten to void the ticket, and had carried it in his clipboard until we asked about the disposition of this ticket. Procedures should be established to ensure tickets are filed in a timely manner with the City Prosecutor or voided properly.

Without a proper accounting for the numerical sequence and ultimate disposition of tickets, the police department cannot be assured all tickets issued are properly submitted to the court for processing. Properly maintained logs would ensure accountability of all tickets as well as the ultimate disposition of each document.

- C. The municipal court does not adequately follow-up on unpaid parking tickets. Court personnel indicated that after a parking ticket remains unpaid for two years the court will send the ticket to the City Prosecutor for review and usually a dismissal of the case. At December 2, 2006, the court had 5,396 unpaid parking tickets of which 2,575 had been unpaid for over two years, with the oldest tickets dating back to 1987. Also, during a cash count in April 2007 we identified several payments for parking tickets that had been received by the court but were not recorded. (See MAR 2)

On average the court processes approximately 9,800 parking tickets annually (fines on approximately 14 percent are not collected). The cost for a parking ticket ranges from \$25 to \$50 based on the specific type of parking ticket.

The court should institute procedures to review and follow-up on old inactive parking ticket cases. Better follow-up of the unpaid parking tickets is necessary to facilitate monitoring of amounts due to the court, provide information to the Municipal Judge, and provide increased accountability over amounts due to the court.

- D. The Municipal Judge does not review or document his approval of the disposition of cases handled through the VB. To ensure the proper disposition of all cases has been entered in the court records, the court should develop procedures for the Municipal Judge to review cases processed through the VB.

WE RECOMMEND the City of Springfield and the Municipal Division:

- A. Develop procedures for the Municipal Judge or the City Prosecutor to review nolle pros ticket dispositions authorized by court clerks.
- B.1. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all tickets issued.
 - 2. Work with the police department to ensure applicable tickets are filed with the City Prosecutor in a timely manner.
- C. Establish adequate procedures to follow-up on unpaid parking tickets and collect parking fines owed the court.
- D. Develop procedures for the Municipal Judge to review cases processed through the VB.

AUDITEE'S RESPONSE

The Municipal Judge provided the following responses:

- A. *Implemented. Clerks make copies of insurance cards when stamping charges to be dismissed in order to follow the mandate of section 303.025 RSMo that a person who drives with insurance but does not have his insurance card at the time of the stop shall not be prosecuted if proof is later shown. A computer program has been implemented to flag dismissed charges that are not "No Insurance" tickets and this report is reviewed daily by the Clerk of Court.*
- C. *When a parking ticket is issued to a car, the court receives the information without being signed by the prosecutor, without a defendant's name, without an address, without a height, without a weight, without a hair color, without an eye color, without a driver's license number, without a race, and without a gender. The only data usually on the information is the type of car and license plate number, color of car, style of car, and year. If no one appears or pleads guilty via the Violation Bureau by the court date, the prosecutor runs the license plate number in the Department of Revenue Records, submits*

this data to the court, and a notice is sent by the court to the registered owner at the address given by the prosecutor. The Information is not amended by the prosecuting attorney to show the identifiers listed above because, presumably, they are not known, nor is the name of the defendant, only the registered owner of the vehicle is known. If there is no response, no warrant may be issued because there is no defendant to whom to issue it, and MULES (Missouri Uniform Law Enforcement System) will not accept warrants that do not have all identifiers. The city has adopted a "boot" ordinance since the audit was completed to address non-appearing alleged parking violators.

The auditor says that as of December 2, 2006, the court had "5396 overdue parking tickets." A query run May 31, 2007 shows that since June of 2001, 46,376 parking tickets had been issued. Of that number, only 163 involved fines owed but not paid, 0.003 percent. A fine is not owed until there is a plea or finding of guilty and a sentence is imposed. The mere issuance of a parking ticket is an allegation, not an owed fine. A 99.997% collection rate of owed parking fines is at least reasonable.

- D. Missouri Supreme Court Rule 37.49 expressly mandates that the judge "shall designate a clerk" to administer the violations bureau. "The clerk shall perform the duties designated by the court, including accepting appearance, waiver of trial, plea of guilty, and payment of fines and costs for the designated violations, entering the plea on the record, and transmitting the violation record as required by law...." The Clerk of Court and Deputy Clerks have been so designated and have performed these functions for decades. The suggestion of the auditor for a judge to further review violation bureau cases is outside the scope and spirit of the Missouri Supreme Court violation bureau structure to streamline simple cases and is not included in the Missouri Supreme Court Rule. Nevertheless, a review process will be developed to allow review of violation bureau cases to assure that only violation-bureau-eligible cases are being handled through the violation bureau.*

The Police Chief provided the following response:

- B. Currently records and security are maintained regarding the issuance of ticket books to individual officers, conservators of the peace, etc. Each individual officer signs for receipt of the tickets by sequential number and are expected to be able to account for every ticket. On a daily basis, our current system cannot track where each individual ticket is, however, as tickets are issued to violators they are entered into the LETS (Law Enforcement Traffic System) where partial reconciliation is possible, but is not done regularly. We issue approximately 43,000 tickets per year.*

In response to the auditor's recommendation, we have instituted new controls where spot checks will be performed by supervisors. The equipment check-in list has been modified to include a section for return of un-used tickets. Officers who resign or retire will be held accountable for tickets that have been issued to them.

We are also currently exploring the costs and have made application for federal grants to implement an electronic ticket issuing process which would help the tracking of Uniform

Traffic Tickets. The Court and the Police Department will have to work together to implement a system to reach the level of accountability suggested in the audit. Initial estimates suggest a cost of \$320,000-\$350,000 for electronic tickets, and the department is hopeful the cost will be reduced or eliminated through the federal grants.

5. Accounts Receivable Records and Other Procedures

The court's accounts receivable listing is not complete to allow the court to effectively monitor the total amount due to the court. Further, the court and police department have been behind in issuing and entering warrant information.

- A. The court's accounts receivable listing is not complete to allow the court to effectively monitor the total amount due to the court, and warrants were not issued timely when a defendant was delinquent in making payments.

The court allows defendants to make payments on fines and court costs and the court maintains an accounts receivable listing indicating the name, case number, and amount due. At October 25, 2006, court records indicated an accounts receivable balance of approximately \$1.88 million.

- Some individuals with balances due were not included on the accounts receivable listing report. The omitted amounts include defendants who fail to meet with the collection clerk to set up payment arrangements after their court appearance. The court has not attempted to quantify these account balances due.
- Several instances were noted where a defendant was delinquent in making a payment, and a warrant had not been issued timely. For example, one defendant became delinquent in September 2005 and a warrant was not issued until March 2006. Defendants who pay fines and court costs over a period of time are required to sign an agreement noting the amount due and the date by which fines and court costs will be paid.

Complete listings of total accounts receivable are necessary to facilitate the monitoring of amounts due to the court, to provide information to the Municipal Judge, and to help maximize collections. Adequate collection procedures, such as issuing warrants on delinquent accounts, are necessary to ensure proper and timely follow-up action is taken on amounts due the municipal division.

A similar condition was noted in our prior report.

- B. The police department is not entering warrant information into the Missouri Uniform Law Enforcement System (MULES) on a timely basis. When we inquired about the status of warrant information posted into the MULES, police department personnel indicated they were approximately 30 days behind in

entering the information. For example, a warrant issued by the court on October 29, 2006 was not entered into the MULES by the police department until December 28, 2006.

Timely processing of warrant information into the MULES is necessary to allow law enforcement officers access to all information on individuals with outstanding warrants and enable officers to better identify and apprehend serious offenders.

WE RECOMMEND the City of Springfield and the Municipal Division:

- A. Develop procedures to ensure all defendants with amounts due are included on the accounts receivable listing, and ensure appropriate and timely action is taken on all cases with balances due to the municipal division.
- B. Work with the Police Department to ensure warrant information is entered into the MULES on a timely basis.

AUDITEE'S RESPONSE

The Municipal Judge provided the following response:

- A. *Implemented. The court has accounted for all persons who owe money to the court. Using the auditor's terminology of "accounts receivable listing," 6800 defendants comprise this list and are either on a payment plan or have an arrest warrant issued for failing to appear to show cause why they haven't paid. The "incomplete" nature of this listing is 18 names who failed to meet their appointment with the Probation Collections Officer but who, nevertheless, have a warrant issued for their arrest. Even using the auditor's terminology, the "listing" is complete for 99.998 % of defendants, with the remaining .002% being accounted for by an arrest warrant. A recommendation in the previous report was to "ensure appropriate action is taken on all cases with balances due the municipal division." Immediately after this report, a computer program called PEND was implemented and puts all persons with fines owed either on a payment plan or, if they are late on payments or do not appear to make a pay plan, in line for an arrest warrant. Therefore, "appropriate action is taken on all cases with balances due the municipal division" by either being put on a payment plan or having an arrest warrant issued and has been since the audit report in 2000. The timeliness of warrant issuance is a staffing issue and, to date, warrants are being issued within 2-4 weeks of being ordered.*

The Police Chief provided the following response:

- B. *The audit is accurate in that there could be at least a month's delay in entering warrants into the MULES System. The State of Missouri recently began to require significantly more information to be added to each warrant that is entered. The changes have doubled the amount of time required to enter each warrant and there is not adequate staff to handle the volume; thus significant delay in entering warrants into MULES. We process,*

on average, 40 municipal warrants per day and each warrant takes approximately 30 minutes to enter.

6.

Computer System Access

Access to the court's computer system and data files is not adequately restricted and changes to programs and data are not routinely monitored.

- Passwords are used, but are not changed on a periodic basis to ensure confidentiality. As a result, there is less assurance that passwords effectively limit access to the computer system to only those individuals who need access for completion of job responsibilities. Passwords should be unique and changed periodically to reduce the possibility of unauthorized users.
- The System Administrator makes changes to the computer program and has the ability to change court data. The system does not generate a report of changes made by the System Administrator. A report of changes would ensure only authorized changes were made to the computer system.

Since access to various information is not adequately restricted, unauthorized changes could possibly be made to programs and/or data files without the changes being detected.

To establish individual responsibility, and to preserve the integrity of computer programs and data files, access to information should be limited to only those individuals who need it for completion of job responsibilities. Additionally, all changes should be identified by user and change reports should be reviewed by someone independent of the court system.

WE RECOMMEND the City of Springfield and the Municipal Division change passwords periodically and establish procedures to monitor changes made to the computer system.

AUDITEE'S RESPONSE

The Municipal Judge provided the following response:

Implemented. Passwords must be changed every 180 days. Changes to the database are being monitored by journaling, an IBM supplied system. Changes to municipal court programming are being monitored on a monthly basis at the end of each month.

FOLLOW-UP ON PRIOR AUDIT FINDINGS

THIRTY-FIRST JUDICIAL CIRCUIT
CITY OF SPRINGFIELD, MISSOURI
MUNICIPAL DIVISION
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by the city of Springfield Municipal Division on the applicable findings in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended 1999.

The prior recommendations which have not been implemented are repeated in the current MAR.

City of Springfield Municipal Division

- A. Fine and court cost monies were occasionally received from the defendant before the related traffic ticket was received from the city prosecutor and the division did not record or deposit the monies until the related traffic ticket was received.
- B. The police department did not maintain records to account for all traffic tickets and ticket books were not always assigned in numerical order.
- C.1. The division cashed bond refund checks from fine and court cost receipts which did not allow fines and court costs to be deposited intact.
 - 2. The police department did not issue prenumbered bond forms or receipt slips for bond monies received.
- D. Some defendants were delinquent in making a payment and a warrant had not been issued.

Recommendations:

The city of Springfield Municipal Division:

- A. Record receipts immediately upon receipt and deposit receipts daily or when accumulated receipts exceed \$100.
- B. Work with the police department to ensure traffic ticket books are assigned to officers in numerical order and records are maintained to account for the numerical sequence and ultimate disposition of all traffic tickets.
- C.1. Issue separate checks to defendants for the amounts of the bond refunds and to the city for the amount of fines and court costs after case disposition is determined. In addition, the practice of cashing bond refund checks out of other court collections should be discontinued.

2. Work with the police department to ensure prenumbered receipt slips or bond forms are issued for all bond monies received and account for the numerical sequence.
- D. Ensure appropriate action is taken on all cases with balances due the municipal division.

Status:

- A. Not implemented. Payments received from the defendant before the related traffic ticket is received from the city prosecutor are recorded on a log; however, the court does not deposit these monies immediately or reconcile the amounts recorded on this log to the amounts on hand. Some amounts recorded on the log did not agree to the amount of monies on hand. See MAR finding number 2.
- B. Partially implemented. Ticket books are assigned in numerical order; however, some traffic tickets could not be located. See MAR finding number 4.
- C.1. Partially implemented. The court issues two checks to defendants and no longer cashes bond refund checks from fine and court costs receipts; however, cash was withheld from deposits and misappropriated. See MAR finding number 1.
 2. Not implemented. Bonds are no longer collected by the police department but instead are collected by the Greene County Jail. The court has not developed adequate oversight procedures over bond collections which allowed some bonds to be misappropriated. See MAR finding number 1.
- D. Not implemented. See MAR finding number 5.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

THIRTY-FIRST JUDICIAL CIRCUIT
CITY OF SPRINGFIELD, MISSOURI
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Springfield Municipal Division is one of eight municipal divisions within the Thirty-First Judicial Circuit, which is located in Greene County. The Honorable Don Burrell, Jr 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.

Organization

The Court Administrator, along with 19 assistants are responsible for recording transactions as well as handling collections and disbursements. Fines and court costs are deposited directly into the city treasury daily. Bond monies are deposited into a separate municipal division bank account pending disposition. Court is held daily. A VB has been established to receive payment of fines and court costs at times other than during court. Court is held by two full-time municipal judges. In addition, the city hires part-time judges as needed.

Personnel

Chief Municipal Judge	Todd M. Thornhill
Municipal Judge	Dennis E. Budd
Court Administrator	David Yancey*
Court Clerk	Rick L. Thompson
Accounting Services Representative	Deanna Farley**
Computer System Administrator	Philip Krebs

* Janice A. Piper served as Court Administrator prior to June 2006. David Yancey was hired September 25, 2006.

** Rhonda Bateman served as Accounting Services Representative prior to June 2006. Sharon Lovell served as Accounting Services Representative until Deanna Farley was hired November 27, 2006.

Financial and Caseload Information

	<u>Year Ended June 30,</u>		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
Receipts	\$3,483,206	3,625,122	3,114,539
Number of cases filed	48,440	58,510	50,470